



**PORT ERIN BIOPHARMA INVESTMENTS LIMITED**

**INTERIM REPORT AND CONDENSED FINANCIAL STATEMENTS**

**For the period ended 31 December 2017**

Registration number: Isle of Man 006874V

<b>Contents</b>	<b>Page</b>
Chairman's statement	1
Condensed statement of comprehensive income	3
Condensed statement of financial position	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
Notes to the condensed interim financial statements	7 to 9

## Chairman's statement

### Introduction

I am pleased to present the Interim Results for Port Erin Biopharma Investments Limited (the "Company") for the six-month period ending 31 December 2017.

### Financial Review

The Company recorded a net loss of £74,631 for the half-year interim period (2016: profit of £429,311). During the period, our investment income, including dividends, net realised gain on sales, and net unrealised losses, reflected a loss of £1,596 (2016: gain of £546,062). Operating expenses have reduced to £80,093 (2016: £119,781). The prior period included no performance fee and no performance fee has been accrued during the period under review. The basic and diluted loss per share was 0.32 pence (2016: profit of 1.85 pence).

Our invested assets at fair value increased to £1,247,428 (Year-end 2017: £1,052,236), and cash and equivalents were £603,123 (Year-end 2017: £875,885). Our total net assets, including receivables of £22,885 (Year-end 2017: £17,090) less payables of £32,899 (Year-end 2017: £30,043), stood at £2,040,537 (Year-end 2017: £2,115,168). As a result, the net asset value per share at 31 December 2017 was 8.80 pence (Year-end 2017: 9.11 pence). There were no exceptional costs during the period.

### Investment Review

Of our quoted investments, Regent Pacific Group Limited ("RPG") remains our most significant holding. RPG's principal investment is in Plethora Solutions Holdings plc ("Plethora"), a wholly-owned subsidiary. Plethora is a speciality pharmaceutical company that 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 "out-licensing" Fortacin™ in other key markets including Asia Pacific, Middle East, Latin America, North America and sub-Saharan Africa.

Of our other quoted holdings, Summit Therapeutics plc ("Summit") is an international biopharmaceutical company 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*. Summit's lead utrophin modulator, ezutromid, is an orally administered, small molecule drug. DMD is an orphan disease, and the US Food and Drug Administration ("FDA") and the European Medicines Agency have granted orphan drug status to ezutromid. Orphan drugs receive a number of benefits including additional regulatory support and a period of market exclusivity following approval. In addition, ezutromid has been granted Fast Track designation and Rare Pediatric Disease designation by the FDA. 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. Further analysis of the 24-week interim dataset showed a statistically significant decrease in muscle inflammation as measured by magnetic resonance spectroscopy transverse relaxation time T2 ('MRS-T2').

SalvaRx Group plc ("SalvaRX") is a drug discovery and development company focused 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.

Luminor Medical Technologies Inc ("Luminor") is a pre-revenue biotechnology company that acquires, develops and commercializes new, non-invasive diagnostic and risk assessment tests to aid physicians in the earlier diagnosis of disease. Luminor specializes in the development and manufacturing of medical devices and has been successfully accessing capital on the public markets as required to finance its operations to date. It is currently preparing for transition to a commercialization phase.



**Chairman’s statement (continued)**

Of our unquoted holdings, the principal investment continues to be in the Diabetic Boot Company Limited (“DBC”). 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.

Insilico Medicine Inc (“Insilico”), a start-up, has developed a comprehensive drug discovery engine, which utilizes millions of samples and multiple data types to discover signatures of disease and identify the most promising targets for billions of molecules that already exist or can be generated de novo with the desired set of parameters. Insilico applies artificial intelligence to extend human productive longevity and transform the pharmaceutical industry by providing services to academics and pharmaceutical companies. Insilico also licenses 827 drug-disease predictions and biomarkers to aid validation for leads in new drug therapies.

**Strategy and Outlook**

Whilst our current investments continue to make encouraging progress, the board is also evaluating a number of further investments within our investing policy which we believe have considerable future potential.

