



## **PORT ERIN BIOPHARMA INVESTMENTS LIMITED**

### **INTERIM REPORT 2013** **For the six month period ended 31 December 2013**

Registration number: Isle of Man 006874V

# PORT ERIN BIOPHARMA INVESTMENTS LIMITED

<b>Contents</b>	<b>Page</b>
Corporate information	1
Chairman's statement	2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes	7 to 12

# PORT ERIN BIOPHARMA INVESTMENTS LIMITED

## Corporate information

Company's website	<a href="http://www.porterinbiopharma.com">www.porterinbiopharma.com</a>
Registered Office	18 Athol Street Douglas Isle of Man, IM1 1JA British Isles
Registered Agent	Greystone Trust Company Limited 18 Athol Street Douglas Isle of Man, IM1 1JA British Isles
Nominated Adviser	Beaumont Cornish Limited 2 <sup>nd</sup> Floor, Bowman House 29 Wilson Street London, EC2M 2SJ (from 15 January 2014)
Broker	Peterhouse Corporate Finance Limited 31 Lombard Street London, EC3V 9BQ
Registrar	Capita Registrars (Isle of Man) Limited 3 <sup>rd</sup> floor, Exchange House 54 – 62 Athol Street Douglas Isle of Man, IM1 1JD
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man, IM99 1HN
Legal Advisers	<i>As to Isle of Man Law</i> Long & Humphrey The Old Courthouse Athol Street Douglas Isle of Man, IM1 1LD  <i>As to English Law</i> Kerman & Co. LLP 200 Strand London, WC2R 1DJ
Administrator	Burnbrae Limited 4 <sup>th</sup> floor, Viking House Nelson Street Douglas Isle of Man, IM1 2AH

# PORT ERIN BIOPHARMA INVESTMENTS LIMITED

## Chairman's statement

### Introduction

I have great pleasure in presenting the Interim Results for the period ending 31 December 2013.

The Company not only recorded a net profit of £1.8 million for the six months, but also following the General Meeting of Shareholders on 11 November 2013, we amended our investing policy to allow for an in specie transfer of cash and assets to acquire 324,174 shares in the Magna Biopharma Investment Fund ("MBIF") at €10 per share which was completed on 6 December 2013. The latter followed a strategic review to eliminate the significant discount to Net Asset Value implicit in the Company's share price.

MBIF, as a UCITS fund, is a distinctive new investment proposition, providing exposure to technological innovation but with an attractive income. The investment advisors, including myself, have a proven track record in the Biopharma sector. The advantages of this acquisition to the Company include daily dealing of the fund with no discount to Net Asset Value and a performance fee charged on a relative basis to the MSCI World Health Care Net EUR Index, rather than the absolute basis charged before.

As set out in the circular, at the end of a 12 month lock-in period, the Directors intend to put further proposals to return value to shareholders, either by transferring the Fund's shares as a dividend distribution, share buy-back or other de-merger of assets, in order to realise value for shareholders based on the then proportional Net Asset Value of MBIF shares. By transferring the majority of the investment portfolio in this way, the Company will be able to distribute or sell the MBIF shares at the end of the lock-in period at a price based on the MBIF's Net Asset Value and thereby procure a better return to all shareholders.

### Financial Review

During the period, our investment income including dividends, net realised gains on sales, and net unrealised gains was £2,340,447 (2012: £72,881). Operating expenses, including the performance fee and the professional fees in connection with the in specie purchase of the Magna Biopharma Income shares, were £553,384 (2012: £68,804), resulting in profit for the period of £1,787,086 (2012: £9,866).

Thus the basic and diluted earnings per share were 5.28 pence (2012: 0.03 pence).

Our invested assets at fair value were £4,991,105 (2012: £3,031,135), cash and equivalents were £802,741 (2012: £101,241). Adding receivables of £5,106 (2012: £9,035), our total assets stood at £5,798,952 (2012: £3,141,411).

