Port Erin Biopharma Investments Limited

Annual report and annual financial statements

For the year ended 30 June 2018

Registration number: Isle of Man 006874V

Port Erin Biopharma Investments Limited

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Corporate information

Company's website	www.porterinbiopharma.com
Registered Agent & Office	Greystone Trust Company Limited 18 Athol Street Douglas Isle of Man, IM1 1JA
Nominated Adviser	*From 8 February 2018*: Beaumont Cornish Limited 10th Floor, 30 Crown Place, London, EC2A 4EB *Prior to 8 February 2018*: Northland Capital Partners Limited, 60 Gresham Street London, EC2V 7BB
Broker	*From 8 February 2018*: Optiva Securities Limited New Liverpool House, 49 Berkeley Square, Mayfair, London, W1J 5AZ *Prior to 8 February 2018*: Peterhouse Corporate Finance Limited New Liverpool House, 15 Eldon Street London, EC2M 7LD *Prior to 8 February 2018:* Northland Capital Partners Limited 60 Gresham Street London, EC2V 7BB
Registrar	Link Asset Services (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	*As to Isle of Man Law* Long & Humphrey The Old Courthouse Athol Street Douglas Isle of Man, IM1 1LD
Legal Advisers	*As to English Law* Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London, EC2A 2EW
Depositary	Link Asset Services (Isle of Man) Limited Clinch's House Lord Street Douglas Isle of Man, IM1 1JD
Administrator	Burnbrae Limited 4th Floor, Viking House Nelson Street Douglas Isle of Man, IM1 2AH

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 2018.

Financial Review

The Company recorded a net loss of £211,406 for the period (2017: loss of £37,030). Our investment income, including dividends, net realised gain on sales, and net unrealised losses, reflected a loss of £26,603 (2017: gain of £181,329). Operating expenses remained at a similar level at £201,411 (2017: £228,464), principally representing the costs of maintaining our listing. The period included no performance fee and no performance fee has been accrued during the period under review. There were no exceptional costs during the period. The basic and diluted loss per share was 0.91 pence (2017: loss of 0.16 pence).

Our invested assets at fair value increased to £1,131,164 (2017: £1,052,236), and cash and equivalents were £555,293 (2017: £875,885). Thus, our total assets, including receivables of £14,480 (2017: £17,090) and a loan note, plus accrued interest, of £226,584 (2017: £200,000), stood at £1,927,521 (2017: £2,145,211). Payables stood at £23,759 (2017: £30,043). As a result, the net asset value per share at 30 June 2018 was 8.21 pence (2017: 9.12 pence).

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.

The Board is currently refining the Company's business plan which will incorporate the risk and compliance framework.

Investment Review

Of our quoted investments, **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. Fortacin™ was commercially launched in the United Kingdom in November 2016 and can now be prescribed in the UK from a physician either in person or online via an online consultation, with prescriptions to be fulfilled by Chemist 4 U. The European roll-out commenced in Europe in early 2018 by way of first sales from Recordati Group ("Recordati"), RPG's commercial partner, to wholesalers in Italy on 9 February 2018. First Fortacin™ sales in France and Spain followed on 16 and 19 February 2018 respectively, and thereafter in Germany and Portugal on 1 March 2018. Following the first commercial sale of Fortacin™ in each of France, Germany, Italy, Portugal and Spain, a total of €4 million (or approximately £3.5 million) will be due from Recordati to RPG. In addition, discussions are ongoing with new potential commercial partners with regards to "outlicensing" Fortacin™ in other key markets including Asia Pacific, Middle East, Latin America, North America and sub-Sahara Africa. In December 2018, RPG announced a licence agreement with Wanbang Pharmaceutical Marketing and Distribution Co., Ltd to launch Fortacin™ in China which will result in up to US$13 million in upfront licence payments, up to US$25 million in sales milestones together with royalties ranging from low to high-teens, potential to help an initial target market of approximately 9 million patients in China in its first year of launch, rising to over 170 million patients by its tenth year; and RPG retains full commercial rights to Fortacin™ in all unlicensed countries, including the USA.

Chairman's statement (continued)

Investment review (continued)

Of our other quoted holdings, **Summit Therapeutics plc** ("Summit") is an international biopharmaceutical operation focussed on the discovery and development of novel medicines to treat the fatal muscle wasting disease Duchenne muscular dystrophy ("DMD") and infections caused by the bacteria Clostridium difficile ("CDI"). In February 2018, Summit announced further positive findings from PhaseOut DMD, a Phase 2 open-label, multi-centre clinical trial of the utrophin modulator ezutromid DMD. In August 2018, Summit announced that it had been awarded US$12 million under its contract with the Biomedical Advance Research and Development Authority ("BARDA"), a division of the US Department of Health and Human Services - Office of the Assistant Secretary for Preparedness and Response. The Funds will support the Phase 3 development programme for ridinilazole, Summit's precision new mechanism antibiotic for the treatment of CDI infection. The total commitment from BARDA is $44 million, which includes the base package of $32 million announced in September 2017.