**Jim Mellon**

Chairman

**Condensed statement of comprehensive income**

For the period ended 31 December 2017

	<i>Notes</i>	<b>Period ended 31/12/2017 (unaudited) £</b>	<i>Period ended 31/12/2016 (unaudited) £</i>
<b>Investment (loss)/gain</b>	2	<b>(1,596)</b>	546,062
<b>Operating expenses</b>			
Performance fee	3	-	-
Other costs	4	<b>(79,956)</b>	(119,845)
Foreign exchange gains		<b>(137)</b>	64
<b>Operating (loss)/profit</b>		<b>(81,689)</b>	426,281
Interest received		<b>7,058</b>	3,030
<b>(Loss)/profit before taxation</b>		<b>(74,631)</b>	429,311
Taxation		-	-
<b>(Loss)/profit for the period</b>		<b>(74,631)</b>	429,311
Other comprehensive income		-	-
<b>Total comprehensive (loss)/profit for the period</b>		<b>(74,631)</b>	429,311
<b>Basic and diluted (loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (pence)</b>	5	<b>(0.32)</b>	1.85

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

The notes on pages 7 to 9 form part of these interim financial statements.

**Condensed statement of financial position**

As at 31 December 2017

	<i>Notes</i>	<b>31/12/2017</b> <b>(unaudited)</b> £	<i>30/06/2017</i> <i>(audited)</i> £
<b>Current assets</b>			
Financial assets at fair value through profit or loss	6	1,247,428	1,052,236
Loan receivable	7	200,000	200,000
Trade and other receivables		22,885	17,090
Cash and cash equivalents		603,123	875,885
<b>Total assets</b>		<b>2,073,436</b>	<b>2,145,211</b>
<b>Equity</b>			
Called up share capital		23	23
Share premium		1,890,142	1,890,142
Distributable reserves		150,372	225,003
<b>Total equity</b>		<b>2,040,537</b>	<b>2,115,168</b>
<b>Current liabilities</b>			
Trade and other payables	8	32,899	30,043
<b>Total liabilities</b>		<b>32,899</b>	<b>30,043</b>
<b>Total equity and liabilities</b>		<b>2,073,436</b>	<b>2,145,211</b>

The notes on pages 7 to 9 form part of the interim financial statements.

These interim financial statements were approved by the Board of Directors on 26 March 2018 and were signed on their behalf by:

**Denham Eke**

Director

## Condensed statement of changes in equity

For the period ended 31 December 2017

<i>Note s</i>	Share capital £	Share premium £	Distributable reserves £	Total £	
<b>Balance at 01 July 2016 (audited)</b>	23	1,890,142	262,033	2,152,198	
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	429,311	429,311	
Other comprehensive income	-	-	-	-	
<b>Balance at 31 December 2016 (unaudited)</b>	23	1,890,142	691,344	2,518,509	
	<i>Note s</i>	Share capital £	Share premium £	Distributable reserves £	Total £
<b>Balance at 01 July 2017 (audited)</b>		23	1,890,142	225,003	2,115,168
<b>Total comprehensive income for the period:</b>					
Loss for the period		-	-	(74,631)	(74,631)
Other comprehensive income		-	-	-	-
<b>Balance at 31 December 2017 (unaudited)</b>		23	1,890,142	150,372	2,040,537

The notes on pages 7 to 9 form part of these interim financial statements.

## Condensed statement of cash flows

For the period ended 31 December 2017

	<i>Notes</i>	<b>Period ended 31/12/2017 (unaudited) £</b>	<i>Period ended 31/12/2016 (unaudited) £</i>
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		<b>(74,631)</b>	429,311
Adjusted for:			
Interest received		<b>(7,058)</b>	(3,030)
Realised and unrealised gains	2	<b>1,596</b>	(545,062)
Changes in working capital:			
Increase in receivables		<b>(5,795)</b>	(1,257)
Increase/(decrease) in payables		<b>2,856</b>	(12,235)
<b>Cash flows used in operations</b>		<b>(83,032)</b>	<b>(132,273)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments/investment loans		<b>(196,788)</b>	(200,000)
Disposal of investments		-	383,900
Interest received		<b>7,058</b>	3,030
<b>Net cash (used in)/generated from investing activities</b>		<b>(189,730)</b>	<b>186,930</b>
<b>(Decrease)/ Increase in cash and cash equivalents</b>		<b>(272,762)</b>	<b>54,657</b>
Cash and cash equivalents at beginning of period		<b>875,885</b>	11,985
<b>Cash and cash equivalents at the end of period</b>		<b>603,123</b>	<b>66,642</b>

The notes on pages 7 to 9 form part of these interim financial statements.

## Notes to the condensed interim financial statements

### 1 Significant accounting policies

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

The unaudited condensed financial statements of the Company (the “Financial Information”) are prepared in accordance with Isle of Man law and International Financial Reporting Standards (“IFRS”) and their interpretations issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union (“EU”). The financial information in this report has been prepared in accordance with the Company’s accounting policies. Full details of the accounting policies adopted by the Company are contained in the financial statements included in the Company’s annual report for the year ended 30 June 2017 which is available on the Group’s website: [www.porterinbiopharma.com](http://www.porterinbiopharma.com).