Our share premium increased to £2,759,551 (2012: £2,699,013) and our retained earnings increased to £2,627,452 (2012: £435,075).

Thus the net asset value per share at 31 December 2013 was 15.9 pence (2012: 9.5 pence), an increase of 10.5%.

### Strategy and Outlook

Since our acquisition, MBIF generated a net euro return of 6.1% in January 2014, the first full month of operation and comfortably ahead of the 2.8% rise seen in its MSCI World Health Care Index benchmark. The latest available figures for February 2014 showed a further positive month with widespread gains led once again by the biotech sector, which comprises 35% of the portfolio. The Fund generated a net euro return of 3.6% over the month, slightly below the 4.5% rise seen in its MSCI World Health Care Index benchmark. Since launch the Fund is up 12.2%, some 3% ahead of its benchmark.

The fund advisors believe that, in the coming year, important positive announcements will be made for the treatment of currently difficult to treat cancers like melanoma and lung cancer, with immunotherapy and its combinations at big pharmaceutical companies. The MBIF portfolio has been positioned to provide investors with exposure to all of these developments, and also to mitigate the extreme volatility that is inherent in the smaller to medium sized companies in the sector.

By acquiring MBIF shares, thus providing a clear exit strategy for shareholders, the Company has well positioned itself to consider other acquisitions in the sector. Your board is currently considering a number of exciting options which show significant promise.

**Jim Mellon**  
Chairman

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

**Statement of comprehensive income**

	<i>Notes</i>	<b>Period ended 31/12/2013 (unaudited)</b>	Period ended 31/12/2012 (unaudited)	<b>Year ended 30/06/2013 (audited)</b>
		£	£	£
<b>Investment Income</b>	3	<b>2,340,447</b>	72,881	<b>588,966</b>
<b>Operating expenses</b>				
Directors' fees	2,5	(7,233)	(5,000)	(12,192)
Performance fee		(379,057)	-	(60,539)
Other costs	4	(93,276)	(57,231)	(112,428)
Foreign exchange (losses)/gains		(73,818)	(6,573)	2,662
<b>Profit from operating activities</b>	5	<b>1,787,063</b>	4,077	<b>406,469</b>
Interest received		23	5,789	8,689
<b>Profit before taxation</b>		<b>1,787,086</b>	9,866	<b>415,158</b>
<b>Taxation</b>		-	-	-
<b>Profit for the period/year</b>		<b>1,787,086</b>	9,866	<b>415,158</b>
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period/year</b>		<b>1,787,086</b>	9,866	<b>415,158</b>
Basic and diluted earnings per share	12	<b>5.28 pence</b>	0.03 pence	<b>1.25 pence</b>

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

The notes on pages 7 to 12 form part of these interim financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

**Statement of financial position**

	Notes	31/12/2013 (unaudited)	31/12/2012 (unaudited)	30/06/2013 (audited)
		£	£	£
<b>Current assets</b>				
Financial assets at fair value through profit or loss	7	4,991,105	3,031,135	2,916,930
Trade and other receivables		5,106	9,035	7,797
Cash and cash equivalents		802,741	101,241	707,624
<b>Total assets</b>		<b>5,798,952</b>	<b>3,141,411</b>	<b>3,632,351</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	6	34	33	34
Share premium	6	2,759,551	2,699,013	2,759,551
Retained earnings		2,627,452	435,074	840,366
		<b>5,387,037</b>	<b>3,134,120</b>	<b>3,599,951</b>
<b>Current liabilities</b>				
Trade and other payables	9	411,915	7,291	32,400
<b>Total equity and liabilities</b>		<b>5,798,952</b>	<b>3,141,411</b>	<b>3,632,351</b>

The notes on pages 7 to 12 form part of the interim financial statements.

