



PORT ERIN BIOPHARMA INVESTMENTS LIMITED

INTERIM REPORT 2016 **For the six month period ended 31 December 2016**

Registration number: Isle of Man 006874V

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

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PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Chairman's statement

Introduction

I am pleased to present the Interim Results for Port Erin Biopharma Investments Limited (the "Company") for the six-month period ending 31 December 2016.

Financial Review

The Company recorded a net profit of £429,311 for the half-year interim period (2015: loss of £184,674). During the period, our investment income including dividends, net realised gains on sales, and net unrealised gains was £546,062 (2015: loss of £96,448). Operating expenses were £119,781 (2015: £88,257). The prior period included no performance fee and no performance fee has been accrued for the period. Basic and diluted earnings per share increased to 1.85 pence (2015: loss of 0.79 pence).

Our invested assets at fair value were £2,348,237 (Year-end 2016: £2,187,075), and cash and equivalents were £66,642 (Year-end 2016: £11,985). Including receivables of £8,592 (Year-end 2016: £7,335) less payables of £41,962 (Year-end 2016: £54,197), our total net assets stood at £2,623,471 (Year-end 2016: £2,206,395). Thus, the net asset value per share at 31 December 2016 was 11.13 pence (Year-end 2016: 9.28 pence). The increase in the net asset value was as a result of the appreciation in investments for the period. There were no exceptional costs during the period.

Asset Review

Our principal investments include the Magna Biopharma Income Fund ("MBIF"), Luminor Medical Technologies ("Luminor") and Regent Pacific Group Limited ("RPG"). Of these, MBIF continues to perform well with a diverse portfolio of biopharma holdings, finishing the year at 10.16 pence per share. Luminor announced on 24 October 2016 that it had closed a financing round which raised approximately US\$500,000 in both shares and convertible loans, to be used for general working capital purposes in developing its ground-breaking diabetes-screening device, Scout DS[®]. RPG continues the successful development and commercialisation of Fortacin[™], which include the Type IB variation approval from the European Medical Agency allowing sales in the European Union.

Of our other holdings, the performance of SalvaRx Group Plc ("SalvaRx") is of particular note. SalvaRx announced on 28 February 2017 that it has agreed to invest in and collaborate with Luxembourg-based Nekonal SARL, forming a joint venture company Nekonal Oncology Ltd. Nekonal holds intellectual property rights for therapeutics and diagnostics in the area of autoimmune disorders and oncology. The new joint venture company will utilise SalvaRx's management and drug development expertise to explore Nekonal's technology in cancer immunotherapy. This transaction was followed by an investment in Rift Biotherapeutics Inc. ("Rift") announced on 20 March 2017. Rift is a biotechnology company focused on the development of antibodies for use in oncology. We hold 185,185 shares in SalvaRx representing 0.51 per cent of its issued share capital.

On 13 October 2016, we entered into a loan agreement with the Diabetic Boot Company Limited ("DBC") to provide it with a short-term loan of £200,000 less expenses, for working capital purposes in commercialising its ground breaking PulseFlowDF[™] device for the treatment of diabetic foot ulcers. The loan pays a coupon of 7 per cent, is unsecured and is fully repayable on the earlier of 31 March 2017 or the date on which DBC secures additional equity funding of £1,000,000. We already hold 7,105 shares in DBC, representing 0.74 per cent of its issued share capital.

Strategy and Outlook

The results for the present period have reported reassuring gains which reflect the positive steps which had been taken to improve the Net Asset Value. However, the Company's share price still remains at a significant and disappointing discount to the underlying assets base, being over 50 per cent at year-end. The Company's investments continue to show significant growth potential for the remainder of 2017 and beyond. In addition, your board is currently considering a number of options in line with the investing policy adopted on 11 November 2013.

Jim Mellon
Chairman

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of comprehensive income

	<i>Notes</i>	Period ended 31/12/2016 (unaudited) £	<i>Period ended 31/12/2015 (unaudited) £</i>
Investment gain / (loss)	2	546,062	(96,448)
Operating expenses			
Performance fee	3	-	-
Other costs	4	(119,845)	(92,520)
Foreign exchange gains		64	4,263
Operating profit / (loss)		426,281	(184,705)
Interest received		3,030	31
Profit / (loss) before taxation		429,311	(184,674)
Taxation		-	-
Profit / (loss) for the period		429,311	(184,674)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the period		429,311	(184,674)
Basic and diluted earnings / (loss) per share for profit / (loss) attributable to the equity holders of the Company during the period (pence)	5	1.85	(0.79)

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

The notes on pages 6 to 7 form part of these interim financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of financial position

	<i>Notes</i>	31/12/2016 (unaudited) £	30/06/2016 (audited) £
Current assets			
Financial assets at fair value through profit or loss	6	2,348,237	2,187,075
Loan receivable	7	200,000	-
Trade and other receivables		8,592	7,335
Cash and cash equivalents		66,642	11,985
Total assets		2,623,471	2,206,395
Equity			
Called up share capital		23	23
Share premium		1,890,142	1,890,142
Distributable reserves		691,344	262,033
Total equity		2,581,509	2,152,198
Current liabilities			
Trade and other payables	8	41,962	54,197
Total liabilities		41,962	54,197
Total equity and liabilities		2,623,471	2,206,395

The notes on pages 6 to 7 form part of the interim financial statements.

