BioPharma Credit PLC

Half-Yearly Report

for the period ended 30 June 2018

DEBT CAPITAL FOR THE LIFE SCIENCES INDUSTRY

Company Number: 10443190

— Welcome to our Half-Yearly Report —

BIOPHARMA CREDIT PLC (THE "COMPANY") PROVIDES INVESTORS WITH AN OPPORTUNITY TO GAIN EXPOSURE TO THE FAST GROWING LIFE SCIENCES INDUSTRY THROUGH A DIVERSIFIED PORTFOLIO OF LOANS AND OTHER INSTRUMENTS BACKED BY CASH FLOWS DERIVED FROM SALES OF APPROVED LIFE SCIENCES PRODUCTS.

Visit bpcruk.com for more information

Contents

— Financial Highlights —

ORDINARY SHARES
as at 30 June 2018

Share price
$1.0400
(31 December 2017: $1.0470) -0.7%

NAV per Share
$1.0047
(31 December 2017: $1.0091) -0.4%

Premium to NAV per Share
3.5%
(31 December 2017: 3.8%)

Shares in issue
914.3m
(31 December 2017: 914.3m)

C SHARES
as at 30 June 2018

Share price
$1.0350

NAV per Share
$0.9829

Premium to NAV per Share
5.3%

Shares in issue
163.8m

ASSETS
as at 30 June 2018

Net assets
$918.5m
(31 December 2017: $922.6m) -0.4%

Leverage
0%
(31 December 2017: 0%)

ASSETS
as at 30 June 2018

Net assets
$161.0m

Portfolio Composition

Key statistic ($ in millions)	As at 30 June 2018	As at 31 December 2017	% Change
Cash and cash equivalents	149.2	350.8	(57.5)
Limited partnership interest in BioPharma III	64.8	123.5	(47.5)
RPS Note	52.3	99.7	(47.5)
Tesaro senior secured loan	322.0	222.0	45.0
Lexicon senior secured loan	124.5	124.5	0.0
Novocure senior secured loan	150.0	–	N/A
Sebela senior secured loan	194.2	–	N/A
BMS purchased payments	20.0	–	N/A
C Shares	(161.0)	–	N/A
Other net assets	2.5	2.1	19.0
Total net assets	**918.5**	**922.6**	**(0.4)**

— What We Do —

OUR MISSION:

TO BECOME THE PREMIER DEDICATED PROVIDER OF DEBT CAPITAL TO THE GLOBAL LIFE SCIENCES INDUSTRY.

Target investments:

The Company will mainly invest in debt secured by rights to approved life sciences products or royalties from sales of approved life sciences products.

DEBT
Investments seek predictable cash flows with downside protection

SECURED
Product rights or royalties will serve as collateral for the debt

RIGHTS
Intellectual property, regulatory and other rights that give a life sciences company exclusivity on products and methods of treating certain diseases

LIFE SCIENCES PRODUCTS
Products may include pharmaceuticals, bio-pharmaceuticals, medical devices and clinical diagnostics

ROYALTIES
Right to receive a pre-determined percentage of product sales derived from a license to product rights

COMMERCIALLY APPROVED
Product has met regulatory requirements and is available to patients

— Investment Opportunity —

INVESTMENT OBJECTIVE:

TO GENERATE PREDICTABLE INCOME FOR SHAREHOLDERS OVER THE LONG TERM.

Providing debt capital for the life sciences industry is an attractive investment opportunity with strong risk-adjusted returns.

1
LIFE SCIENCES DEBT IS A LARGE & ATTRACTIVE MARKET

Annual pharmaceutical sales of $1.1 trillion and growing

Large capital needs, private sector spent $160 billion in R&D during 2016

No large dedicated lender or specialised debt market

2
INDUSTRY DYNAMICS CREATE NEW DEBT INVESTMENT OPPORTUNITIES

The specialisation and fragmentation in the industry results in new revenue generating companies every year

Companies with products that have predictable revenues yet large R&D budgets are ideal borrowers

3
PRODUCT & STRUCTURAL EXPERTISE HELP OPTIMISE RISK/REWARD

Life sciences products have predictable uncorrelated cash flows with a long runway of visibility

The Company has a highly experienced investment manager with a strong track record

Source: Pharmakon Advisors

— Market Overview —

LIFE SCIENCES IS A LARGE, VITAL INDUSTRY WITH STRONG, CONSISTENT GROWTH.

Market drivers

Strong expected growth over foreseeable future fuelled by four strong growth drivers

1. Growing population

1960: **3bn**

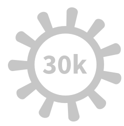
2000: **6bn**

2050: **9bn**

2. Ageing population

3. Emerging markets

4. R&D innovation



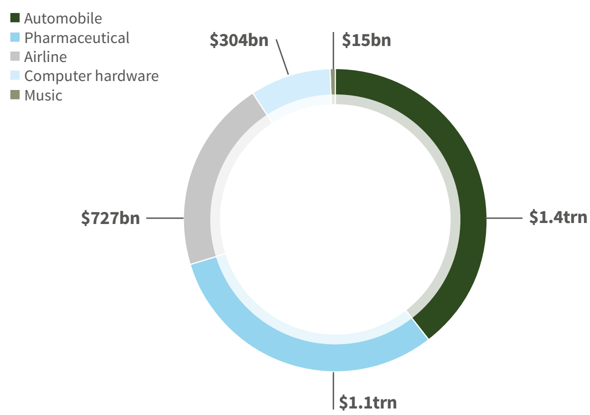
Known diseases

Existing treatments (approx. 20%)

Global pharmaceutical sales: historical & projected ($trn)

Source: Pharmakon Advisors

Worldwide pharmaceutical industry vs. other industries



— Chairman's Statement —

THE BOARD IS PLEASED TO PRESENT THE COMPANY'S INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018.

Introduction

During the first half of 2018, the Company announced two new investments totalling $344.2 million. In addition, the Company funded $20.0 million of the commitment it made in 2017 to acquire an interest in a stream of payments from Bristol Myers Squibb as well as $100.0 million out of its $148.0 million commitment to Tesaro, assigning the remaining $48.0 million to other investors. In the period the Company's seed assets declined by $106.0 million to $117.1 million.

As a result of this activity, together with the development of a pipeline of additional investment opportunities, the Board determined to raise additional capital in the form of C Shares. On 13 April 2018, the Company announced the completion of the Placing and Offer for Subscription of 163.8 million C Shares at $1.00 each.

On 29 June 2018, the Company held its first Annual General Meeting at which all resolutions were passed.

Shareholder Returns and Investment Performance

On 30 June 2018, the Company's Ordinary Shares closed at $1.0400, a slight discount to the closing price on 31 December 2017 of $1.0470. During the same period, the Net Asset Value ("NAV") per Ordinary Share decreased by 0.44 cents from $1.0091 on 31 December 2017 to $1.0047 per share on 30 June 2018. The Company's C Shares closed at $1.0350 on 30 June 2018, a 3.5 per cent increase from their price at admission. NAV per C Share grew from 98.00 cents per share at admission to 98.29 cents per share on 30 June 2018. During the period, the Company made three dividend payments of $0.01, $0.021 and $0.0134 on Ordinary Shares referencing earnings for the quarters ended 30 September 2017, 31 December 2017 and 31 March 2018 respectively. On 16 August 2018, the Company announced a dividend of $0.0175 per Ordinary Share which represents a yield on issue price of 7.0 per cent on an annualised basis.