The accounting policies and methods of computation and presentation adopted in the preparation of the Financial Information are consistent with those described and applied in the financial statements for the year ended 30 June 2017. There are no new IFRSs or interpretations effective from 1 July 2017 which have had a material effect on the financial information included in this report.

The unaudited condensed financial statements do not constitute statutory financial statements. The statutory financial statements for the year ended 30 June 2017, extracts of which are included in these unaudited condensed financial statements, were prepared under IFRS as adopted by the EU. The auditors’ report on those financial statements was unmodified and contained emphasis of matter paragraphs relating to the valuation of unquoted investments and loan receivable.

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing the Financial Information, the critical judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2017 as set out in those financial statements.

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

### 2 Investment income

	31/12/2017 (unaudited) £	31/12/2016 (unaudited) £
Dividend income	-	-
Net realised gains on sale of investments	-	51,421
Net unrealised (loss)/gains on investments	(1,596)	493,641
Other income	-	1,000
<b>Total investment income</b>	<b>(1,596)</b>	<b>546,062</b>

### 3 Performance fee

	31/12/2017 (unaudited) £	31/12/2016 (unaudited) £
Performance fee	-	-

Shellbay Investments Limited receives performance fees for the provision of Mr James Mellon as Non-Executive Chairman of the Company. The fees are calculated at 15 per cent. of any increase in the net asset value of the Company over each quarterly period, subject to a high watermark (High-Watermark being defined as “the highest fully diluted NAV per shares recorded at any quarter day end to date provided the fully diluted NAV exceeds the offer price per share in the AIM listing”). The performance fee is payable in shares issued at the mid-price on the day of the quarterly net asset value announcement. No fees were payable for the current period (31 December 2016: £nil).

**Notes to the condensed interim financial statements (continued)**

**4 Other costs**

	31/12/2017 (unaudited) £	31/12/2016 (unaudited) £
Directors' fees	5,000	5,000
Auditors' remuneration for the current period	8,694	8,373
Bank charges	94	51
Insurance	3,327	3,283
Marketing	-	-
Professional fees	62,841	103,138
Sundry expenses	-	-
<b>Total other costs</b>	<b>79,956</b>	<b>119,845</b>

The Company has no employees other than the Directors.

**5 Basic and diluted earnings per share**

The calculation of basic earnings per share of the Company is based on the loss for the period of £74,631 (31 December 2016: profit of £429,311) and the weighted average number of shares of 23,195,558 (31 December 2016: 23,195,558) in issue during the period.

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

**6 Financial assets at fair value through profit or loss**

	31/12/2017 (unaudited) £	30/06/2017 (audited) £
Quoted	697,649	683,576
Unquoted	549,779	368,660
<b>Total financial assets at fair value</b>	<b>1,247,428</b>	<b>1,052,236</b>
Equities	1,247,428	1,052,236
Warrants	-	-
<b>Total financial assets at fair value</b>	<b>1,247,428</b>	<b>1,052,236</b>

**7 Loan receivable**

On 13 October 2016, the company entered into a loan agreement with the Diabetic Boot Company Limited to provide it with a short-term loan of £200,000 less expenses, for working capital purposes. This loan pays a coupon of 7 per cent, is unsecured and is fully repayable on the earlier of 31 March 2018 or the date on which DBC secures additional equity funding of £1,000,000.

**8 Trade and other payables**

	31/12/2017 (unaudited) £	30/06/2017 (audited) £
Provision for audit fee	26,082	17,388
Shellbay Investments Limited	-	-
Other	6,817	12,655
<b>Total trade and other payables</b>	<b>32,899</b>	<b>30,043</b>

## Notes to the condensed interim financial statements (continued)

### 9 Related party transactions

Under an agreement dated 1 December 2011, Burnbrae Limited, a company related to both Jim Mellon and Denham Eke, provide certain services, principally accounting and administration, to the Company. This agreement may be terminated by either party on three months' notice. The Company incurred a total cost of £18,000 (31 December 2016: £18,000) during the period under this agreement of which £nil was outstanding as at the period end (30 June 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 3). The charge for services provided in the period was £Nil (31 December 2016: £Nil). No amount was outstanding at the period-end (30 June 2017: £Nil).

### 10 Commitments and contingent liabilities

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

### 11 Events after the reporting date

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