



**Port Erin Biopharma Investments Limited**

**Directors' report and annual financial statements**

**For the year ended 30 June 2017**

Registration number: Isle of Man 006874V

# Port Erin Biopharma Investments Limited

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# Port Erin Biopharma Investments Limited

## Corporate information

Company's website	<a href="http://www.porterinbiopharma.com">www.porterinbiopharma.com</a>
Registered Agent & Office	Greystone Trust Company Limited 18 Athol Street Douglas Isle of Man, IM1 1JA
Nominated Adviser	<i>From 14 April 2016:</i> Northland Capital Partners Limited 60 Gresham Street London, EC2V 7BB  <i>Prior to 14 April 2016:</i> Beaumont Cornish Limited 2 <sup>nd</sup> Floor, Bowman House, 29 Wilson Street, London, EC2M 2SJ
Joint Brokers	Peterhouse Corporate Finance Limited New Liverpool House, 15 Eldon Street London, EC2M 7LD  <i>From 16 April 2016:</i> Northland Capital Partners Limited 60 Gresham Street London, EC2V 7BB
Registrar	Capita Registrars (Isle of Man) Limited Clinch's House Lord Street Douglas, Isle of Man, IM1 1JD
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man, IM99 1HN
Legal Advisers	<i>As to Isle of Man Law</i> Long & Humphrey The Old Courthouse Athol Street Douglas Isle of Man, IM1 1LD
Legal Advisers	<i>As to English Law</i> <i>From 30 September 2016:</i> Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London, EC2A 2EW  <i>Prior to 30 September 2016:</i> Kerman & Co. LLP 200 Strand London, WC2R 1DJ
Depository	Capita Registrars (Isle of Man) Limited Clinch's House Lord Street Douglas Isle of Man, IM1 1JD
Administrator	Burnbrae Limited 4 <sup>th</sup> Floor, Viking House Nelson Street Douglas Isle of Man, IM1 2AH

# Port Erin Biopharma Investments Limited

## Chairman's statement

### Introduction

I am pleased to present the audited financial statements for Port Erin Biopharma Investments Limited (the "Company") for the year ending 30 June 2017.

### Financial Review

The total comprehensive loss for the year was £37,030 (2016: loss of £534,369). The investment income, including dividends, net realised gains on sales, and net unrealised gains, was £181,329 (2016: loss of £317,873). Operating expenses were £228,464 (2016: £220,575) with no performance fee charged. There were no exceptional costs during the year. Basic and diluted loss per share decreased to 0.16 pence per share (2016: loss of 2.3 pence per share).

Our invested assets at fair value were £1,052,236 (2016: £2,187,075) and cash stood at £875,885 (2016: £11,985) which, together with other receivables, produced a total asset figure of £2,145,211 (2016: £2,206,395). Current liabilities stood at £30,043 (2016: £54,197). Total net assets were £2,115,168 (2016: £2,152,198). The net asset value per share at the year-end was 9.12 pence (2016: 9.28 pence).

### Asset Review

Of our quoted investments, the most significant holding is in **Regent Pacific Group Limited** ("RPG"). During the year, RPG successfully undertook a placing and top-up subscription, raising net proceeds of HK\$38.48 million. *Fortacin*<sup>™</sup>, the ground-breaking diabetes screening device, can now be prescribed in the UK from a physician either in person or online via an online consultation, with prescriptions to be filled by Chemist 4 U. Three good manufactured practice batches of the *Fortacin*<sup>™</sup> 12 dose product received approval from the European Medicines Agency ("EMA") on 23 March 2017, enabling the commercial manufacture and release of *Fortacin*<sup>™</sup> in the European Union by early 2018. In April 2017, an additional good manufacturing process development at Pharmaserve commenced with the goal of increasing the commercial batch size of *Fortacin*<sup>™</sup> by approximately threefold.

Of our other quoted holdings, **Summit Therapeutics plc** recently released encouraging news about the progress of the ongoing Phase 2 clinical trial evaluating their lead utrophin modulator *ezutromid*, a potentially disease-modifying treatment for all patients with Duchenne muscular dystrophy. Trial results are anticipated to be released in the first quarter 2018. In addition, the development of their precision CDI antibiotic, *ndinilazole*, proceeds apace with another positive Phase 2 trial and the award of an up to US\$62 million contract from BARDA which will part-support the Phase 3 clinical and regulatory development of *ndinilazole*.

**SalvaRX Group plc** continues to build a pipeline of novel cancer immunotherapies. They collaborated with Nekonal S.A.R.L. to form Nekonal Oncology Ltd and invested to acquire 33% of the joint venture company. They also acquired 31% of the equity in RIFT Biotherapeutics Inc., a company focused on the development of antibodies for use in oncology. Investee company Intensity Therapeutics Limited advanced its first product into the clinic. More recently, they announced the formation of Saugatuck Therapeutics in conjunction with Immunova LLC to focus on the use of *nanolipogel* technology in the delivery of DNA aptamers and certain aptamer-based combination products.