As of 30 June 2018, the Company had gross assets of $1,077.0 million, represented by $927.8 million in investments and $149.2 million in cash. As of the same date, the Ordinary Shares were fully invested and $11.1 million of the C Shares had been invested.

Subsequent to the end of the period, the Company announced, on 20 September 2018, that it had entered into a definitive loan agreement for $150 million with Amicus Therapeutics, Inc. The loan will be funded from assets attributable to the C Shares of the Company which, as a result, will become fully invested and eligible for conversion into the Company's Ordinary Shares.

Jeremy Sillem
Chairman
26 September 2018

— Investment Manager's Report —

THE COMPANY'S EXISTING PORTFOLIO INVESTMENTS CONTINUED TO PERFORM WELL. PHARMAKON'S ENGAGEMENT WITH MULTIPLE POTENTIAL COUNTERPARTIES RESULTED IN THE EXECUTION OF TWO NEW TRANSACTIONS, INVESTING $344 MILLION.

We are delighted with the results of these past six months. The Company's existing portfolio investments continued to perform well. Pharmakon's engagement with multiple potential counterparties resulted in the execution of two new transactions, investing $344 million. In addition, BioPharma Credit disbursed an additional $120 million during the period corresponding to prior funding commitments, bringing the total amount invested during the period to $464 million. The Company also raised a total of $163.8 million C Shares, issued at a price of $1.00 each, of which $11.1 million was used to fund a portion of the second tranche of Tesaro. Below is a summary of the most recent investment activity together with an update on the seed assets acquired at the time of IPO.

Investments

Sebela

On 1 May 2018, BioPharma Credit co-led a $316 million senior secured term loan for Sebela BT Holdings Inc ("Sebela"), a subsidiary of Sebela Pharmaceuticals. The Company committed to a $194 million investment, with the remaining $122 million balance coming from co-investors. The five-year senior secured loan begins amortising in the third quarter of 2018 and fully matures in December 2022. The loan has a high single-digit coupon (uncapped) and includes upfront structuring fees. Sebela is a private specialty pharmaceutical company focused on gastro-intestinal medicines, dermatology, and women's health with pro-forma sales of approximately $250 million.

Novocure

On 7 February 2018, the Company entered into a senior secured loan agreement for $150 million with Novocure Limited (NASDAQ: NVCR) ("Novocure"), a commercial stage oncology company with a market capitalisation of approximately $2.9 billion as of 30 June 2018.

The $150 million loan will mature in February 2023 and bears interest at 9.0 per cent per annum. Novocure used $100 million of the net proceeds to entirely prepay the $100 million, 10.0 per cent coupon loan made by BioPharma III Holdings, LP ("BioPharma III") in 2015 that was scheduled to mature in 2020. BioPharma Credit is a limited partner in BioPharma III and therefore received a distribution of approximately $46 million from BioPharma III as a result of the prepayment from Novocure.

Novocure manufactures and sells the Optune system, a cancer treatment centered on a proprietary therapy called TTFields, which involves the use of electric fields tuned to specific frequencies to disrupt solid tumor cancer cell division. Optune is currently approved for the treatment of adults with Glioblastoma ("GBM"). On 26 July 2018, Novocure reported unaudited revenues of $113.6 million for the first six months of 2018 and $177.0 million for the full year ended 31 December 2017. Novocure invests meaningfully in R&D and has late stage trials (Phase III pilot studies) underway for TTFields in brain metastases, non-small cell lung cancer and pancreatic cancer.

Tesaro, Inc.

On 21 November 2017, the Company and BioPharma Credit Investments IV, S.àr.L. ("BioPharma IV") entered into a definitive loan agreement for up to $500 million with Tesaro, Inc. (NASDAQ: TSRO) ("Tesaro") a commercial stage oncology company with a market capitalisation of approximately $2.4 billion as of 30 June 2018. Under the terms of the transaction, the Company funded $222 million of the $300 million first tranche on 6 December 2017 and committed to invest up to $148 million of the second tranche of $200 million by 20 December 2018 at Tesaro's option. On 3 May 2018, BioPharma Credit received notice from Tesaro requesting funding of the $200 million second tranche by 1 August 2018. While there was no obligation to fund prior to this date, Tesaro expressed a preference for funding by 30 June 2018. The Company funded $100 million on 29 June 2018 and assigned its remaining $48 million second tranche commitment to other investors, resulting in a total investment in the Tesaro loan of $322 million across both tranches.

— Investment Manager's Report continued —

The Tesaro loan has a term of seven years and is secured by Tesaro's US rights to ZEJULA®. The first $300 million tranche bears interest at LIBOR plus 8 per cent and the second tranche bears interest at LIBOR plus 7.5 per cent. The LIBOR rate is subject to a floor of 1 per cent and certain caps. Each tranche of the loan is interest only for the first two years, amortises over the remaining term, and can be prepaid at Tesaro's discretion at any time, subject to prepayment fees.

Lexicon Pharmaceuticals, Inc.

On 4 December 2017, the Company and BioPharma IV entered into a definitive term loan agreement for up to $200 million with Lexicon Pharmaceuticals, Inc. (NASDAQ: LXRX) ("Lexicon"), a fully integrated biopharmaceutical company with a market capitalisation of approximately $1.3 billion as of 30 June 2018. The $200 million loan will be available in two tranches, each maturing in December 2022 and bearing interest at 9 per cent per annum. The first $150 million was available immediately and an additional tranche of $50 million is available for draw down by March 2019 at Lexicon's option if net XERMELO® sales are greater than $25 million in the preceding quarter. Under the terms of the transaction, the Company will invest up to $166 million ($124.5 million in the first tranche and up to an additional $41.5 million by 30 March 2019) and BioPharma IV will invest up to $34 million in parallel with the Company, which will act as collateral agent. The loan is secured by substantially all of Lexicon's assets, including its rights to XERMELO and Sotagliflozin. The first $150 million tranche was funded on 18 December 2017.

In May 2018, the U.S. Food and Drug Administration ("FDA") accepted Lexicon collaborator Sanofi's New Drug Application ("NDA") for sotagliflozin for use in combination with insulin therapy to improve glycemic control in adults with type 1 diabetes mellitus with a PDUFA date of 22 March 2019.

Bristol-Myers Squibb, Inc.

On 8 December 2017, the Company's wholly-owned subsidiary entered into a purchase, sale and assignment agreement with a wholly-owned subsidiary of Royalty Pharma Investments ("RPI"), an affiliate of the Investment Manager, for the purchase of a 50 per cent interest in a stream of payments (the "Purchased Payments") acquired by RPI's subsidiary from Bristol-Myers Squibb (NYSE: BMY) ("BMS") through a purchase agreement dated 14 November 2017. As a result of the arrangements, RPI's subsidiary and the Company's subsidiary will each be entitled to the benefit of 50 per cent of the Purchased Payments under identical economic terms.
The Purchased Payments are linked to tiered worldwide sales of Onglyza and Farxiga, diabetes agents marketed by AstraZeneca, and related products. The Company is expected to fund $140 million to $160 million between 2018 and 2019, determined by product sales over that period, and will receive payments from 2020 through 2025. The Purchased Payments are expected to generate attractive risk-adjusted returns in the high single digits per annum. On 24 May 2018, the Company funded its first Purchase Payment based on Q1 2018 sales for a total of $20 million out of the originally expected range of $140 million to $160 million.

Update on seed assets

The Company acquired $338.6 million in seed assets at the time of the IPO in March 2017, consisting of a $185.1 million investment in the RPS Note and a 46 per cent limited partnership interest in BioPharma III, valued at $153.5 million at the time of the IPO.