SalvaRx Group plc ("SalvaRX") is a drug discovery and development operation concentrating on immune-oncology. SalvaRx invests in novel cancer immuno-therapies and provides its portfolio companies with operational support ranging from direct operation of subsidiaries to advisory or part-time involvement in more established companies. SalvaRx has a mandate to assemble and develop a portfolio of differentiated immune-oncology therapies for the treatment of late-stage cancers. SalvaRx provides its portfolio companies with operational support in addition to capital, sometimes operating its portfolio companies directly and sometimes augmenting the current team. Investee companies include iOx Therapeutics Limited, Intensity Therapeutics Limited, Nekonal Oncology Limited and RIFT Biotherapeutics Inc. On 27 November 2018, SalvaRX announced the disposal of its interest in SalvaRx Limited, its 94.2 per cent. owned subsidiary, to Portage Biotech Inc ("Portage") for a consideration of US$67.5 million, satisfied by the issue of 757,943,784 new shares in Portage by transferring not less than 660,593,556 of the new shares on a pro-rata basis to SalvaRX's shareholders on record as of 8 January 2019. In December 2018, SalvaRx announced that iOx, its 56.95% subsidiary undertaking, has issued US$1 million of unsecured convertible loan notes to further the development of its leading immunology drug, IMM60.

In March 2018, Luminor Medical Technologies Inc. changed its name to **RISE Life Science Corp** ("RISE"). RISE is a medical diagnostic operation which acquires, develops and commercialises medical technologies for unmet clinical needs. Following its recent acquisition of Cultivate Kind and Life Bloom Organics, RISE has leveraged its in-house capacity for sales and distribution, packaging and fulfilment, production, and retail marketing. Over the next 12 months, both Karezza and Life Bloom Organics products will be distributed to a target network of 200+ premium retail locations across California.

The Diabetic Boot Company ("DBC") is working hard 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 also have a loan note for £200,000 with a 7% coupon. DBC repaid this loan note on 21 December 2018, generating £238,606 cash, including accrued interest, for the Company.

Agex Therapeutics Inc ("Agex") is a biotechnology operation which develops and commercialises therapeutics targeting human aging. Their holdings include the PureStem® and iTR™ platforms, which reflect over 25 years of research and development in cellular therapies, cell immortality and regenerative biology. These platforms are designed to address many of the largest unmet needs of an aging population, by translating state-of-the-art biomedical science relating to aging into potential first-in-class therapeutic cell therapies, small-molecule drugs and medical devices. On 29 November 2018, it announced that its shares commenced trading on the New York Stock Exchange.

Insilico Medicine, Inc ("Insilico"), a start-up headquartered at the John Hopkins University, Maryland, USA, is developing new tools for drug discovery and repurposing, biomarker development and pursuing novel strategies for rapid validation. Projects combine advances in genomics, big-data analysis, deep learning and reinforcement learning. As an example, Insilico, together with Juvenescence Ltd and the Buck Institute for Research on Aging, recently partnered to form Napa Therapeutics Ltd ("Napa"). Napa will use Insilico's deep learning platform to discover small molecules against an undisclosed aging-related target. Although established to focus on that single target, Napa would consider other programs on a case-by-case basis based on complementary biology. Napa will have a license to compounds generated under the deal from Insilico, which will be eligible for over $100 million in milestone payments related to Napa's program.

Chairman's statement (continued)

Investment review (continued)

Post period, in August 2018 the Company completed a subscription of US$ 250,000 for 43,357 issued shares in **Blue Nalu, Inc** ("BlueNalu"), based in San Diego, California, USA, providing an interest of approximately 2.0% (on a diluted basis), paid by cash. The level of investment allows PEBI to qualify as a "Major Investor", providing additional information rights unavailable to smaller investors. BlueNalu's mission is to be the global leader in cellular aquaculture™, manufacturing 'clean' seafood by growing cells of certain species of seafood in bioreactors which will ultimately be for human consumption, providing consumers with great tasting, healthy, safe, and trusted products that support the sustainability and diversity of the world's oceans.

Strategy and Outlook

The Board is in the process of finalising a strategic review and the optimum way to develop the opportunities that are available to the Company. I anticipate that we will be in a position to announce our future direction during the course of Quarter 1, 2019.

Meanwhile, I believe that our current investment portfolio, albeit reduced in scale following the cash distribution from the disposal of our Magna Biopharma holding, shows considerable promise for future growth.