**Luminor Medical Technologies Inc.**, a medical diagnostic company focused on acquiring, developing and commercialising medical technologies for unmet clinical needs, has recently acquired Jamaica-BLU Ltd. This acquisition includes the exclusive Canadian and Jamaican licences for all current and future commercial cannabis products owned and developed by Rise Research Inc. These products are precise patent-pending formulations providing specifically targeted for various ailments and diseases, including diabetes.

Of our unquoted holdings, the principal investment is in the **Diabetic Boot Company Limited** ("DBC") to provide it with a loan of £200,000 less expenses, for working capital purposes in commercialising its ground breaking PulseFlowDF<sup>™</sup> device for the treatment of diabetic foot ulcers. The loan pays a coupon of 7 per cent, is secured 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. We already hold 7,105 shares in DBC, representing 0.74 per cent of its issued share capital.

Finally, we are encouraged by the progress of **Insilico Medicine, Inc.** a start-up that joined the Skolkovo Foundation's biomed cluster, and is headed by Dr Alex Zhavoronkov. The company applies artificial intelligence to extend human productive longevity and transform the pharmaceutical industry by providing services to academics and pharmaceutical companies. They also license 827 drug-disease predictions and biomarkers to aid validation for leads in new drug therapies.

### Chairman's statement (continued)

# Port Erin Biopharma Investments Limited

## **Strategy and Outlook**

Our investments continue to show significant promise and we are actively considering a number of options for future investments.

**Jim Mellon**  
Chairman

# Port Erin Biopharma Investments Limited

## Directors' report

The Directors of Port Erin Biopharma Investments Limited (the "Company") take pleasure in presenting the Directors' report and financial statements for the year ended 30 June 2017.

## Principal activity

The Company was formed for the purpose of investing in the biotechnology and biopharmaceutical sector. The Company was incorporated on 3 May 2011 under the Isle of Man Companies Act 2006 and has no employees other than Directors. On 15 September 2011, the Company's shares were admitted to AIM.

## Results and transfer to reserves

The results and transfers to reserves for the year are set out on pages 10 and 12.

The Company made a loss for the year after taxation of £37,030 (2016: loss of £534,369).

## Dividend

The Directors do not propose the payment of a dividend (2016: £nil).

## Directors

The Directors who served during the year and to date were:

Jim Mellon  
Denham Eke  
Anderson Whamond

## Auditors

Our auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

## Directors' interests

As at 30 June 2017, the interests of the Directors and their families (as such term is defined in the AIM Rules for Companies) in the share capital of the Company are as follows:

	Number of Ordinary Shares		Percentage of Issued Capital
	Direct Interests	Other Interests	
Jim Mellon <sup>(1)(2)</sup>	1,273,960	5,455,313	29.01%

Notes to Directors' Interests:

(1) Galloway Limited, a company where Jim Mellon is considered to be the ultimate beneficial owner, holds 5,455,313 Ordinary shares.

(2) Denham Eke is a director of Galloway Limited.

# Port Erin Biopharma Investments Limited

## Directors' report (continued)

### Significant shareholdings

Except for the interests disclosed in this note, the Directors are not aware of any holding of ordinary shares as at 30 June 2017 representing 3% or more of the issued share capital of the Company:

	<b>Number of ordinary shares</b>	<b>Percentage of total issued capital</b>
Jim Mellon <sup>(1)</sup>	6,729,273	29.01%
Hargreaves Lansdown (Nominees) Limited HLNOM	1,579,748	6.81%
Share Nominees Ltd	1,350,003	5.82%
The Bank of New York (Nominees)	1,250,000	5.39%
Vidacos Nominees Limited	1,050,000	4.53%
Barclayshare Nominees Limited	866,677	3.74%
European Pensions Management	711,510	3.07%

Note:

- (1) Jim Mellon's shareholding consists of 5,455,313 shares held by Galloway Limited. Galloway Limited is a company where Jim Mellon is considered to be the ultimate beneficial owner. The balance of Jim Mellon's shareholding is held in his own name.

On behalf of the Board

**Denham Eke**

Director

28 December 2017

18 Athol Street  
Douglas  
Isle of Man  
IM1 1JA  
British Isles

# Port Erin Biopharma Investments Limited

## **Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), as applicable to an Isle of Man company 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 its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Isle of Man Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Port Erin Biopharma Investments Limited

## Report of the Independent Auditors, KPMG Audit LLC, to the members of Port Erin Biopharma Investments Limited

### 1 Our opinion is unmodified

We have audited the financial statements of Port Erin Biopharma Investments Limited (“the Company”) for the year ended 30 June 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company’s affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as applicable to an Isle of Man company; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

### **Emphasis of Matter – valuation of unquoted investments**

We draw attention to notes 1(b), 1(d) and 9 to the financial statements concerning the valuation of the unquoted investments of £386,660. These are stated at Directors’ valuation, in the absence of readily ascertainable and reliable market values, as disclosed in note 9. Due to the significant inherent uncertainty associated with the determination of the valuations, the amount realised on their disposal may differ materially from the amounts at which they are stated in the financial statements. The impact of this uncertainty cannot be quantified. Our opinion is not modified in respect of this matter.