These interim financial statements were approved by the Board of Directors on 22 March 2017 and were signed on their behalf by:

Denham Eke

Director

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of changes in equity

<i>Notes</i>	Share capital £	Share premium £	Distributable reserves £	Total £
Balance at 01 July 2015 (audited)	23	1,890,142	796,402	2,686,567
Total comprehensive income for the period:				
Loss for the period	-	-	(184,674)	(184,674)
Other comprehensive income	-	-	-	-
Balance at 31 December 2015 (unaudited)	23	1,890,142	611,728	2,501,893
<i>Notes</i>	Share capital £	Share premium £	Distributable reserves £	Total £
Balance at 01 July 2016 (audited)	23	1,890,142	262,033	2,152,198
Total comprehensive income for the period:				
Profit for the period	-	-	429,311	429,311
Other comprehensive income	-	-	-	-
Balance at 31 December 2016 (unaudited)	23	1,890,142	691,344	2,581,509

The notes on pages 6 to 7 form part of these interim financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of cash flows

	<i>Notes</i>	Period ended 31/12/ 2016 (unaudited) £	<i>Period ended 31/12/2015 (unaudited) £</i>
Cash flows from operating activities			
Profit/(loss) for the period		429,311	(184,674)
Adjusted for:			
Interest received		(3,030)	(31)
Realised and unrealised (gains)/loss	2	(545,062)	96,448
Changes in working capital:			
(Increase)/decrease in receivables		(1,257)	1,304
Decrease in payables		(12,235)	(8,408)
Cash flows from operations		(132,273)	(95,361)
Cash flows from investing activities			
Purchase of investments/investment loans		(200,000)	(136,486)
Disposal of investments		383,900	259
Interest received		3,030	31
Net cash generated from investing activities		186,930	(136,196)
Increase/(decrease) in cash and cash equivalents		54,657	(231,557)
Cash and cash equivalents at beginning of period		11,985	255,568
Cash and cash equivalents at the end of period		66,642	24,011

The notes on pages 6 to 7 form part of these interim financial statements.

Notes to the financial statements

1 Significant accounting policies

The accounting policies adopted by the Company in the preparation of these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 30 June 2016. No new accounting policies were adopted during the period.

The interim financial statements are unaudited. The audited financial statements of the Company as at and for the year ended 30 June 2016 are available at the Company's website below:

http://www.porterinbiopharma.com/financial_reports.php

2 Investment income

	31/12/2016 (unaudited) £	31/12/2015 (unaudited) £
Dividend income	-	-
Net realised gains on sale of investments	51,421	65
Net unrealised gains/(loss) on investments	493,641	(96,513)
Other income	1,000	-
Total investment income	546,062	(96,448)

3 Performance fee

	31/12/2016 (unaudited) £	31/12/2015 (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 an initial high watermark of 10 pence per share. No fees were payable for the current period (31 December 2015: £nil).

4 Other costs

	31/12/2016 (unaudited) £	31/12/2015 (unaudited) £
Directors' fees	5,000	5,000
Auditors' remuneration for the current period	8,373	10,329
Bank charges	51	166
Insurance	3,283	2,937
Marketing	-	-
Professional fees	103,138	74,088
Sundry expenses	-	-
Total other costs	119,845	92,520

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 profit for the period of £423,911 (31 December 2015: loss of £184,674) and the weighted average number of shares of 23,195,558 (31 December 2015: 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.

Notes to the Financial Statements (continued)

6 Financial assets at fair value through profit or loss

	31/12/2016 (unaudited) £	30/06/2016 (audited) £
Quoted	2,001,017	1,785,204
Unquoted	347,220	401,871
Total financial assets at fair value	2,348,237	2,187,075
Equities	2,348,237	2,185,960
Warrants	-	1,115
Total financial assets at fair value	2,348,237	2,187,075

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 2017 or the date on which DBC secures additional equity funding of £1,000,000.

8 Trade and other payables

	31/12/2016 (unaudited) £	30/06/2016 (audited) £
Provision for audit fee	25,119	16,746
Shellbay Investments Limited	-	-
Other	16,843	37,451
Total trade and other payables	41,962	54,197

9 Related party transaction

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 2015: £18,000) during the period under this agreement of which £nil was outstanding as at the period end (30 June 2016: £9,000).

Under an agreement dated 6 May 2011, Shellbay Investments Limited, a company related to both Jim Mellon and Denham Eke, provide the services of Jim Mellon as Non-Executive Chairman of the Company (see note 3). The charge for services provided in the period was £nil (31 December 2015: £nil). No amount was outstanding at the period-end (30 June 2016: £nil).

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

10 Commitments and contingent liabilities

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

11 Events after the reporting date

There were no events after the reporting date.