These financial statements were approved by the Board of Directors on 28 March 2014 and were signed on their behalf by:

**Denham Eke**

*Director*

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

**Statement of changes in equity**

	<i>Notes</i>	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Profit £</b>	<b>Total £</b>
Balance at 01 July 2013 (audited)		34	2,759,551	840,366	3,599,951
Total comprehensive income for the period		-	-	1,787,086	1,787,086
Shares issued	6	-	-	-	-
<b>Balance at 31 December 2013 (unaudited)</b>		<b>34</b>	<b>2,759,551</b>	<b>2,627,452</b>	<b>5,387,037</b>

	<i>Notes</i>	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Retained Profit £</b>	<b>Total £</b>
Balance at 01 July 2012 (audited)		33	2,699,013	425,208	3,124,254
Total comprehensive income for the period		-	-	9,866	9,866
Shares issued	6	-	-	-	-
<b>Balance at 31 December 2012 (unaudited)</b>		<b>33</b>	<b>2,699,013</b>	<b>435,074</b>	<b>3,134,120</b>

The notes on pages 7 to 12 form part of these financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

**Statement of cash flows**

	<i>Notes</i>	<b>Period ended 31/12/ 2013 (unaudited)</b>	Period ended 31/12/ 2012 (unaudited)	<b>Year ended 30/06/2013 (audited)</b>
		£	£	£
<b>Cash flows from operating activities</b>				
Profit for the period/year		<b>1,787,086</b>	9,866	<b>415,158</b>
Adjusted for:				
Interest received		<b>(23)</b>	(5,789)	<b>(8,689)</b>
Realised and unrealised gains	3	<b>(2,338,021)</b>	(66,341)	<b>(572,667)</b>
Services settled by way of issue of shares		-	-	<b>60,539</b>
		<b>(550,958)</b>	(62,264)	<b>(105,659)</b>
<b>Operating loss before changes in working capital</b>				
Decrease in receivables		<b>2,691</b>	545	<b>1,783</b>
Increase/(decrease) in payables		<b>379,515</b>	(24,610)	<b>500</b>
		<b>(168,752)</b>	(86,329)	<b>(103,376)</b>
<b>Cash flows from investing activities</b>				
Purchase of investments		<b>(3,395,510)</b>	(532,831)	<b>(1,720,400)</b>
Proceeds from sale of investments		<b>3,659,356</b>	483,004	<b>2,285,320</b>
Interest received		<b>23</b>	6	<b>8,689</b>
		<b>263,869</b>	(49,821)	<b>573,609</b>
<b>(Decrease)/increase in cash and cash equivalents</b>				
		<b>95,117</b>	(136,150)	<b>470,233</b>
Cash and cash equivalents at beginning of period/year		<b>707,624</b>	237,391	<b>237,391</b>
<b>Cash and cash equivalents at the end of period/year</b>		<b>802,741</b>	101,241	<b>707,624</b>

The notes on pages 7 to 12 form part of these interim financial statements.

## Notes to the financial statements

### 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*

These condensed interim financial statements have been prepared in accordance with IAS34 Interim Financial Reporting and do not include all of the information required for full annual financial statements..

The financial statements were approved by the Board of Directors on 28 March 2014.

#### 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.

##### *Going concern*

The financial statements have been prepared on a going concern basis, taking into consideration the level of cash and cash equivalents and short term 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 period ended 31 December 2013.

##### *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.

#### c) *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 2013. There were no new accounting policies adopted during the period.

The audited financial statements of the Company as at and for the year ended 30 June 2013 are available at the Company's website below:

[http://www.porterinbiopharma.com/financial\\_reports.php](http://www.porterinbiopharma.com/financial_reports.php)

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

**2 Directors' fees**

The fees of Directors who served during the period to 31 December 2013 were as follows:

	<b>31/12/13</b> <b>(unaudited)</b>	31/12/12 (unaudited)	<b>30/06/2013</b> <b>(audited)</b>
	£	£	£
James Mellon	-	-	-
Nicholas James Woolard	-	5,000	<b>10,000</b>
Denham Eke	-	-	-
Alexander Anderson Stuart Whamond	<b>7,233</b>	-	<b>2,192</b>
	<hr/> <b>7,233</b>	<hr/> 5,000	<hr/> <b>12,192</b>

On 6 May 2011, Shellbay Investments Limited entered into a letter of appointment with the Company to provide the services of James Mellon as Non-Executive Chairman of the Company. 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. There are no provisions providing for any benefit to Shellbay Investments Limited or James Mellon on the termination of the engagement. The Director of Shellbay Investments Limited has agreed to waive any share-based payments until the Net Asset Value of each share exceeds 10.00 pence.