Jim Mellon
Chairman

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 2018.

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 17 and 19.

The Company made a loss for the year after taxation of £211,406 (2017: loss of £37,030).

Dividend

The Directors do not propose the payment of a dividend (2017: £nil).

Policy and practice on payment of creditors

It is the policy of the Company to agree appropriate terms and conditions for its transactions with suppliers by means of standard written terms to individually negotiated contracts. The Company seeks to ensure that payments are always made in accordance with these terms and conditions.

Financial risks

Details relating to the financial risk management are set out in note 9 to the financial statements.

Directors' interests

As at 30 June 2018, 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:

	Ordinary shares	
	Interest at end of year 2018	Interest at start of year 2017
Jim Mellon[1]	**6,729,273**	6,729,273
Denham Eke[2]	**—**	—
Anderson Whamond	**—**	—

[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 Managing Director of Galloway Limited.

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 2018 representing 3% or more of the issued share capital of the Company:

	Number of ordinary shares	**Percentage of total issued capital**
Jim Mellon(1)	6,729,273	29.01%
Hargreaves Lansdown (Nominees) Limited HLNOM	1,579,485	6.81%
The Bank of New York (Nominees) Limited	1,250,000	5.39%
Share Nominees Ltd	1,152,701	4.97%
Vidacos Nominees Limited	1,050,000	4.53%
Lawshare Nominees Limited	875,478	3.77%
Barclays Direct Investing Nominees Limited	754,918	3.25%
Interactive Investor Services Nominees Limited	714,593	3.08%

Directors' report (continued)

Significant shareholdings (continued)

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.

Directors

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

Jim Mellon
Denham Eke
Anderson Whamond

Auditors

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

On behalf of the Board

Denham Eke
Director

28 December 2018

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

Corporate Governance Statement

Corporate Governance Report

The Board (the "Board") is committed to best practice in corporate governance for Port Erin Biopharma Investments Limited (the "Company"). Subsequent to 30 June 2018, the Directors have agreed to comply with the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations. This report illustrates how the Company will comply with those principles.

Remuneration Committee

The Remuneration Committee will meet at least twice a year and comprises of the whole Board. It will be chaired by Anderson Whamond and is responsible for determining the remuneration of the Directors and other members of the management. Committee members do not take part in discussions concerning their own remuneration.

Nomination Committee

The Nomination Committee is comprised of the whole Board. It will be chaired Anderson Whamond and is responsible for making recommendations to the Board on matters relating to the composition of the Board, including Executive and Non-executive Director succession planning, the appointment of new Directors and the election and re-election of Directors. The Nomination Committee only meets as matters arise.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (the "ARCC") will meet at least two times each year and comprises one Non-executive Director, currently Anderson Whamond (Chairman) and the Finance Director Denham Eke. The external auditors will attend by invitation. Its role is to be responsible for reviewing the integrity of the financial statements and the balance of information disclosed in the accompanying Directors' Report, to review the effectiveness of internal controls and risk management systems and recommend to the Board (for approval by the members) the appointment or re-appointment of the external auditor. The ARCC reviews and monitors the external auditor's objectivity, competence, effectiveness and independence, ensuring that if it or its associates are invited to undertake non-audit work it will not compromise auditor objectivity and independence.

Further information can be found within the Audit, Risk and Compliance Report contained within this Annual Report.

The Role of the Board

The Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Company within an effective control framework which enables risk to be assessed and managed.

The Board ensures that the necessary financial and human resources are in place for the Company to meet its objectives and that business and management performances are reviewed. Furthermore, the Board ensures that the Company operates within its constitution, relevant legislation and regulation and that proper accounting records and effective systems of business control are established, maintained, documented and audited.

There are at least four formal Board meetings each year. All Board members have the benefit, at the Company's expense, of liability insurance in respect of their responsibilities as Directors and have access to independent legal or other professional advice if required. The Board has a formal schedule of matters which are reserved for its consideration and it has established three committees to consider specific issues in greater detail, being the Audit, Risk and Compliance, Remuneration and Nomination Committees. The Terms of Reference for each of these Committees are published on the Company's website.

Division of Responsibilities

The offices of Chairman and Finance Director are distinct and held by different people. The role of each is set out in their respective job descriptions.

The Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role, promoting a culture of openness of debate and communicating with the Company's members on behalf of the Board. The Chairman sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors. The Chairman also ensures that Directors receive accurate, timely and clear information. In doing so, this fosters a positive corporate governance culture throughout the Company.

Corporate Governance Statement (continued)

The Chief Executive Officer

At present, the Company does not have a Chief Executive Officer. Instead, the responsibility for managing the Company's business and operations within the parameters set by the Board is held by the Finance Director.