### **Emphasis of Matter – loan receivable**

We draw attention to note 8 to the financial statements concerning the loan receivable from Diabetic Boot Company Limited of £200,000. As at 30 June 2017 Diabetic Boot Company Limited had net liabilities of £2.182m. The financial position of Diabetic Boot Company Limited creates inherent uncertainty as to whether the Company will recover the full loan receivable. The impact of this uncertainty cannot be quantified. Our opinion is not modified in respect of this matter.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **2 Key audit matters: our assessment of risks of material misstatement**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2016).

	The risk	Our response
<p><b>Valuation of unquoted investments</b> (2017: £386,660; 2016: £401,871)</p> <p>Refer to note 1(b) (used estimates and judgement), 1(d) (accounting policy for financial instruments) and note 9 (financial risk disclosures relating to financial instruments).</p>	<p><b>Subjective valuation</b> 17.2% of the Company’s total assets (by value) are held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with IAS 39 and based on the British Private Equity &amp; Venture Capital Association and the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, where available.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Control design:</b> Documenting and assessing the design and implementation of the investment valuation processes and controls;</li> <li>— <b>Control observation:</b> Review year-end investment valuation memorandum prepared by the Directors to assess their discussion and review of the investment valuations;</li> <li>— <b>Methodology choice:</b> In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;</li> </ul>

# Port Erin Biopharma Investments Limited

Report of the Independent Auditors, KPMG Audit LLC, to the members of Port Erin Biopharma Investments Limited (Continued)

		<ul style="list-style-type: none"> <li>— <b>Our valuations experience:</b> Challenging the Directors on key judgements affecting investee company valuations. We challenged the assumptions around the plans of the investee companies and obtained an understanding of current product development of the investee entities and recent ability to raise additional funding. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report where applicable;</li> <li>— <b>Comparing valuations:</b> Where a recent transaction has been used as a basis to value a holding we have compared available information in respect of the transaction with the original cost recorded in respect of the investments.</li> <li>— <b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the significant inherent uncertainty associated with valuing such investments.</li> </ul>
<p><b>Carrying amount of quoted investments</b> (2017: £683,576; 2016: £1,785,204)</p> <p>Refer to note 1(d) (accounting policy for financial instruments) and note 9 (financial risk disclosures relating to financial instruments).</p>	<p><b>Low risk, high value</b> The Company's portfolio of quoted investments makes up 31.9% of the Company's total assets (by value) and is considered to be one of the key drivers of financial results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Control design:</b> Documenting and assessing the processes in place to record investment transactions and to value the portfolio;</li> <li>— <b>Tests of detail:</b> Agreeing the valuation of 100 per cent of quoted investments in the portfolio to externally quoted prices; and</li> <li>— <b>Enquiry of custodians:</b> Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians.</li> </ul>

### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £63,455 (2016: £64,000), determined with reference to a benchmark of net assets, of which it represents 3% (2016: 3%). We design our procedures to detect errors at a lower level of precision, set at £45,000.

We consider net assets to be the most appropriate benchmark as it is consistent with reporting provided to investors.

We agreed to report to the Board of Directors any corrected or uncorrected identified misstatements exceeding £3,170, in addition to other identified misstatements that warranted reporting on qualitative grounds.

# Port Erin Biopharma Investments Limited

## Report of the Independent Auditors, KPMG Audit LLC, to the members of Port Erin Biopharma Investments Limited (continued)

### **4 We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **5 We have nothing to report on the other information in the Annual Report**

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### ***Directors' report***

Based solely on our work on the other information:

- we have not identified material misstatements in the Directors' report; and
- in our opinion the information given in that report for the financial year is consistent with the financial statements.

### **6 Respective responsibilities**

#### ***Directors' responsibilities***

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditor's responsibilities***

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **7 The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Section 80(c) of the Isle of Man 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.