On the 6 December 2013, the Company agreed that the Management Fee of £353,041 for the period to 30 September 2013 shall be settled by the transfer of sufficient Fund Shares from the Company to Shellbay (each with an implied price equal to the Subscription Price) in full and final settlement of the September 2013 Management Fee. Shellbay agreed that the current Management Agreement shall be amended so that no further fees relating to the Magna Biopharma Income Fund (MBIF) Shares under the current Management Agreement shall be due and the current "high watermark" rebased to reflect the value of the other assets remaining in the Company following the Subscription. Any future fees due to Shellbay will be settled by the transfer of MBIF Shares at the offer price prevailing on the quarterly valuation date

On 6 May 2011 Nicholas James Woolard entered into a letter of appointment with the Company to provide services as a Non-Executive Director of the Company. The letter of appointment was for an initial period of twelve months, from 16 May 2011, and may be terminated on not less than three months' notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by Nicholas James Woolard. Remuneration under the letter of appointment was for an annual fee of £10,000 payable on a quarterly basis. There are no provisions providing for any benefit to Nicholas James Woolard on the termination of the engagement. Nicholas Woolard resigned from his position on 12 April 2013.

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

As at 6 December 2013, the value of non-MBIF assets held by the Company was £2,052,035. As at the 31 December 2013, the value of non-MBIF assets had increased to £2,225,475. Thus, under the revised Shellbay Letter of Appointment, the increase in Net Asset Value of £173,440.15 will be settled by a performance fee of 15%, which is £26,016.

At present, there are no other fees due by the Company in respect of investment management services.

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

**3 Investment income**

	<b>31/12/2013</b> <b>(unaudited)</b> £	31/12/2012 (unaudited) £	<b>30/06/2013</b> <b>(audited)</b> £
Dividend income	<b>2,426</b>	6,541	<b>16,299</b>
Net realised gains on sale of investments	<b>966,330</b>	50,529	<b>769,484</b>
Net unrealised gains on investments	<b>1,371,691</b>	15,812	<b>(196,817)</b>
	<b>2,340,447</b>	72,881	<b>588,966</b>

**4 Other costs**

	<b>31/12/2013</b> <b>(unaudited)</b> £	31/12/2012 (unaudited) £	<b>30/06/2013</b> <b>(audited)</b> £
Auditors' remuneration for the current period/year	<b>8,625</b>	<b>7,200</b>	<b>14,904</b>
Bank charges	<b>209</b>	<b>119</b>	<b>415</b>
Insurance	<b>3,193</b>	<b>3,176</b>	<b>6,283</b>
Marketing	<b>3,575</b>	<b>72</b>	<b>72</b>
Professional fees	<b>77,299</b>	<b>46,664</b>	<b>86,555</b>
Sundry expenses	<b>375</b>	<b>-</b>	<b>4,199</b>
	<b>93,276</b>	<b>57,231</b>	<b>112,428</b>

The Company has no employees other than the Directors.