BioPharma III

From 31 December 2017 through 30 June 2018, BioPharma Credit received distributions from BioPharma III totalling $63.7 million, including $60.7 million in capital distributions which reduced the value of the investment from $123.5 million at 31 December 2017 to $64.8 million at 30 June 2018. The table below provides the change in the balance of the individual investments held by BioPharma III, in which the Company holds a 46 per cent limited partnership interest:

Counterparty/borrower	Investment amount ($ in millions)	Asset value at 31 December 2017 ($ in millions)	Asset value at 30 June 2018 ($ in millions)
Vivus	50	7	–
Valneva	41	28	21
Novocure	100	100	–
Depomed	150	94	80
iRhythm	30	30	30
Total	**371**	**259**	**131**

During this period, the investments held by BioPharma III performed as expected.

RPS Note

From 31 December 2017 through 30 June 2018, BioPharma Credit received payments from the RPS Note totalling $53.0 million, including $47.3 million in amortisation payments, which reduced the value of the investment from $99.6 million on 31 December 2017 to $52.3 million at 30 June 2018.

— Investment Manager's Report continued —

Investment outlook

The life sciences industry has continued to perform well during these past months, as reflected by the major equity indices. Through 30 June 2018, the New York Stock Exchange Biotechnology Index ("BTK Index") increased by 5.5 per cent since 31 March 2018 and by 12.5 per cent since the start of the year. Beyond reflecting the overall health of the industry, this index is relevant to the Company because potential borrowers are more inclined to issue equity or convertible bonds at times when equity markets are strong, limiting the number and size of fixed-income investment opportunities for the Company.

Equity and convertible issuance during this period was higher than the recent past. Global equity issuance by life sciences companies during the first half of 2018 was $35.7 billion, accelerating from the $27.2 billion issued during the first half of 2017. US issuance of life sciences convertible bonds increased 128.2 per cent from $2.3 billion during the first half of 2017 to $5.2 billion in the first half of 2018.

Acquisition financing is a very important driver of capital needs in the life sciences industry. An active M&A market helps drive opportunities for investors such as the Company, as acquiring companies need to raise finance to fund acquisitions.
Global life sciences M&A volume during the first half of 2018 was $126.6 billion, 13.7 per cent more than the $111.3 billion witnessed during the first half of 2017, reflecting an increase across the broader, all industry, M&A market that saw a 4 per cent increase over the same period. It is widely believed that this increase in M&A activity was caused by the greater visibility provided by US tax reform which was enacted in December 2017. The Company benefited from M&A activity during the period through the successful execution of the Sebela transaction and is encouraged by the number of M&A opportunities that are starting to build up and should lead to a more active market over the next few months.

In conclusion, there continues to be a robust pipeline of investment opportunities, but their execution is dependent on a number of factors that are not completely within the control of the Company. In addition, given the recent pace of investment activities, we will continue to explore additional sources of capital in order to finance new investments and fund existing commitments. We remain focused on our mission of creating the premier dedicated provider of debt capital to the life sciences industry while generating attractive returns and sustainable income to investors. Furthermore, we remain confident of our ability to deliver attractive returns that will enable the Company to pay a robust dividend yield for our investors.

Pedro Gonzalez de Cosio
Co-founder and CEO, Pharmakon
26 September 2018

— Portfolio Information —

Asset	Counterparty/borrower	Underlying Product	Fair Value ($m)	Expected Maturity	% of Gross Assets
Limited partnership interest in BioPharma III					
Senior secured loan	Valneva	Ixiaro	9.7	2018	1
Senior secured loan	Depomed	Nucynta, Gralise, three others	37.0	2021	4
Senior secured loan	iRhythm	Optune	13.9	2021	1
Other net assets			4.2		0
Limited partnership interest in BioPharma III			**64.8**	**various**	**6**
RPS Note	RPS	22 products	52.3	2019	5
Tesaro senior secured loan	Tesaro	ZEJULA® and VARUBI®	322.0	2024	30
Lexicon senior secured loan	Lexicon	XERMELO® and sotagliflozin	124.5	2022	11
Novocure senior secured loan	Novocure		150.0	2023	14
Sebela senior secured loan	Sebela		194.2	2022	18
BMS purchased payments	Bristol-Myers	Onglyza and Farxiga	20.0	2026	2
Total investments			**927.8**		**86**
Cash and cash equivalents			**149.2**		**14**
Gross assets			**1,077.0**		**100**

— Recent Investments —

novocure™

$150 MILLION SENIOR SECURED LOAN TO NOVOCURE LIMITED.

Novocure is an oncology company developing a profoundly different cancer treatment utilising a proprietary therapy called Tumour Treating Fields (TTF).

Novocure's commercialised product Optune® is approved for the treatment of adult patients with GBM, an aggressive cancer that begins with the brain.

KEY TERMS OF LOAN:

Size of facility:
$150 million

Interest rate:
9.0% p.a.

Maturity:
5 years

Prepayment:
Novocure used $100 million of the net proceeds to prepay in its entirety the $100 million 10.0% coupon loan made by BioPharma III in 2015 that was scheduled to mature in 2020.

SEBELA® PHARMACEUTICALS INC.

$316 MILLION SENIOR SECURED TERM LOAN TO SEBELA BT HOLDINGS, INC.

Sebela Pharmaceuticals, Inc. is a private specialty company which develops prescription pharmaceutical products for patients and providers within the healthcare community.

The company focuses on dermatology, gastroenterology and women's health, with a range of patent-protected products in each area.

KEY TERMS OF LOAN:

Size of facility:
$316 million to be co-funded:
- BioPharma Credit: $194 million
- Co-investors: $122 million

Interest rate:
High-single-digital percentage floating coupon (uncapped)

Maturity:
5 years

Amortisation:
Beginning after the 3rd quarter of 2018.

— Investment Update —

TESARO®

SECOND TRANCHE OF LOAN TO TESARO, INC.

The Company, together with other investors, has funded the $200 million second tranche of the aggregate $500 million loan to Tesaro, Inc. announced on 21 November 2017.

KEY TERMS OF LOAN:

Size of facility:
- BioPharma: $100 million
- Other investors: $48 million

Interest rate:
LIBOR +7.5% (subject to a floor and cap)

Maturity:
7 years

Amortisation:
Each tranche of the loan is interest only for the first two years and amortises over the remaining term.

Prepayment:
Each tranche of the loan can be prepaid at Tesaro's discretion at any time, subject to prepayment fees.

— Statement of Directors' Responsibilities —

Interim management report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal factors that could impact the remaining six months of the financial year are set out in the Chairman's statement and the Investment Manager's report on pages 5 to 8.

The Directors consider that the principal risks facing the Company are substantially unchanged since the date of the annual report for the period ended 31 December 2017 and continue to be as set out on pages 22 to 25 of that report, with the exception of the risk posed to the Company by its total exposure to Tesaro. The Company funded $100 million and assigned its remaining $48 million second tranche commitment to other investors. All obligations for the senior secured loan to Tesaro have been met.