#### **KPMG Audit LLC**

*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

28 December 2017

# Port Erin Biopharma Investments Limited

## Statement of comprehensive income for the year ended 30 June 2017

	Notes	2017 £	2016 £
<b>Income</b>			
Investment gain/(loss)	3	180,329	(317,873)
Other income		1,000	-
		<u>181,329</u>	<u>(317,873)</u>
<b>Operating expenses</b>			
Directors' fees	2	(10,000)	(10,000)
Performance fee	2	-	-
Other costs	4	(218,464)	(210,575)
Foreign exchange gains		132	4,048
		<u>(47,003)</u>	<u>(534,400)</u>
<b>Loss from operating activities</b>	5	<b>(47,003)</b>	<b>(534,400)</b>
Interest received		9,973	31
		<u>(37,030)</u>	<u>(534,369)</u>
<b>Loss before taxation</b>		<b>(37,030)</b>	<b>(534,369)</b>
<b>Taxation</b>	1(i)	-	-
		<u>(37,030)</u>	<u>(534,369)</u>
<b>Loss for the year</b>		<b>(37,030)</b>	<b>(534,369)</b>
Other comprehensive income		-	-
		<u>(37,030)</u>	<u>(534,369)</u>
<b>Total comprehensive loss for the year</b>		<b>(37,030)</b>	<b>(534,369)</b>
		<u><u>(37,030)</u></u>	<u><u>(534,369)</u></u>
Basic and diluted earnings/(loss) per share (pence)	12	<b>(0.16)</b>	(2.30)

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

The notes on pages 14 to 26 form an integral part of these financial statements.

# Port Erin Biopharma Investments Limited

## Statement of financial position as at 30 June 2017

	Notes	2017 £	2016 £
<b>Current assets</b>			
Financial assets at fair value through profit or loss	7	1,052,236	2,187,075
Loan receivable	8	200,000	-
Trade and other receivables		17,090	7,335
Cash and cash equivalents		875,885	11,985
<b>Total assets</b>		<b>2,145,211</b>	<b>2,206,395</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	6	23	23
Share premium	6	1,890,142	1,890,142
Retained earnings		225,003	262,033
		<b>2,115,168</b>	<b>2,152,198</b>
<b>Current liabilities</b>			
Trade and other payables	10	30,043	54,197
<b>Total equity and liabilities</b>		<b>2,145,211</b>	<b>2,206,395</b>

The notes on pages 14 to 26 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 28 December 2017 and were signed on their behalf by:

**Denham Eke**  
Director

# Port Erin Biopharma Investments Limited

## Statement of changes in equity for the year ended 30 June 2017

	<i>Notes</i>	Share Capital £	Share Premium £	Retained Profit £	Total £
Balance at 30 June 2016		23	1,890,142	262,033	2,152,198
Total comprehensive loss for the year		-	-	(37,030)	(37,030)
<b>Balance at 30 June 2017</b>		<b>23</b>	<b>1,890,142</b>	<b>225,003</b>	<b>2,115,168</b>

	<i>Notes</i>	Share Capital £	Share Premium £	Retained Profit £	Total £
Balance at 30 June 2015		23	1,890,142	796,402	2,686,567
Total comprehensive loss for the year		-	-	(534,369)	(534,369)
<b>Balance at 30 June 2016</b>		<b>23</b>	<b>1,890,142</b>	<b>262,033</b>	<b>2,152,198</b>

The notes on pages 14 to 26 form an integral part of these financial statements.

# Port Erin Biopharma Investments Limited

## Statement of cash flows for the year ended 30 June 2017

	<i>Notes</i>	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Loss for the year		(37,030)	(534,369)
Adjusted for:			
Foreign exchange gains		132	4,084
Interest received		(9,973)	(31)
Realised and unrealised (gains)/losses on investments	3	(180,329)	317,873
		<hr/>	<hr/>
<b>Operating loss before changes in working capital</b>		<b>(227,200)</b>	<b>(212,443)</b>
Change in receivables		(9,756)	311
Change in payables		(24,154)	22,597
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		<b>(261,110)</b>	<b>(189,535)</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of investments		(79,837)	(136,486)
Proceeds from sale of investments		1,395,006	86,491
Loan advanced		(200,000)	-
Interest received		9,973	31
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,125,142</b>	<b>(49,964)</b>
		<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>864,032</b>	<b>(239,499)</b>
Cash and cash equivalents at beginning of year		11,985	255,568
Effect of exchange rate differences		(132)	(4,084)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of year</b>		<b>875,885</b>	<b>11,985</b>
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 14 to 26 form an integral part of these financial statements.

# Port Erin Biopharma Investments Limited

## Notes

*(forming an integral part of the financial statements for the year ended 30 June 2017)*

### 1 Accounting policies

Port Erin Biopharma Investments Limited is a Company domiciled in the Isle of Man. The Company's strategy is to create value for Shareholders through investing in companies that have the potential to generate substantial revenues through the development of biopharmaceutical drugs.

The principal accounting policies are set out below.

#### a) *Statement of compliance*

The financial statements are prepared on the historical cost basis except for the valuation of financial assets and liabilities which are held at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union.

The financial statements were approved by the Board of Directors on 28 December 2017.