**5 Profit from operating activities**

Profit from operating activities is stated after charging:

	<b>31/12/2013</b> <b>(unaudited)</b> £	31/12/2012 (unaudited) £	<b>30/06/2013</b> <b>(audited)</b> £
Auditors' fees	<b>8,625</b>	7,200	<b>14,400</b>
Directors' fees	<b>7,233</b>	5,000	<b>10,000</b>
	<b>15,858</b>	12,200	<b>24,400</b>

**Notes to the Financial Statements (continued)**

**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.

	31/12/2013 (unaudited) £	31/12/2012 (unaudited) £	30/06/2013 (audited) £
<i>Authorised</i> 2,000,000,000 Ordinary shares of £0.000001	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	<b>No. of Shares</b>	<b>Share Capital £</b>	<b>Share Premium £</b>
<b>Balance at 01 July 2012/ 31 December 2013</b>	<b>33,000,000</b>	<b>33</b>	<b>2,699,013</b>
Shares issued in settlement of services	<u>864,836</u>	<u>1</u>	<u>60,538</u>
<b>Balance at 30 June 2013/ 31 December 2013</b>	<u><b>33,864,836</b></u>	<u><b>34</b></u>	<u><b>2,759,551</b></u>

On 9 April 2013 the Company issued 864,836 ordinary shares at a price of £0.07 each resulting in share premium of £60,538. The shares were issued to Shellbay Investments Limited in settlement of services provided to the Company (see note 2)

*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 31 December 2013 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 the light of economic conditions and the strategy approved by shareholders. To maintain or adjust the capital structure, the Company may make dividend payment 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 period under review.

*Dividends*

No dividends were declared or proposed by the Directors during the period (31 December 2012: Nil).

**Notes to the Financial Statements (continued)**

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

	<b>31/12/2013</b> <b>(unaudited)</b> £	31/12/2012 (unaudited) £	<b>30/06/2013</b> <b>(audited)</b> £
Quoted	<b>4,671,135</b>	2,709,427	<b>2,667,817</b>
Unquoted	<b>319,970</b>	321,708	<b>249,113</b>
	<u><b>4,991,105</b></u>	<u>3,031,135</u>	<u><b>2,916,930</b></u>
Equities	<b>4,901,454</b>	3,007,987	<b>2,900,677</b>
Warrants	<b>89,651</b>	23,148	<b>16,253</b>
	<u><b>4,991,105</b></u>	<u>3,031,135</u>	<u><b>2,916,930</b></u>

**8 Financial instruments**

**Financial Risk Management**

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2013.

**9 Trade and other payables**

	<b>31/12/2013</b> <b>(unaudited)</b> £	<b>31/12/2012</b> <b>(unaudited)</b> £	<b>30/06/2013</b> <b>(audited)</b> £
Provision for audit fee	<b>7,500</b>	<b>7,200</b>	<b>18,000</b>
Shellbay Investments Limited	<b>379,057</b>	-	-
Other	<b>25,358</b>	<b>90</b>	<b>14,400</b>
	<u><b>411,915</b></u>	<u><b>7,290</b></u>	<u><b>32,400</b></u>

**10 Share warrants**

At the date of admission to AIM, the Company issued 30,000,000 non-transferable warrants, entitling the holder to subscribe for one new ordinary share for every placing share, and which will not be admitted to trading on AIM. The warrants were exercisable for 12.5 pence at any time within two years of the date of issue. The warrant exercise was either at the option of the holder or at the option of the Company, in the event that the closing price of the ordinary shares was more than 20 pence for five consecutive trading days. In considering the share subscription price, the lack of historic share price performance data, and the price and conditions attaching to exercise, the Directors deemed that the warrants had no separate value from the shares issued on the Company's admission to AIM.

All warrants lapsed on 15 September 2013 and there were thus no warrants in issue at the year-end.

**11 Related party transaction**

Under an agreement dated 1 December 2011, Burnbrae Limited, a Company related to both James 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 2012: £18,000) during the period under this agreement of which £ Nil was outstanding as at the period end (31 December 2012: £ Nil).

**Notes to the Financial Statements (continued)**

**12 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 £1,787,086 (31 December 2012: £9,866) and the weighted average number of shares of 33,864,836 (31 December 2012: 33,000,000) 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 at 31 December 2013 because the warrants have lapsed.

**13 Commitments and contingent liabilities**

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

**14 Events after the reporting date**

There have been no material events since the reporting date that require disclosure in the interim financial statements.