Risks faced by the Company include, but are not limited to:

- Failure to achieve target returns;
- Dependence on the ability and expertise of the Investment Manager;
- Commitments to make future investments that exceed the Company's current liquidity;
- The Investment Manager's ability to source and advise appropriately on investments;
- The Board's ability to find a replacement investment manager if the Investment Manager resigns;
- Concentration in the Company's portfolio may affect the Company's ability to achieve its investment objective;
- Life sciences products are subject to intense competition and various other risks;
- Investments in debt obligations are subject to credit and interest rate risks;
- Counterparty risk;
- Sales of life sciences products are subject to regulatory actions that could harm the Company's ability to make distributions to investors;
- Net asset values published will be estimates only and may differ materially from actual results; and
- Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for shareholders investing in the Company.

Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge:

- this set of condensed financial statements has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting', as adopted by the European Union ("EU"); and gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- this Half-Yearly Financial Report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions that could do so.

This Half-Yearly Financial Report was approved by the Board of Directors on 26 September 2018 and the above responsibility statement was signed on its behalf by Jeremy Sillem, Chairman.

— Condensed Statement of Comprehensive Income —

For the period from 1 January 2018 to 30 June 2018
(In $000s except per share amounts)

		Period ended 30 June 2018 (Unaudited)			Period ended 30 June 2017 (Unaudited)		
	Note	Revenue	Capital	Total	Revenue	Capital	Total
Income							
Investment income	3	37,726	–	37,726	4,651	–	4,651
Other income	3	2,438	–	2,438	912	–	912
Net gains on investments at fair value	7	–	2,014	2,014	–	4,124	4,124
Currency exchange (losses)/gains		–	(16)	(16)	–	12	12
Total income		**40,164**	**1,998**	**42,162**	**5,563**	**4,136**	**9,699**
Expenses							
Management fee	4	(4,852)	–	(4,852)	(1,956)	–	(1,956)
Directors' fees	4	(163)	–	(163)	(88)	–	(88)
Other expenses	4	(1,390)	(112)	(1,502)	(524)	–	(524)
Total expenses	4	**(6,405)**	**(112)**	**(6,517)**	**(2,568)**	**–**	**(2,568)**
Return on ordinary activities before finance costs and taxation		**33,759**	**1,886**	**35,645**	**2,995**	**4,136**	**7,131**
Finance costs – general		(2)	–	(2)	–	–	–
Finance costs – C Share amortisation	13	(451)	(23)	(474)	–	–	–
Return on ordinary activities after finance costs and before taxation		**33,306**	**1,863**	**35,169**	**2,995**	**4,136**	**7,131**
Taxation on ordinary activities	5	–	–	–	–	–	–
Return on ordinary activities after finance costs and taxation		**33,306**	**1,863**	**35,169**	**2,995**	**4,136**	**7,131**
Net revenue and capital return per Ordinary Share (basic and diluted)	11	**$0.0364**	**$0.0020**	**$0.0384**	**$0.0040**	**$0.0055**	**$0.0095**
Net revenue and capital return per C Share (basic and diluted)	11	**$0.0028**	**$0.0001**	**$0.0029**	**–**	**–**	**–**

The total column of this statement is the Company's Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC").

All items in the above Statement derive from continuing operations.

There is no other comprehensive income, and therefore the return on ordinary activities after finance costs and taxation is also the total comprehensive income.

The notes on pages 16 to 33 form part of these financial statements.

— Condensed Statement of Changes in Equity —

For the period from 1 January 2018 to 30 June 2018
(In $000s)

For the period ended 30 June 2018 (Unaudited)	Note	Share capital	Share premium account	Special distributable reserve*	Capital reserve	Revenue reserve*	Total equity attributable to shareholders of the Company
Net assets attributable to shareholders at 1 January 2018		9,143	150,379	734,356	1,845	26,851	922,574
Share issue costs		–	(2)	–	–	–	(2)
Return on ordinary activities after finance costs and taxation		–	–	–	1,863	33,306	35,169
Dividends paid to Ordinary shareholders	6	–	–	(47)	–	(39,157)	(39,204)
Net assets attributable to shareholders at 30 June 2018		**9,143**	**150,377**	**734,309**	**3,708**	**21,000**	**918,537**

For the period from 24 October 2016 (Date of Incorporation) to 30 June 2017 (Unaudited)	Note	Share capital	Share premium account	Special distributable reserve*	Capital reserve	Revenue reserve*	Total equity attributable to shareholders of the Company
Net assets attributable to shareholders at 24 October 2016		–	–	–	–	–	–
Gross proceeds of Share issue		7,619	754,258	–	–	–	761,877
Share issue costs		–	(15,237)	–	–	–	(15,237)
Transfer to special distributable reserve	14	–	(739,021)	739,021	–	–	–
Share premium cancellation costs		–	–	(41)	–	–	(41)
Return on ordinary activities after finance costs and taxation		–	–	–	4,136	2,995	7,131
Net assets attributable to shareholders at 30 June 2017		**7,619**	**–**	**738,980**	**4,136**	**2,995**	**753,730**

* The special distributable reserve and revenue reserves can be distributed in the form of dividends.

The notes on pages 16 to 33 form part of these financial statements.

— Condensed Statement of Financial Position —

As at 30 June 2018
(In $000s except per share amounts)

	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Non-current assets			
Investments at fair value through profit or loss	7	927,844	569,630
Current assets			
Trade and other receivables	8	5,513	5,038
Cash and cash equivalents	9	149,194	350,822
		154,707	**355,860**
Total assets		**1,082,551**	**925,490**
Current liabilities			
Trade and other payables	10	3,033	2,916
C Shares	13	160,981	–
Total liabilities		**164,014**	**2,916**
Total assets less current liabilities		**918,537**	**922,574**
Net assets		**918,537**	**922,574**
Represented by:			
Share capital	14	9,143	9,143
Share premium account		150,377	150,379
Special distributable reserve	14	734,309	734,356
Capital reserve		3,708	1,845
Revenue reserve		21,000	26,851
Total equity attributable to Ordinary shareholders of the Company		**918,537**	**922,574**
Net asset value per Ordinary Share (basic and diluted)	12	**$1.0047**	**$1.0091**
Net asset value per C Share (basic and diluted)	12	**$0.9829**	**–**

The financial statements of BioPharma Credit PLC registered number 10443190 were approved and authorised for issue by the Board of Directors on 26 September 2018 and signed on its behalf by:

Jeremy Sillem
Chairman

The notes on pages 16 to 33 form part of these financial statements.

— Condensed Cash Flow Statement —

For the period from 1 January 2018 to 30 June 2018
(In $000s)

	Note	Period ended 30 June 2018 (Unaudited)	Period ended 30 June 2017 (Unaudited)
Cash flows from operating activities			
Investment income received		37,890	871
Other income received		2,547	492
Investment management fee paid		(4,276)	–
Finance costs paid		(5)	–
Other expenses paid		(1,973)	(531)
Cash generated from operations	16	34,183	832
Taxation paid		–	–
Net cash flow generated from operating activities		**34,183**	**832**
Cash flow from investing activities			
Purchase of investments	7	(464,265)	(185,130)
Redemptions of investments	7	108,065	66,671
Net cash flow used in investing activities		**(356,200)**	**(118,459)**
Cash flow from financing activities			
Gross proceeds of Ordinary Share issue		–	608,395
Ordinary Share issue costs		(328)	(11,986)
Dividends paid to Ordinary shareholders	6	(39,204)	–
Gross proceeds of C Share issue	13	163,782	–
C Share issue costs		(3,845)	–
Net cash flow generated from financing activities		**120,405**	**596,409**
(Decrease)/increase in cash and cash equivalents for the period		**(201,612)**	**478,782**
Cash and cash equivalents at start of period	9	350,822	–
Revaluation of foreign currency balances		(16)	12
Cash and cash equivalents at end of period	9	**149,194**	**478,794**

The notes on pages 16 to 33 form part of these financial statements.