#### b) *Basis of preparation*

##### *Use of estimates and judgment*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the Directors in the application of IFRS, as adopted by the EU, that have a significant impact on the financial statements and estimates with a significant risk of material adjustment in the next financial year relate to valuation of financial assets at fair value through profit or loss. The determination of fair values for financial assets for which there is no observable market price requires the use of valuation techniques as described in accounting policy 1(d). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The portfolio companies are all in the start-up/development stage and in biotechnology and biopharmaceutical sector. By their nature, such companies are difficult to value, as they have little or no track record regarding sales and margins and may be subject to continued funding being available in order to continue in operation. The eventual outcome may differ from the value estimate. See also note 9 in respect of the valuation of financial instruments.

##### *Going concern*

The financial statements have been prepared on a going concern basis, taking into consideration the level of cash and liquid investments held by the Company. The Directors have a reasonable expectation that the Company will have adequate resources for its continuing existence and projected activities for the foreseeable future, and for these reasons, continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2017.

##### *Functional and presentation currency*

These financial statements are presented in Pound Sterling (£) which is the Company's functional currency and rounded to the nearest pound.

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 1 Accounting policies (continued)

#### c) *Investment income*

Any realised and unrealised gains and losses on investments are presented within 'Investment (loss)/gain'.

Interest income earned during the period, is accrued on a time apportionment basis, by reference to the principal outstanding and the effective rate applicable.

Dividend income is recognised when a security held goes ex-dividend. Dividends are shown as net cash received, after the deduction of withholding taxes.

#### d) *Financial instruments*

##### *Classification*

The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated at fair value through profit or loss at inception.

Financial assets held for trading are acquired or incurred principally for the purpose of selling in the short term.

Financial assets designated at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

Financial assets that are classified as loans and receivables include amounts due from brokers, other receivables.

##### *Recognition/de-recognition*

Purchases and sales of investments are recognised on their trade date, which is the date on which the Company commits to purchase or sell the asset. Investments are initially measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

##### *Measurement*

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Any gains and losses arising from changes in 'financial assets at fair value through profit or loss' are included in profit or loss in the period in which they arise. Interest from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income using the effective interest rate method. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income when the Company's right to receive payment is established.

##### *Fair value measurement principles*

The fair value of investment holdings of listed investments is based on their quoted market prices at the reporting date on a recognised exchange or in the case of non-exchange traded instruments, sourced from a reputable counterparty, without any deduction for estimated future selling costs. Financial assets are priced at their closing bid prices, while financial liabilities are priced at their closing offer prices.

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 1 Accounting policies (continued)

#### d) *Financial instruments (continued)*

##### *Fair value measurement principles (continued)*

Company assets may, at any time include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under securities laws.

If a quoted market price is not available on a recognised stock exchange, or a market is not sufficiently active for the market price to be considered reliable, or if a price is not available from a reputable counterparty, fair value of the financial instruments may be estimated by the Directors using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The Company recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change occurred.

##### *Impairment of financial assets*

The Company assesses at each reporting date whether a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value.

##### *Trade and other receivables*

Trade and other receivables originated by the Company are initially recognised at fair value and subsequently stated at amortised cost less impairment losses.

##### *Trade and other payables*

Trade and other payables are initially recognised at fair value less directly attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

#### e) *Share capital and share premium*

Ordinary shares are classified as equity. The ordinary shares of the Company have a par value of £0.000001 each. Excess proceeds received for the issue of shares has been credited to share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### f) *Warrants*

The fair value of warrants is calculated using the Black-Scholes option pricing model (where no fair value of the service or assets provided is evident) and is recognised as expense over the vesting period where applicable with a corresponding increase in equity. On determining fair values, terms and conditions attaching to the warrants are taken into account. Management is also required to make certain assumptions and estimates regarding such items as the life of warrants, volatility and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 1 Accounting policies (continued)

#### g) Foreign currencies

Transactions in foreign currencies are translated into the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### h) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year, and have not been applied in preparing these consolidated historical financial statements:

<b>New/revised International Accounting Standards/International Financial Reporting Standards (“IAS”/ “IFRSs”)</b>	<b>Effective date</b> (accounting periods commencing on or after)
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group’s financial statements in the period of initial application.

There has been no material impact on the Company’s financial statements of new standards or interpretations that have come into effect during the current reporting period.

#### i) Taxation

The Company is subject to income tax at a rate of 0% in the Isle of Man, and accordingly, no tax has been provided for in these financial statements.

The Company may be subject to withholding taxes in relation to income from investments, or investment realisation proceeds or gains, and such amounts will be accounted for as incurred.