Non-executive Directors

The Non-executive Directors are responsible for bringing independent judgement to the discussions held by the Board, using their breadth of experience and understanding of the business. Their key responsibilities are to constructively challenge and contribute to strategic proposals, and to monitor performance, resources, and standards of conduct, compliance and control, whilst providing support to executive management in developing the Company.

The Composition of the Board

At the year end, the Board is made up of three directors, comprising two Non-executive Directors and one Executive Director. At least one Non-executive Director is considered by the Board to be independent in character and judgement and to have an appropriate balance of skills and experience. They are also considered to be free of any relationship or circumstances which could materially interfere with the exercise of their judgement, impede the provision of constructive challenge to management and provide assistance with the development of strategy.

Appointments to the Board

The principal purpose of the Nomination Committee is to undertake the assessment of the balance of skills, experience, independence and knowledge on the Board against the requirements of the business, with a view to determining whether any shortages exist. Having completed the assessment, the Committee makes recommendations to the Board accordingly. Appointments to the Board are made on merit, with due regard to the benefits of diversity. Within this context, the paramount objective is the selection of the best candidate, irrespective of background, and it is the view of the Board that establishing quotas or targets for the diversity of the Board is not appropriate.

All Director appointments must be approved by the Company's Nominated Adviser, as required under the AIM Rules, before they are appointed to the Board.

Prior to appointment, Non-executive Directors are required to demonstrate that they are able to allocate sufficient time to undertake their duties.

Information and Support

The Chairman ensures that the Board receives accurate, timely and clear information in a form and of sufficient quality to enable it to fulfil its responsibilities.

All Directors have access to the advice and services of the Finance Director who is responsible for ensuring compliance with all Board procedures and advising the Board on governance matters.

Evaluation

An internal process exists to evaluate, on an annual basis, the performance and effectiveness of individual Directors and of the Board and its Committees.

Re-election

The Rules require that all Directors are submitted for election at the AGM following their first appointment to the Board. Thereafter all directors will submit themselves for re-election at least once every three years, irrespective of performance.

Financial and Business Reporting

The Board confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. The responsibilities of the Directors in relation to the preparation of the Company's accounts are set out on page 11. The Chairman's Statement on pages 2 to 4 provides a detailed review of the Company's business activities and future prospects.

Corporate Governance Statement (continued)

Risk Management and Internal Control

The Board is responsible for determining a framework for risk management and control, including the Company's risk appetite and tolerance. Senior management are responsible for designing, operating and monitoring risk management and internal control processes in line with the risk appetite and tolerance while the ARCC, on behalf of the Board, is responsible for reviewing the adequacy and effective operation of these processes. The role of the ARCC is described previously and provides the Board with independent assurance that the Company is operating specifically in accordance with the risk appetite parameters determined and approved by the Board. It also ensures that the outcomes for the Company's various activities are in line with those parameters.

The system of internal control overall is designed to enable the Company to achieve its corporate objectives within the Board's predetermined risk appetite, not to eliminate risk.

The directors have reviewed the need for an internal audit function and believe that the Company is not of sufficient size and complexity to require such a function.

Remuneration

The Report on Directors' Remuneration, prepared by the Chairman of the Remuneration Committee, is to be found on pages 12 and 13 and explains how the Company complies with the Code Principles relating to remuneration. Details of Directors' Emoluments during 2017-18 can be found on page 13.

Dialogue with Shareholders

The Company is owned by both individual and institutional shareholders. All shareholders are kept informed of developments and feedback is encouraged both at the AGM and through communication via the Company's website.

Constructive use of the AGM

Each year the Company sends details of the AGM, including appointment of proxy and voting forms, to members who are eligible to vote.

Approval

This report was approved by the Board of Directors on 28 December 2018 and signed on its behalf by:

Denham Eke

Finance Director

Audit, Risk and Compliance Committee Report

Subsequent to 30 June 2018, the Directors have agreed to comply with the provisions of the Quoted Companies Alliance (“QCA”) Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations.

This report illustrates how the Company complies with those principles in relation to its Audit, Risk and Compliance Committee (the “ARCC”).

Membership

The Committee comprises of two Non-executive Directors and the members are Anderson Whamond (Chairman) and Jim Mellon. The composition of the Committee has been reviewed during the year and the Board is satisfied that the Committee members have recent relevant financial experience and the expertise to resource and fulfil its responsibilities effectively, including those relating to risk and controls.

Meetings

The Committee meets two times a year, including the review of the interim and full year results. Other Directors and representatives from the external auditors attend by invitation.