— Notes to the Financial Statements —

For the period from 1 January 2018 to 30 June 2018

1. GENERAL INFORMATION

BioPharma Credit PLC is a closed-ended investment company incorporated and domiciled in England and Wales on 24 October 2016 with registered number 10443190. The registered office of the Company is Beaufort House, 51 New North Road, Exeter, EX4 4EP.

The Company carries on the business as an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010.

The Company's Investment Manager is Pharmakon Advisors L.P. ("Pharmakon"), Pharmakon is a limited partnership established under the laws of the State of Delaware. It is registered as an investment adviser with the Securities and Exchange Commission ("SEC") under the United States Investment Advisers Act of 1940, as amended.

Pharmakon is authorised as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD").

2. ACCOUNTING POLICIES

a) Basis of preparation

The Company's condensed half-year financial statements cover the period from 1 January 2018 to 30 June 2018 and have been prepared in conformity with IAS 34 'Interim Financial Reporting'. They do not include all financial information required for full annual financial statements and have been prepared using the accounting policies adopted in the audited financial statements which covers the period from incorporation on 24 October 2016 to 31 December 2017. The Company's annual financial statements were prepared in conformity with IFRS as adopted by the EU, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the AIC SORP (issued in November 2014, updated in January 2017 and February 2018 with consequential amendments) for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS. The financial statements have adopted the following accounting policies in their preparation which remain consistent with the accounting policies adopted in the audited financial statements which covers the period from incorporation on 24 October 2016 to 31 December 2017.

The financial statements are presented in US Dollars, being the functional currency of the Company. The financial statements have been prepared on a going concern basis under historical cost convention, except for the measurement at fair value of investments measured at fair value through profit or loss.

The Company's condensed half-year information contained in this half-yearly report does not constitute full statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the periods ended 30 June 2018 and 30 June 2017 does not cover a full financial year and has not been audited. The information for the financial period from incorporation on 24 October 2016 to 31 December 2017 has been extracted from the latest published financial statements, which have been delivered to the Registrar of Companies. The Independent Auditor's Report on those financial statements contained no qualification or statement under Section 498 of the Companies Act 2006.

Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 'Consolidated Financial Statements' are required to measure their subsidiaries at fair value through profit or loss rather than consolidate the entities. The criteria which define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Directors have concluded that the Company meets the characteristics of an investment entity, in that it has more than one investor and its investors are not related parties; holds a portfolio of investments, predominantly in the form of loans which generate returns through interest income. All investments, including its subsidiary BPCR Ongdapa Limited, are reported at fair value to the extent allowed by IFRS.

b) Presentation of Condensed Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Condensed Statement of Comprehensive Income between items of a revenue and capital nature has been prepared alongside the Income Statement.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

2. ACCOUNTING POLICIES continued

c) Segmental reporting

The Directors are of the opinion that the Company has one operating and reportable segment being the investment in debt assets secured by royalties or other cash flows derived from the sales of approved life sciences products.

d) Investments at fair value through profit or loss

The principal activity of the Company is to invest in interest-bearing debt assets with a contractual right to future cash flows derived from royalties or sales of approved life sciences products. In accordance with IFRS, the assets are measured at fair value through profit or loss. They are accounted for on their trade date at fair value, which is the cost of the investment. The fair value of the asset reflects any contractual amortising balance and accrued interest.

For unlisted investments where the market for a financial instrument is not active, fair value is established using valuation techniques which may include recent arm's length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; and discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has proved reliable from estimates of prices obtained in actual market transactions, that technique is utilised.

The fair value is either bid price or the last traded price on the exchange where the investment is listed.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are recognised in the Condensed Statement of Comprehensive Income as gains or losses from investments held at fair value through profit or loss. Transaction costs incurred on the purchase and disposal of investments are included within the cost or deducted from the proceeds of the investments. All purchases and sales are accounted for on trade date.

e) C Share financial liability

Pursuant to the Company's Articles of Association (the "Articles"), the Directors have determined the last day for the conversion for each class of C Shares issued to be the last calendar day in the month falling 12 months after the relevant Admission (the "Back Stop Date", or 30 April 2019). Under IAS 32 'Financial Instruments: Presentation', these C Shares meet the definition of a financial liability rather than an equity instrument. C Shares are recognised on issue at fair value less directly attributable issuance costs.

f) Foreign currency

Transactions denominated in currencies other than US Dollars are recorded at the rates of exchange prevailing on the date of the transaction. Items which are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Condensed Statement of Comprehensive Income.

g) Income

There are three main sources of revenue for the Company: dividends, interest income and royalty revenue. Dividends are receivable on equity shares and recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Dividends from investments in unquoted shares and securities are recognised when they become receivable.

Interest income is recognised when it is probable that the economic benefits will flow to the Company. Interest is accrued on a time basis, by reference to the principal outstanding and the effective interest rate that is applicable. Accrued interest is included within trade and other receivables on the Condensed Statement of Financial Position.

Any accrued income is reflected in the fair value of the Company's limited partnership interest, and is allocated to capital within the Condensed Statement of Comprehensive Income until the Company's right to receive the income is established, when it is transferred to revenue within the Condensed Statement of Comprehensive Income.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Some investments include additional consideration in the form of structuring income, which is earned and paid on execution of the transaction. Income from additional consideration is recognised up front and is allocated to revenue within the Condensed Statement of Comprehensive Income.

Bank interest and other interest receivable are accounted for on an accruals basis.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

2. ACCOUNTING POLICIES continued

h) Dividends paid to shareholders

Dividends to shareholders are recognised as a liability in the period in which they are paid or approved by the Board and are reflected in the Condensed Statement of Changes in Equity. Dividends declared and approved after the balance sheet date are not recognised as a liability of the Company at the balance sheet date.

The Company may, if it so chooses, designate as an ‘‘interest distribution’’ all or part of the amount it distributes to shareholders as dividends, to the extent that it has ‘‘qualifying interest income’’ for the accounting period. Were the Company to designate any dividend it pays in this manner, it should be able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting period. The Company intends to elect for the ‘‘streaming’’ regime to apply to the dividend payments it makes to the extent that it has such ‘‘qualifying interest income’’. Shareholders in receipt of such a dividend will be treated for UK tax purposes as though they had received a payment of interest, which results in a reduction of the corporation tax payable by the Company.

i) Expenses

All expenses are accounted for on an accruals basis. Expenses, including investment management fees, performance fees and finance costs, are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital costs and separately identified and disclosed in Note 4; and
- expenses of a capital nature are accounted for through the capital account.

j) Trade and other receivables

Trade and other receivables do not accrue interest and are measured at fair value through profit and loss and reduced by appropriate allowances for estimated unrecoverable amounts, where necessary.

k) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

l) Trade and other payables

Trade and other payables do not accrue interest and are measured at fair value through profit and loss.

m) Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Corporation tax is recognised in the Condensed Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods. The tax effect of different items of expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates, using the Company's marginal method of tax, as applied to those items allocated to revenue, for the accounting period.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

n) Share capital and reserves

The Share capital represents the nominal value of the Company's Ordinary Shares (equity shares).

The share premium account represents the excess over nominal value of the fair value of consideration received for the Company's Ordinary Shares (equity shares), net of expenses of the Share issue.

The special distributable reserve was created on 30 June 2017 to enable the Company to buy back its own Shares and pay dividends out of such distributable reserve, in each case when the Directors consider it appropriate to do so, and for other corporate purposes.