### 2 Directors’ and performance fees

The fees of Directors who served during the year ended 30 June 2017 were as follows:

	<b>2017</b>	2016
	<b>£</b>	<b>£</b>
Jim Mellon	-	-
Denham Eke	-	-
Alexander Anderson Stuart Whamond	<b>10,000</b>	10,000
	<b>10,000</b>	10,000

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 2 Directors' and performance fees (continued)

On 6 May 2011, Shellbay Investments Limited entered into a Letter of Appointment with the Company to provide the services of Jim Mellon as Non-Executive Chairman of the Company. The Letter of Appointment was for an initial period of twelve months, from 16 May 2011 and was renewed on 1 June 2012, and may be terminated on not less than one month's notice given by either party at any time. The Letter of Appointment contains provisions for early termination, *inter alia*, in the event of a breach by Jim Mellon. Remuneration under the Letter of Appointment shall be payable to Shellbay Investments Limited and shall be satisfied by the issue of such number of Ordinary Shares equivalent to 15.0 per cent. of any increase in the Net Asset Value of the Company over each quarterly period, subject to an initial high watermark of 10 pence per share. This fee is recorded as a performance fee since it is based on the performance of the Company. There are no provisions providing for any benefit to Shellbay Investments Limited or Jim Mellon on the termination of the engagement. Total fees payable to Shellbay Investments Limited for the year under this arrangement were £Nil (2016: £Nil) with no balance remaining outstanding at the year-end (2016: £Nil).

Denham Eke was appointed a Director on 30 May 2012 and currently receives no remuneration for providing his services.

Alexander Anderson Stuart Whamond was appointed as a Non-Executive Director of the Company on 12 April 2013 and is entitled to receive a fee of £10,000 per annum.

### 3 Investment income

Derived from financial assets held at fair value through profit or loss at initial recognition:

	2017 £	2016 £
Net realised gains/(losses) on sale of investments	61,178	(108,533)
Net unrealised gains/(losses) on investments	119,151	(209,340)
	<u>180,329</u>	<u>(317,873)</u>

### 4 Performance and other costs

	2017 £	2016 £
Auditors' fees	18,030	18,699
Bank charges	114	212
Insurance	6,556	5,829
Professional fees	193,540	185,365
Sundry expenses	224	4,700
	<u>218,464</u>	<u>214,805</u>

The Company has no employees other than the Directors.

### 5 Profit from operating activities

Profit from operating activities is stated after charging:

	2017 £	2016 £
Auditors' fees	18,030	18,699
Directors' fees	10,000	10,000
	<u>28,030</u>	<u>28,699</u>

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 6 Share capital and share premium

Each share in the Company confers upon the shareholder:

- the right to one vote at a meeting of the shareholders or on any resolution of shareholders;
- the right to an equal share in any dividend paid by the Company, and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

The Company may by resolution of Directors redeem, purchase or otherwise acquire all or any of the shares in the Company subject to regulations set out in the Company's Articles of Association.

		2017 £	2016 £
<i>Authorised</i>			
2,000,000,000 Ordinary shares of £0.000001		<u>2,000</u>	<u>2,000</u>
	<b>No. of Shares</b>	<b>Share Capital</b>	<b>Share Premium</b>
<i>Issued</i>			
Balance at 01 July 2016	<u>23,195,558</u>	<u>23</u>	<u>1,890,142</u>
Balance at 30 June 2017	<u>23,195,558</u>	<u>23</u>	<u>1,890,142</u>
Balance at 30 June 2016	<u>23,195,558</u>	<u>23</u>	<u>1,890,142</u>

#### *Capital management*

The Company manages its capital to maximise the return to shareholders through the optimisation of equity. The capital structure of the Company as at 30 June 2017 consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and the strategy approved by shareholders. To maintain or adjust the capital structure, the Company may make dividend payments to shareholders, return capital to shareholders or issue new shares and release the share premium account. No changes were made in the objectives, policies or processes during the year under review.

### 7 Financial assets at fair value through profit or loss

	2017 £	2016 £
Quoted	<u>683,576</u>	1,785,204
Unquoted	<u>368,660</u>	401,871
	<u>1,052,236</u>	<u>2,187,075</u>

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 7 Financial assets at fair value through profit or loss (continued)

	2017 £	2016 £
Equities	1,052,236	2,185,960
Warrants	-	1,115
	<u>1,052,236</u>	<u>2,187,075</u>

These financial instruments were designated as at fair value through profit or loss on initial recognition. See note 9 regarding the valuation of investments.

### 8 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 pays a coupon of 7 per cent, is unsecured and is fully repayable on the earlier of 31 March 2017 or the date on which DBC secures additional equity funding of £1,000,000. In December 2017 the loan repayment date was extended to 31 March 2018. See note 13. As at 30 June 2017, the Diabetic Boot Company Limited had net liabilities. However, the Directors have assessed the loan receivable for impairment and have concluded that it is fully recoverable on the basis that the Diabetic Boot Company Limited continues to receive shareholder and investor support in relation to its ongoing working capital requirements.

### 9 Financial instruments

#### Financial Risk Management

The Company has risk management policies that systematically view the risks that could prevent it from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic and business planning. The Directors have identified each risk and are responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

The Company's principal financial instruments consist of investments, cash, receivables and payables arising from its operations and activities. The main risks arising from the Company's financial instruments and the policies for managing each of these risks are summarised below.

#### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its obligations. The Company's credit risk is primarily attributable to investments, receivables and cash balances with the maximum exposure being the reported balance in the statement of financial position. The Company has a nominal level of debtors and as such the Company believes that the credit risk to these is minimal. The Company holds available cash and securities with licensed banks and financial institutions. The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The funds are available on demand.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2017 £	Carrying amount 2016 £
Investments:		
Quoted	683,576	1,785,204
Unquoted	368,660	401,871
Cash and cash equivalents	875,885	11,985
Loan receivable	200,000	-
Receivables	17,090	7,335
	<u>2,145,211</u>	<u>2,206,395</u>

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 9 Financial instruments (continued)

#### Financial Risk Management (continued)

##### Market price risk

Market price risk is the risk that the market price will fluctuate due to macro-economic issues such as changes in market factors specific to that security, market interest rates and foreign exchange rates.

The Company is exposed to significant market price risks as financial instruments recognised are linked to market price volatility.

A 1% increase/decrease in market value of investments would increase/decrease equity and profit by £10,522.

##### Liquidity risk

The Company is exposed to liquidity risk to the extent that it holds investments that it may not be able to sell quickly at close to fair value.

The risk is managed by the Company by means of cash flow planning to ensure that future cash requirements are anticipated and, where financial instruments have to be sold to meet these requirements, the process is carried out in a controlled manner intended to minimise the liquidity risk involved.

The residual undiscounted contractual maturities of financial liabilities are as follows:

30 June 2017

	Less than 1 month £	1-3 months £	3 months to 1 year £	1-5 years £	Over 5 years £	No stated maturity £
<b>Financial liabilities</b>						
Trade and other payables	30,043	-	-	-	-	-
	<b>30,043</b>	-	-	-	-	-

30 June 2016

	Less than 1 month £	1-3 months £	3 months to 1 year £	1-5 years £	Over 5 years £	No stated maturity £
<b>Financial liabilities</b>						
Trade and other payables	54,197	-	-	-	-	-
	<b>54,197</b>	-	-	-	-	-

##### Interest rate risk

A significant share of the Company's assets can be comprised of cash held at banks. As a result, the Company is subject to risk due to fluctuations in the prevailing level of market interest rates. However, income earned from bank interest is not considered material to the Company's performance or financial position.

##### Fair values of financial assets and liabilities

At 30 June 2017, the carrying amounts of cash resources, trade and other receivables, and trade and other payables approximate fair value due to their short-term maturities.

##### Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to financial assets and liabilities that are denominated in a number of currencies.

# Port Erin Biopharma Investments Limited

Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

## 9 Financial instruments (continued)

Foreign currency risk (continued)

### GBP equivalents as at 30 June 2017

	Investments £	Cash at bank £	Total by currency £
HKD	341,859	-	341,859
USD	155,549	879	156,428
CAD	11,306	-	11,306
	<u>508,714</u>	<u>879</u>	<u>509,593</u>

### GBP equivalents as at 30 June 2016

	Investments £	Cash at bank £	Total by currency £
EUR	1,231,912	-	1,231,912
HKD	249,594	-	249,594
USD	70,641	747	71,388
CAD	10,629	-	10,629
	<u>1,562,776</u>	<u>747</u>	<u>1,563,523</u>

The following significant exchange rates applied during the year:

	Average rate for active year 2017	Average rate for active year 2016
HKD	9.851	11.5104
USD	1.269	1.4841
CAD	1.683	1.9680
EUR	1.164	1.3377
	<b>Year-end rate 2017</b>	<b>Year-end rate 2016</b>
HKD	10.149	10.387
USD	1.300	1.339
CAD	1.688	1.735
EUR	1.137	1.206

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 9 Financial instruments (continued)

#### *Sensitivity analysis*

A 5% percent strengthening of Sterling against the Euro, Hong Kong Dollar, US Dollar and Canadian Dollar at 30 June 2017 would have decreased equity and profit for the year by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity	Profit or loss
HKD	(£16,279)	(£16,279)
USD	(£7,451)	(£7,451)
CAD	(£538)	(£538)

For example, a 5% percent weakening of Sterling against the Euro and US Dollar at 30 June 2017 would have the equal but opposite effect on the basis that all other variables, in particular interest rates, remain constant.

#### *Fair value of financial instruments*

The fair values of financial assets and financial liabilities that are traded in an active market are based on quoted market prices. For all other financial instruments, the Company determines fair values using other valuation techniques in compliance with IAS39 and based on the British Private Equity & Venture Capital Association ("BVCA") and International Private Equity and Venture Capital Valuation Guidelines ("IPEV").