Duties

The Committee carries out the duties below for the Company, as appropriate:

- Monitors the integrity of the financial statements of the Company, including annual and half-yearly reports, interim management statements, and any other formal announcement relating to financial performance, reviewing significant financial reporting issues and judgements which they contain.
- Reviews and challenges the consistency of the information presented within the financial statements, compliance with stock exchange or other legal requirements, accounting policies and the methods used to account for significant or unusual transactions.
- Keeps under review the effectiveness of the Company’s internal controls and risk management systems.
- KPMG Audit LLC was appointed as auditor in 2011 and ARCC oversees the relationship with them including regular meetings to discuss their remit and review the findings and any issues with the annual audit. It also reviews their terms of appointment, meets them once a year independent of management and considers and makes recommendations to the Board, to be put to the Company for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company’s external auditor. There are no contractual restrictions in place in respect of the auditor choice.
- The Committee is governed by a Terms of Reference and a copy of this is available on the Company’s website.

2018 Annual Report

During the year, ARCC held two meetings and can confirm that it has received sufficient, reliable and timely information from management and the external auditors to enable it to fulfil its responsibilities.

The Committee has satisfied itself that there are no relationships between the auditor and the Company which could adversely affect the auditor’s independence and objectivity.

All internal control and risk issues that have been brought to the attention of ARCC by the external auditors have been considered and the committee confirms that it is satisfied that management has addressed the issues or has plans to do so.

The Company has a number of policies and procedures in place as part of its internal controls and these are subject to continuous review and as a minimum are reviewed by ARCC on an annual basis.

- ARCC has reviewed and discussed together with management and the external auditor the Company’s financial statements for the year ended 30 June 2018 and reports from the external auditor on the planning for and outcome of their reviews and audit. The key accounting issues and judgements considered relating to the Company’s financial statements and disclosures were as follows:
- Valuation of unquoted investments £554,318;
- Carrying amount of quoted investments £576,846
- Going concern – ARCC reviewed the going concern position of the Company, taking into account the 12-month cash flow forecasts and the continued support of the ultimate parent. ARCC is satisfied that preparing the financial statements on a going concern basis is appropriate. Disclosures are included in note 1;
- Cash balances – ARCC reviewed the cash position to ensure that it is able to meet its ongoing requirements and also has sufficient cash reserves to cover the relevant player liabilities. ARCC is satisfied that there are sufficient cash balances to meet its ongoing expenses and cover the player balances in full if required. Disclosures are included in note 9.

Anderson Whamond

Chairman ARCC

28 December 2018

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 Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Remuneration Committee

As an Isle of Man registered company there is no requirement to produce a Directors' Remuneration Report. However, the Board follows best practice and therefore has prepared such a report.

The Directors have agreed to comply with the provisions of the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) to the extent which is appropriate to its nature and scale of operations.

This report illustrates how the Company complies with those principles in relation to directors' remuneration.

The Level and Components of Non-Executive Directors Remuneration

The Remuneration Policy reflects the Company's business strategy and objectives as well as sustained and long-term value creation for shareholders. In addition, the policy aims to be fair and provide equality of opportunity, ensuring that:

- the Company is able to attract, develop and retain high-performing and motivated employees in the competitive local and wider markets;
- employees are offered a competitive remuneration package to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contribution to the success of the Company;
- it reflects the Company's culture and values; and
- there is full transparency of the Remuneration Policy.

In line with the Board's approach, which reflects that adopted within other comparable organisations, the Remuneration Policy provides for the reward of the Non-Executive Directors through salary and other benefits.

Non-Executive Directors Emoluments

The remuneration for the Non-Executive Director reflects their responsibilities. It comprises basic salary, eligibility to participate in an annual bonus scheme when this is considered appropriate, private healthcare and share option incentives.

Annual bonus scheme payments are not pensionable and are not contracted.

The basic salary payable to the Executive Director is reviewed each year with reference to jobs carrying similar responsibilities in comparable organisations, market conditions generally and local employment competition in view of the Company's geographical position.

It is anticipated that an annual bonus scheme will operate when profitability and cash flow allow. Bonuses for the executive director will be calculated with reference to the profit before tax as disclosed in the audited accounts of the Company, together with an assessment by the Committee of the director's performance against agreed personal targets. Bonus payments are not pensionable.

The Committee believes that share ownership by executives strengthens the link between their personal interests and those of shareholders. Options will be granted to executives periodically at the discretion of the Remuneration Committee. The grant of share options is not subject to fixed performance criteria. This is deemed to be appropriate as it allows the Committee to consider the performance of the executives and the contribution of the individual executives and, as with annual bonus payments, illustrates the relative importance placed on performance-related remuneration.

Except when required by statute, the Company does not intend to contribute to the personal pension plans of directors in the forthcoming year.

Executive Directors' Contractual Terms

The service contract of the Executive Director provides for a notice period of six months.