The capital reserve represents realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items. The realised capital reserve can be used for the repurchase of Shares.

The revenue reserve represents retained profits from the income derived from holding investment assets less the costs and interest on cash balances associated with running the Company. This reserve can be distributed.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

2. ACCOUNTING POLICIES continued

o) Critical accounting estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and therefore, the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, estimates and assumptions made in the valuation of unquoted investments for which there is no observable market may cause material adjustments to the carrying value of those investments. These are valued in accordance with Note 2(d) above.

p) New accounting standards effective since 1 January 2018

IFRS 9 'Financial Instruments'

The Directors have considered the implications of IFRS 9 and are of the opinion the Company's investments are already measured at fair value. Therefore, there has been no impact on the current and comparative financial statements for this accounting standard.

IFRS 15 'Revenue from Contracts with Customers'

The Directors have considered the implications of IFRS 15 and are of the opinion this does not apply to financial instruments, which comprise the business of the Company as an investment trust. Therefore, there has been no impact on the current and comparative financial statements for this accounting standard.

q) Accounting standards not yet effective

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued and endorsed the following standards and interpretations, applicable to the Company, which are not yet effective for the period ended 30 June 2018 and have therefore not been applied in preparing these financial statements.

Amendment to IFRS 9 'Financial Instruments' – relates to prepayment features with negative compensation and modifications of financial liabilities, and is effective for reporting periods beginning on or after 1 January 2019.

The Directors do not expect that the adoption of the standards and interpretations will have a material impact on the financial statements in the period of initial application.

Other future development includes the IASB undertaking a comprehensive review of existing IFRSs. The Company will consider the financial impact of these new standards as they are finalised.

3. INCOME

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Income from investments		
US unfranked investment income from BioPharma III	2,970	262
US fixed interest investment income	15,460	4,389
US floating interest investment income	14,383	–
Additional consideration received*	4,913	–
	37,726	4,651
Other income		
Interest income from liquidity/money market funds	2,075	740
Fixed term deposit interest income	357	172
Other interest	6	–
	2,438	912
Total income	**40,164**	**5,563**

* The Company's senior secured loan to Sebela and the second tranche of its senior secured loan to Tesaro included additional consideration in the form of structuring income of $2,912,691 and $2,000,000, respectively, which were paid upon the completion of the transaction or funding, in respect of the second tranche of the Tesaro loan, and are recognised as income in the period. Refer to Note 2(g).

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

4. FEES AND EXPENSES

Expenses

	Period ended 30 June 2018			Period ended 30 June 2017		
	Revenue $000	Capital $000	Total $000	Revenue $000	Capital $000	Total $000
Management fee (note 4a)	4,852	–	4,852	1,956	–	1,956
Directors' fees (note 4c)	163	–	163	88	–	88
Other expenses						
Company Secretarial fee	41	–	41	20	–	20
Administration fee	58	–	58	23	–	23
Legal & professional fees	682	112	794	134	–	134
Public relations fees	128	–	128	141	–	141
Auditor's remuneration – Statutory audit	88	–	88	–	–	–
Auditor's remuneration – Other audit related services – Half year review	120	–	120	105	–	105
Auditor's remuneration – Other audit related services – initial accounts	–	–	–	28	–	28
Other expenses	273	–	273	73	–	73
	1,390	112	1,502	524	–	524
Total expenses	**6,405**	**112**	**6,517**	**2,568**	**–**	**2,568**

For the period ended 30 June 2018, the Auditor was also paid $250,000 for services performed in connection with the C Share issue. This amount is not included within the Auditor's remuneration figures above, as it is recognised as part of C Share issue costs within the C Share figure within the Condensed Statement of Financial Position.

For the period ended 30 June 2017, the Directors were also paid $162,500, as detailed in Note 4(c). This amount is not included within the Directors' fees figure above. The Auditor was also paid $176,000 for services performed in connection with the IPO.
This amount is not included within the Auditor's remuneration figures above. Both of these amounts were recognised as part of Share issue costs in the Condensed Statement of Changes in Equity in the unaudited financial statements which cover the period from incorporation on 24 October 2016 to 30 June 2017.

a) Investment management fee

With effect from the Initial Admission, the Investment Manager is entitled to a management fee (''Management Fee'') calculated on the following basis: (1/12 of 1 per cent of the NAV on the last business day of the month in respect of which the Management Fee is to be paid (calculated before deducting any accrued Management Fee in respect of such month)) minus (1/12 of $100,000).

The Management Fee payable in respect of any quarter will be reduced by an amount equal to the Company's pro rata share of any transaction fees, topping fees, break-up fees, investment banking fees, closing fees, consulting fees or other similar fees which the Investment Manager (or an affiliate) receives in connection with transactions involving investments of the Company (''Transaction Fees''). The Company's pro rata share of any Transaction Fees will be in proportion to the Company's economic interest in the investment(s) to which such Transaction Fees relate.

b) Performance fee

As at 30 June 2018

Subject to: (i) the NAV attributable to the Ordinary Shares as at the end of a performance period representing a minimum 6 per cent annualised rate of return annualised on the Company's IPO gross proceeds (adjusted for dividends, share issues and buybacks as appropriate), (ii) the total return on the NAV attributable to the Ordinary Shares (adjusted for dividends, share issues and buybacks as appropriate) exceeding 6 per cent over such performance period, and (iii) a high watermark, the Investment Manager will be entitled to receive a performance fee equal to the lesser of: (a) 50 per cent of the total return above 6 per cent; and (b) 10 per cent of the total return over such performance period provided always that the amount of any performance fee payable to the Investment Manager will be reduced to the extent necessary to ensure that after account is taken of such fee, condition (iii) above remains satisfied.

Where the Investment Manager is not entitled to a performance fee solely because condition (i) has not been satisfied, such fee will be deferred and paid in a subsequent performance period in which such condition is satisfied. Where condition (i) is satisfied in a performance period but the payment of a performance fee (or any deferred performance fee from previous performance periods) in full would result in that condition failing, the Investment Manager shall be entitled to such portion of such fee that does not result in the failure of the condition (i) above and the balance would be deferred to a future performance period.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

4. FEES AND EXPENSES continued

b) Performance fee continued

Any performance fee (whether deferred or otherwise) shall be paid as soon as practicable after the end of the relevant performance period and, in any event, within 15 Business Days of the publication of the Company's audited annual financial statements relating to such period.

Since 30 June 2018

The performance fee provisions were amended on 19 September 2018 to provide that where the payment of performance fee (or any deferred performance fee from previous performance periods) in full would result in the failure of condition (i) above, the Investment Manager shall only be entitled to 50 per cent of such fee that does not result in the failure of condition (i) with the balance being deferred to a future performance period.