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 9 Financial instruments (continued)

*Fair value of financial instruments (continued)*

*Fair value hierarchy measurement at 30 June 2017*

Investments in securities at fair value:

	<b>Total</b>	<b>Quoted prices In active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable Inputs (Level 3)</b>
Investments				
Quoted	683,576	683,576	-	-
Unquoted	368,660	-	-	368,660
	<u>1,052,236</u>	<u>683,576</u>	<u>-</u>	<u>368,660</u>

Reconciliation of Level 3 investments:

Opening balance	400,756
Changes due to fluctuations in foreign currency	1,116
Purchases	76,915
Unrealised loss	(110,127)
Closing balance	<u>368,660</u>

*Fair value hierarchy measurement at 30 June 2016*

Investments in securities at fair value:

	<b>Total</b>	<b>Quoted prices In active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable Inputs (Level 3)</b>
Investments				
Quoted	1,785,204	1,785,204	-	-
Unquoted	401,871	-	1,115	400,756
	<u>2,187,075</u>	<u>1,785,204</u>	<u>1,115</u>	<u>400,756</u>

Reconciliation of Level 3 investments:

Opening balance	231,807
Changes due to fluctuations in foreign currency	5,534
Purchases	94,995
Transfers in fair value hierarchy	68,420
Closing balance	<u>400,756</u>

# Port Erin Biopharma Investments Limited

## Notes (continued)

(forming an integral part of the financial statements for the year ended 30 June 2017)

### 9 Financial instruments (continued)

*Fair value of financial instruments (continued)*

There have been no disposals or reclassifications of investments classified as Level 3 during the financial year ending 30 June 2017.

In the absence of observable prices or suitable unobservable model inputs being available and, given level 3 portfolio companies are in the start-up/development stage and in the biotechnology/biopharmaceutical sector, the Board believes that a recent share transaction cost represents the best available estimate of fair value, where available. Where applicable, the Company's Level 3 investments are valued at the price of each funding round of the respective companies entered into with their shareholders, adjusted where necessary should the Directors deem any impairment is needed in order to determine the fair value. From the date of acquisition of one of the investments (representing £53,288 of the unquoted investments as at 30 June 2017), one additional funding round occurred to the date of these financial statements resulting in an impairment of £110,127 below original cost after a further discount was also applied by the Directors to reflect the funding position of this category. All other Level 3 investments (totalling £315,372 as at 30 June 2017) are held at cost, which is considered by the Board to approximate fair value. The only change in the value of these occur if the investments are not denominated in Sterling, and will thus be subject to foreign exchange rate fluctuations. The Directors do not consider any of the investments to be impaired and deem them to be at fair value. Although the Board believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The Board continues to monitor the performance of the investee entities and the underlying information available in order to assess whether the valuation technique adopted and the fair value hierarchy remain appropriate.

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis, the Directors believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

### 10 Trade and other payables

	2017	2016
	£	£
Provision for audit fee	17,388	16,746
Other provisions	9,157	12,370
Trade creditors	3,498	25,081
	<u>30,043</u>	<u>54,197</u>

### 11 Related party transactions

Under an agreement dated 1 December 2011, Burnbrae Limited, a Company for which Jim Mellon is the ultimate beneficial owner and Denham Eke is a Director, provide certain services, principally accounting and administration, to the Company. This agreement may be terminated by either party on three months' notice. The charge for services provided in the year in accordance with the contract was £30,000 (2016: £30,000) of which £nil was outstanding as at the year-end (2016: £9,000).

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 2). The charge for services provided in the year was £Nil (2016: £Nil) of which £Nil was outstanding at the year-end (2016: £Nil).

Jim Mellon holds personal interests both directly and indirectly in the Diabetic Boot Company Limited.

The Company entered into a Letter of Engagement with Mediqventures Limited in July 2014 to research and propose potential investment opportunities for the Company. Under the agreement, Mediqventures Limited is paid US\$ 60,000 per annum. Jim Mellon is a controller of Mediqventures Limited and both Jim Mellon and Denham Eke are directors. This contract came to an end on 31 March 2017.

# Port Erin Biopharma Investments Limited

## Notes (continued)

*(forming an integral part of the financial statements for the year ended 30 June 2017)*

### **12 Basic and diluted earnings per share**

The calculation of basic earnings per share of the Company is based on the loss for the year of £37,030 and the weighted average number of shares of 23,195,558 in issue during the year.

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 as at 30 June 2017.

### **13 Subsequent events**

In July 2017, the Company invested US\$250,000 in Agex Therapeutics, Inc.

In December 2017, the Directors agreed to extend the repayment date of the loan receivable from the Diabetic Boot Company Limited ("DBC"). The loan is fully repayable on the earlier of 31 March 2018 or the date on which DBC secures additional equity funding of £1,000,000. The Directors have assessed the loan receivable for impairment and have concluded that it is fully recoverable on the basis that the Diabetic Boot Company Limited continues to receive shareholder and investor support in relation to its ongoing working capital requirements.

### **14 Commitments and contingent liabilities**

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