Non-executive Directors' Remuneration

Non-executive Directors do not receive any benefits other than their fees and travelling expenses for which they are reimbursed. The level of fees payable to Non-executive Directors is assessed using benchmarks from a group of comparable biopharma organisations.

Report of the Remuneration Committee (continued)

The Procedure for Determining Remuneration

The Remuneration Committee, comprising two Non-executive Directors, is responsible for setting the remuneration of the Executive Director and is chaired by Jim Mellon. Committee members do not take part in discussions concerning their own remuneration. The basic Non-executive Director fee is set by the Chairman. The Chairman of the Committee reports at the Board meeting following a Committee meeting.

It is the view of the Committee that Directors' remuneration awarded across the Company for the year has been in accordance with the Company's stated Remuneration Policy and, on behalf of the Committee I recommend that you endorse this report. An analysis of Directors' emoluments is as follows:

	2018 £000	2017 £000
Emoluments— salaries, bonuses and taxable benefits	**-**	-
— fees	**10**	10
	10	10

Directors' Emoluments

	Basic salary £000	Fees £000	Bonus £000	Termination payments £000	Benefits £000	**2018 Total £000**	2017 Total £000
Executive							
Denham Eke	—	—	—	—	—	—	—
Non-executive							
Jim Mellon*	—	—	—	—	—	—	—
Anderson Whamond	—	10	—	—	—	10	10
Aggregate emoluments	—	10	—	—	—	**10**	10

* Any emoluments are subject to an agreement with Shellbay Limited whereby Shellbay Limited receives a profit share equating to 15% of any increase in the Net Asset Value of the Company's investments, subject to the previous Net Asset Value high watermark being exceeded (please see Note 2 to the Accounts).

Approval

The report was approved by the Board of directors and signed on behalf of the Board.

Anderson Whamond
Chairman of Remuneration Committee
28 December 2018

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 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 2018 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; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

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. We have identified one key audit matter. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on this matter. In arriving at our audit opinion above, the key audit matter identified was as follows:

	The risk	**Our response**
Valuation of unquoted investments (2018: £554,318; 2017: £368,660) Refer to note 1(b) (use of estimates and judgement), 1(d) (accounting policy for financial instruments) and note 9 (Fair value of financial instruments).	**Subjective valuation** 28.8% 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 International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as comparison with prices of recent orderly transactions, where available. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unquoted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: — **Control design:** Documenting and assessing the design and implementation of the investment valuation processes and controls; — **Methodology choice:** 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; — **Comparing valuations:** Where a recent transaction has been used as a basis to value a holding we obtained an understanding of the circumstances surrounding the transaction such as whether it was considered to be on an arms-length basis and suitable as an input into a valuation — **Assessing transparency**: 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.

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

There has been one change in key audit matters since the prior year, as follows:

The carrying amount of quoted investments is no longer included as a key audit matter. Whilst we continue to perform procedures over quoted investments, following a re-assessment of the risk associated with this account caption we have not assessed this as one of the most significant risks in our current year audit. Accordingly, the carrying amount of quoted investments is not separately identified in our report this year

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 £58,400 (2017: £63,455), determined with reference to a benchmark of net assets, of which it represents 3% (2017: 3%).

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

We agreed to report to the Board of Directors any corrected or uncorrected identified misstatements exceeding £2,900 (2017: £3,170), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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 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.

6 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 11, 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.

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

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 2018

Port Erin Biopharma Investments Limited

Statement of comprehensive income
for the year ended 30 June 2018

	Notes	2018 £	2017 £
Income			
Investment (loss)/gain	*3*	**(35,228)**	180,329
Other income		**8,625**	1,000
		(26,603)	181,329
Operating expenses			
Directors' fees	*2*	**(10,000)**	(10,000)
Other costs	*4*	**(191,411)**	(218,464)
Foreign exchange (loss)/gains		**(66)**	132
Loss from operating activities	*5*	**(228,080)**	(47,003)
Interest received		**16,674**	9,973
Loss before taxation		**(211,406)**	(37,030)
Taxation	*1(i)*	**-**	-
Loss for the year		**(211,406)**	(37,030)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(211,406)**	(37,030)
Basic and diluted earnings loss per share (pence)	*12*	**(0.91)**	(0.16)

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

The notes on pages 21 to 33 form an integral part of these financial statements.