If, during the last month of a Performance Period, the shares have, on average, traded at a discount of 1 per cent or more to the NAV per share (calculated by comparing the middle market quotation of the shares at the end of each business day in the month to the prevailing published NAV per share (exclusive of any dividend declared) as at the end of such business day and averaging this comparative figure over the month), the Investment Manager shall (or shall procure that its Associate does) apply 50 per cent of any Performance Fee paid by the Company to the Investment Manager (or its Associate) in respect of that Performance Period (net of all taxes and charges applicable to such portion of the Performance Fee) to make market acquisitions of shares (the ‘‘Performance Shares’’) as soon as practicable following the payment of the Performance Fee by the Company to the Investment Manager (or its Associate) and at least until such time as the shares have, on average, traded at a discount of less than 1 per cent to the NAV per share over a period of five business days (calculated by comparing the middle market quotation of the shares at the end of each such business day to the prevailing published NAV per share (exclusive of any dividend declared) and averaging this comparative figure over the period of five business days). The Investment Manager’s obligation:

1) shall not apply to the extent that the acquisition of the Performance Shares would require the Investment Manager to make a mandatory bid under Rule 9 of the Takeover Code; and
2) shall expire at the end of the Performance Period which immediately follows the Performance Period to which the obligation relates.

c) Directors

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. The Directors’ remuneration is $70,000 per annum for each Director other than:

- the Chairman, who will receive an additional $30,000 per annum; and
- the Chairman of the Audit and Risk Committee, who will receive an additional $15,000 per annum.

In addition, in consideration for the work done between Incorporation and Admission, for the period up to 31 December 2017, each Director was entitled to an additional $35,000 other than:

- the Chairman, who received an additional $50,000 for this period; and
- the Chairman of the Audit and Risk Committee, who received an additional $42,500 for this period.

Fees were paid to each Director in three equal quarterly instalments in 2017.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

5. TAXATION

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval of the Company by HMRC as an investment trust under Section 1158 of the Corporation Tax Act 2010 (as amended) and pursuant to regulations made under Section 1159 of the Corporation Tax Act 2010. As an investment trust, the Company is exempt from corporation tax on capital gains.

The current taxation charge for the period is different from the standard rate of corporation tax in the UK of 19.00 per cent. The effective tax rate was 0.00 per cent. The differences are explained below.

	Period ended 30 June 2018			Period ended 30 June 2017		
	Revenue $000	Capital $000	Total $000	Revenue $000	Capital $000	Total $000
Total return on ordinary activities before taxation	33,306	1,863	35,169	2,995	4,136	7,131
Theoretical tax at UK Corporation tax rate of 19.00% (30 June 2017: 19.36%)*	6,328	354	6,682	580	801	1,381
Effects of:						
Capital items that are not taxable	–	(354)	(354)	–	(801)	(801)
Tax deductible interest distributions	(6,328)	–	(6,328)	(580)	–	(580)
Actual tax charge	**–**	**–**	**–**	**–**	**–**	**–**

* The theoretical tax rate is calculated using a blended tax rate over the period.

At 30 June 2018, the Company had no deferred tax liabilities. At that date, based on current estimates and including the accumulation of net allowable losses, the Company had no unused losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue to meet for the foreseeable future) the conditions for approval as an investment trust company.

6. DIVIDENDS

	Period ended 30 June 2018			Period ended 30 June 2017		
	Revenue $000	Capital $000	Total $000	Revenue $000	Capital $000	Total $000
In respect of the current period:						
First interim dividend of $0.0134 per Ordinary Share for period ended 30 June 2018	12,306	–	12,306	–	–	–
In respect of the previous period ended 31 December 2017:						
Second interim dividend of $0.01 per Ordinary Share	7,572	47	7,619	–	–	–
Third interim dividend of $0.01 per Ordinary Share	9,143	–	9,143	–	–	–
Special dividend of $0.011 per Ordinary Share	10,136	–	10,136	–	–	–
	39,157	**47**	**39,204**	**–**	**–**	**–**

On 16 August 2018, the Board approved a second interim dividend for the period ended 30 June 2018 of $0.0175 (first dividend 30 June 2017: $0.01) per Ordinary Share, payable on 28 September 2018. In accordance with IFRS, this dividend has not been included as a liability in these financial statements.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at 30 June 2018 $000	As at 31 December 2017 $000
Investment portfolio summary		
Unlisted investments at fair value through profit and loss	64,790	123,479
Unlisted fixed interest investments at fair value through profit and loss	326,789	224,151
Unlisted floating interest investments at fair value through profit and loss	536,265	222,000
Closing fair value at the end of the period	**927,844**	**569,630**

	Period ended 30 June 2018			
	Unlisted investments $000	Unlisted fixed interest investments $000	Unlisted floating interest investments $000	Total $000
Investment portfolio summary				
Opening cost at beginning of period	123,487	224,151	222,000	569,638
Opening unrealised depreciation at beginning of period	(8)	–	–	(8)
Opening fair value at beginning of period	123,479	224,151	222,000	569,630
Movements in the period:				
Purchases at cost	–	150,000	314,265	464,265
Redemption proceeds	(60,703)	(47,362)	–	(108,065)
Unrealised appreciation	2,014	–	–	2,014
Closing fair value at the end of the period	**64,790**	**326,789**	**536,265**	**927,844**
Closing cost at end of period	62,784	326,789	536,265	925,838
Closing unrealised appreciation at end of period	2,006	–	–	2,006
Closing fair value at the end of the period	**64,790**	**326,789**	**536,265**	**927,844**

Analysis of investment gains

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Unrealised appreciation	2,014	4,124
	2,014	**4,124**

Transaction costs, (incurred at the point of the transaction) incidental to the acquisition of investments totalled $Nil (30 June 2017: $Nil) and to the disposals of investments totalled $Nil (30 June 2017: $Nil) for the period. In addition, legal fees incidental to the acquisition of investments totalled $112,000 (30 June 2017: $Nil) as disclosed in Note 4, have been reflected in the capital column in the Condensed Statement of Comprehensive Income since they are capital in nature.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS continued

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following three levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level of the fair value hierarchy, within which the fair value measurement is categorised, is determined on the basis of the lowest level input that is significant to the fair value of the investment.

	As at 30 June 2018			
Financial assets	Total $000	Level 1 $000	Level 2 $000	Level 3 $000
Investment portfolio summary				
Unlisted investments at fair value through profit and loss	64,790	–	–	64,790
Unlisted fixed interest investments at fair value through profit and loss	326,789	–	52,289	274,500
Unlisted floating interest investments at fair value through profit and loss	536,265	–	–	536,265
	927,844	–	52,289	875,555
Liquidity/money market funds	149,113	149,113	–	–
Total	**1,076,957**	**149,113**	**52,289**	**875,555**

	As at 31 December 2017			
Financial assets	Total $000	Level 1 $000	Level 2 $000	Level 3 $000
Investment portfolio summary				
Unlisted investments at fair value through profit and loss	123,479	–	–	123,479
Unlisted fixed interest investments at fair value through profit and loss	224,151	–	99,651	124,500
Unlisted floating interest investments at fair value through profit and loss	222,000	–	–	222,000
	569,630	–	99,651	469,979
Liquidity/money market funds	346,767	346,767	–	–
Total	**916,397**	**346,767**	**99,651**	**469,979**

A reconciliation of fair value measurements in Level 3 is set out below.

Level 3 financial assets at fair value through profit or loss

As at 30 June 2018	Unlisted investments $000	Unlisted fixed interest investments $000	Unlisted floating interest investments $000	Total $000
Opening balance	123,479	124,500	222,000	469,979
Purchases	–	150,000	314,265	464,265
Redemptions*	(60,703)	–	–	(60,703)
Change in unrealised appreciation	2,014	–	–	2,014
Closing balance at 30 June 2018	**64,790**	**274,500**	**536,265**	**875,555**

* Redemptions are the proceeds received from the repayment of investments.