Port Erin Biopharma Investments Limited

Statement of financial position
as at 30 June 2018

	Notes	**2018 £**	2017 £
Current assets			
Financial assets at fair value through profit or loss	*7*	**1,131,164**	1,052,236
Loan receivable	*8*	**226,584**	200,000
Trade and other receivables		**14,480**	17,090
Cash and cash equivalents		**555,293**	875,885
Total assets		**1,927,521**	2,145,211
Equity and liabilities			
Capital and reserves			
Share capital	*6*	**23**	23
Share premium	*6*	**1,890,142**	1,890,142
Retained earnings		**13,597**	225,003
		1,903,762	2,115,168
Current liabilities			
Trade and other payables	*10*	**23,759**	30,043
Total equity and liabilities		**1,927,521**	2,145,211

The notes on pages 21 to 33 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 28 December 2018 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 2018

	Notes	**Share Capital £**	**Share Premium £**	**Retained Profit £**	**Total £**
Balance at 30 June 2017	6	**23**	**1,890,142**	**225,003**	**2,115,168**
Total comprehensive loss for the year		**-**	**-**	**(211,406)**	**(211,406)**
Balance at 30 June 2018	6	**23**	**1,890,142**	**13,597**	**1,903,762**

		Share Capital £	Share Premium £	Retained Profit £	Total £
Balance at 30 June 2016	6	23	1,890,142	262,033	2,152,198
Total comprehensive loss for the year		-	-	(37,030)	(37,030)
Balance at 30 June 2017	6	23	1,890,142	225,003	2,115,168

The notes on pages 21 to 33 form an integral part of these financial statements.

Port Erin Biopharma Investments Limited

Statement of cash flows
for the year ended 30 June 2018

	Notes	**2018 £**	2017 £
Cash flows from operating activities			
Loss for the year		**(211,406)**	(37,030)
Adjusted for:			
Foreign exchange loss/(gain)		**66**	(132)
Interest received		**(16,674)**	(9,973)
Realised and unrealised loss/(gain) on investments	*3*	**35,228**	(180,329)
Operating loss before changes in working capital		**(192,786)**	(227,464)
Change in receivables		**2,610**	(9,756)
Change in payables	*10*	**(6,284)**	(24,154)
Net cash outflow from operating activities		**(196,460)**	(261,374)
Cash flows from investing activities			
Purchase of investments	*7*	**(233,042)**	(79,837)
Proceeds from sale of investments	*7*	**118,886**	1,395,006
Loan advanced	*8*	**(26,584)**	(200,000)
Interest received		**16,674**	9,973
Net cash (outflow)/ inflow from investing activities		**(124,066)**	1,125,142
(Decrease)/Increase in cash and cash equivalents		**(320,526)**	863,768
Cash and cash equivalents at beginning of year		**875,885**	11,985
Effect of exchange rate differences		**(66)**	132
Cash and cash equivalents at the end of year		**555,293**	875,885

The notes on pages 21 to 33 form an integral part of these financial statements.

Notes
(forming an integral part of the financial statements for the year ended 30 June 2018)

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 2018.

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 judgment as to the selection 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 and estimation 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 the 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 2018.

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.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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:

New/revised International Accounting Standards / International Financial Reporting Standards ("IAS/IFRS")	**Effective date** (accounting periods commencing on or after)
IFRS 15 Revenue from Contracts with Customers	*1 January 2018*
IFRS 9 Financial Instruments	*1 January 2018*
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*1 January 2018*
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	*1 January 2018*
Transfers of Investment Property (Amendments to IAS 40)	*1 January 2018*
Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)	*1 January 2018*
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*1 January 2018*
IFRS 16 Leases	*1 January 2019*
IFRS 17 Insurance Contracts	*1 January 2021*

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the 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 2018 were as follows:

	2018	2017
	£	£
Alexander Whamond	**10,000**	10,000

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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 as 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:

	2018	2017
	£	£
Net realised gains on sale of investments	**12,193**	61,178
Net unrealised (losses)/gains on investments	**(47,421)**	119,151
	(35,228)	180,329

4 Other costs

	2018	2017
	£	£
Auditors' fees	**18,630**	18,030
Bank charges	**23**	114
Insurance	**6,600**	6,556
Professional fees	**166,001**	193,540
Sundry expenses	**157**	224
	191,411	218,464

The Company has no employees other than the Directors.

5 Loss from operating activities

Loss from operating activities is stated after charging:

	2018	2017
	£	£
Auditors' fees	**18,630**	18,030
Directors' fees	**10,000**	10,000

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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.

	2018 **£**	2017 £
Authorised		
2,000,000,000 Ordinary shares of £0.000001	**2,000**	2,000

	No. of Shares	**Share Capital**	**Share Premium**
Issued			
Balance at 01 July 2017	**23,195,558**	**23**	**1,890,142**
Balance at 30 June 2018	**23,195,558**	**23**	**1,890,142**
Balance at 30 June 2017	**23,195,558**	**23**	**1,890,142**

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 2018 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

	2018 **£**	2017 £
Quoted	**576,846**	683,576
Unquoted	**554,318**	368,660
	1,131,164	1,052,236

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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

	2018	2017
	£	£
Equities	**1,131,164**	1,052,236
Warrants	**-**	-
	1,131,164	1,052,236

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 was 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 31 December 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 with the knowledge that the loan plus accrued interest was repaid in full on 21 December 2018.

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	Carrying amount
	2018	2017
	£	£
Cash and cash equivalents	**555,293**	875,885
Loan receivable	**226,584**	200,000
Trade and other receivables	**14,480**	17,090
	796,357	1,092,975

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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 £11,312 (2017: £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 2018

	Less than 1 month £	1-3 months £	3 months to 1 year £	1-5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	23,759	-	-	-	-	-
	23,759	-	-	-	-	-

30 June 2017

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

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 2018, 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.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

9 Financial instruments (continued)

Foreign currency risk (continued)

GBP equivalents as at 30 June 2018

	Investments	**Cash at bank**	**Total by currency**
	£	**£**	**£**
HKD	**465,973**	**-**	**465,973**
USD	**369,794**	**1,460**	**371,254**
CAD	**19,614**	**-**	**19,614**
	855,381	**1,460**	**856,841**

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
	508,714	879	509,593

The following significant exchange rates applied during the year:

	Average rate for active year 2018	**Average rate for active year 2017**
HKD	10.539	9.851
USD	1.347	1.269
CAD	1.711	1.683

	Year-end rate 2018	**Year-end rate 2017**
HKD	10.306	10.149
USD	1.313	1.300
CAD	1.711	1.688

Sensitivity analysis

A 5% percent strengthening of Sterling against the Hong Kong Dollar, US Dollar and Canadian Dollar at 30 June 2018 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.

9 Financial instruments (continued)

Sensitivity analysis (continued)

2018	Equity	Profit or loss
HKD	(£22,188)	(£22,188)
USD	(£17,669)	(£17,669)
CAD	(£934)	(£934)

A 5% percent weakening of Sterling against the Hong Kong Dollar, US Dollar and Canadian Dollar at 30 June 2018 would have the equal but opposite effect on the basis that all other variables, in particular interest rates, remain constant.

2017	Equity	Profit or loss
HKD	(£16,279)	(£16,279)
USD	(£7,451)	(£7,451)
CAD	(£538)	(£538)

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 Company 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.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

9 Financial instruments (continued)
Fair value of financial instruments (continued)

Fair value hierarchy measurement at 30 June 2018

Investments in securities at fair value:

	Total	Quoted prices In active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Investments				
Quoted	576,846	576,846	-	-
Unquoted	554,318	-	-	554,318
	1,131,164	576,846	-	554,318

Reconciliation of Level 3 investments:

Opening balance	368,660
Changes due to fluctuations in foreign currency	(950)
Purchases	233,042
Unrealised loss	(46,434)
Closing balance	554,318

Fair value hierarchy measurement at 30 June 2017

Investments in securities at fair value:

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

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	368,660

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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 2018.

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. The price of a recent investment valuation technique is commonly used in a seed, start-up or early-stage situation. 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 adjustment is needed in order to determine the 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 deem all investments to be held fair value. Whilst the price of a recent transaction is deemed most appropriate for the Company's unquoted investments, three unquoted investments held have been written down to nil value, reflecting the uncertain financial position or limited information available in respect of these investee entities. 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. However, where fair value is determined with reference to the price of a recent investment, such a sensitivity analysis is not relevant. The valuation basis 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. Given the valuation basis used, 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

	2018	2017
	£	£
Provision for audit fee	**18,009**	17,388
Other provisions	**5,750**	9,157
Trade creditors	**-**	3,498
	23,759	30,043

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 £36,048 (2017: £36,000) of which £nil was outstanding as at the year-end (2017: £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 2). The charge for services provided in the year was £Nil (2017: £Nil) of which £Nil was outstanding at the year-end (2017: £Nil).

Jim Mellon holds personal interests both directly and indirectly in the Diabetic Boot Company Limited. In accordance with the published investing policy, Jim Mellon holds personal interests both directly and indirectly in some of the investments held by the Company.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2018)

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 £211,406 (2017: £37,030) and the weighted average number of shares of 23,195,558 (2017: 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 2018.

13 Subsequent events

During August 2018, PEBI invested US$250,000 into Blue Nalu 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 was fully repayable on the earlier of 31 March 2018 or the date on which DBC secured additional equity funding of £1,000,000. As the loan was not repaid on the repayment date, the loan was incurring a default interest rate of 11% from the date of repayment. On 21 December 2018, the loan and outstanding interest was repaid in full.

14 Commitments and contingent liabilities

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