There were no transfers between levels during the period.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS continued

Valuation techniques

Unrealised gains and losses recorded on Level 2 and 3 financial instruments are reported in unrealised gain/(loss) on investments on the Condensed Statement of Comprehensive Income. At the time the investments are made, the Investment Manager calculates an expected rate of return based on the purchase price and the cash flows as projected at that time. The projected cash flows are calculated at the time of the investment by estimating future product sales and applying the corresponding royalty rate for capped royalty investments. Estimates of future product sales are generated through models driven by several factors that include the potential size of the market (disease incidence and prevalence), the product's market share over time and the price of the product.

During the periods following the initial investment of assets classified as Level 3 investments, the Investment Manager reviews and, if appropriate, revises the assumptions in the sales models and calculates the net present value of the remaining cash flows using the expected rate of return. Inputs reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date. Consideration is given to the risk inherent in the valuation techniques and the risk inherent in the inputs of the model. All investments are valued at fair value using a discounted cash flow methodology. For capped royalty investments, discount rates are applied to the consensus forecasts for sales of the underlying products to determine fair value.

The RPS Note, which is a Level 2 investment, is valued using the stated 12 per cent interest rate and Wall Street analyst consensus forecasts for products underlying the Note.

The Company's unlisted investments, with the exception of the RPS Note, are all classified as Level 3 investments. The fair values of the unlisted investments have been determined principally by reference to discounted cash flows. The significant unobservable input used is detailed below:

	As at 30 June 2018					As at 31 December 2017		
Assets	Fair value at Level 3 financial assets at fair value through profit or loss $000	Valuation technique	Unobservable input	Discount rate	Fair value sensitivity to a 100bps increase in the discount rate $000	Valuation technique	Unobservable input	Discount rate
Limited partnership interest in BioPharma III	64,790	Discounted cash flow	Discount rate	9.5%	(817)	Discounted cash flow	Discount rate	9.3% – 12.1%
Lexicon Pharmaceuticals, Inc	124,500	Discounted cash flow	Discount rate	10.0%	(3,865)	Discounted cash flow	Discount rate	10.0%
Tesaro, Inc	322,000	Discounted cash flow	Discount rate	11.3%	(9,521)	Discounted cash flow	Discount rate	10.4%
Novocure	150,000	Discounted cash flow	Discount rate	10.4%	(4,666)	–	–	–
Sebela	194,180	Discounted cash flow	Discount rate	11.6%	(3,426)	–	–	–
BMS	20,085	Discounted cash flow	Discount rate	8.2%	(4,851)	–	–	–

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 $000	As at 31 December 2017 $000
Unlisted fixed interest income receivable	4,140	2,863
Unlisted floating interest income receivable	27	1,468
Interest accrued on liquidity/money market funds	281	390
Other debtors	1,065	317
	5,513	**5,038**

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

9. CASH AND CASH EQUIVALENTS

	As at 30 June 2018 $000	As at 31 December 2017 $000
Cash at bank	81	4,055
Liquidity/money market funds	149,113	346,767
	149,194	**350,822**

10. TRADE AND OTHER PAYABLES

	As at 30 June 2018 $000	As at 31 December 2017 $000
Management fees accrual	2,580	2,004
Share issue costs	–	326
Accruals	453	586
	3,033	**2,916**

11. RETURN PER SHARE

Return per Ordinary Share

Revenue return per Ordinary Share is based on the net revenue after taxation of $33,306,000 (30 June 2017: $2,995,000) and 914,252,831 (30 June 2017: 754,529,543) Ordinary Shares, being the weighted average number of Ordinary Shares for the period.

Capital return per Ordinary Share is based on net capital gains for the period of $1,863,000 (30 June 2017: $4,136,000) and on 914,252,831 (30 June 2017: 754,529,543) Ordinary Shares, being the weighted average number of Ordinary Shares for the period.

Basic and diluted return per Share are the same as there are no arrangements which could have a dilutive effect on the Company's Ordinary Shares.

For the period ended 30 June 2017, the Company's weighted average number of Ordinary Shares for the period has been calculated from 27 March 2017, being the date the initial Ordinary Shares were listed for trading.

Return per C Share

Revenue return per C Share is based on the net revenue after taxation of $451,000 (30 June 2017: $Nil) and 163,782,307 (30 June 2017: Nil) C Shares, being the weighted average number of C Shares for the period.

Capital return per C Share is based on net capital gains for the period of $23,000 (30 June 2017: $Nil) and on 163,782,307 (30 June 2017: Nil) C Shares, being the weighted average number of C Shares for the period.

Basic and diluted return per Share are the same as there are no arrangements which could have a dilutive effect on the Company's C Shares.

12. NET ASSET VALUE PER SHARE

Net asset value per Ordinary Share

The basic total net assets per Ordinary Share is based on the net assets attributable to equity shareholders at 30 June 2018 of $918,537,000 (31 December 2017: $922,574,000) and Ordinary Shares of 914,252,831 (31 December 2017: 914,252,831), being the number of Ordinary Shares in issue at 30 June 2018.

There is no dilution effect and therefore there is no difference between the diluted total net assets per Ordinary Share and the basic total net assets per Ordinary Share.

At 31 December 2017, the NAV per Share differs from the NAV prepared under AIC guidelines by $0.0076. This was due to the second interim dividend of $0.01, payable on 761,877,360 Ordinary Shares, which went ex-dividend on 14 December 2017, being included in the NAV prepared in accordance with AIC guidelines but excluded from the financial statements until paid, in accordance with the Companies Act 2006.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

12. NET ASSET VALUE PER SHARE continued

Net asset value per C Share

The basic total net assets per C Share is based on the net assets attributable to C Shareholders at 30 June 2018 of $160,981,000 (31 December 2017: $Nil) and C Shares of 163,782,307 (31 December 2017: Nil), being the number of C Shares in issue at 30 June 2018. The C Shares were issued on 16 April 2018.

There is no dilution effect and therefore there is no difference between the diluted total net assets per C Share and the basic total net assets per C Share.

13. C SHARES

	Period ended 30 June 2018 $000
Balance at beginning of the period	–
Gross proceeds of C Shares issue	163,782
C Share issue costs	(3,275)
Amortisation of C Share liability*	474
Balance at end of the period	**160,981**

* The amortisation of C Share liability represents the net return from the C Share, per the Condensed Statement of Comprehensive Income.

On 16 April 2018, the Company issued 163,782,307 C Shares raising gross proceeds of $163,782,000. These C Shares were admitted to the Official List of The International Stock Exchange ("TISE") and to trading on the Specialist Fund Segment of the LSE on 16 April 2018.

For shareholder resolutions in respect of amendments to the Articles or in respect of a winding up of the Company, each class of shares will vote as a separate class. For all other resolutions, the holders of Ordinary Shares and each class of C Shares shall vote as one class.

Under IAS 32 'Financial Instruments: Presentation', the C Shares meet the definition of a financial liability rather than an equity instrument and are presented in the financial statements as a liability carried at amortised cost for the period ended 30 June 2018.

These financial statements include all results, assets and liabilities of both share class pools, however the C Shares are recorded as a liability and net assets are reduced by the value of the C Share liability, which is also equivalent to the C Share pool of net assets.

The value of the C Share liability at 30 June 2018 was $160,981,000, or $0.9829 per C Share.

The table below gives a summary of the movements in net assets of the C Share pool and Company:

	Period ended 30 June 2018		Period ended 31 December 2017	
	C Share pool $000	Company $000	C Share pool $000	Company $000
Balance at beginning of the period	–	922,574	–	–
Gross proceeds of Ordinary Share issue	–	–	–	915,990
Ordinary Share issue costs	–	(2)	–	(17,447)
Share premium cancellation costs	–	–	–	(41)
Gross proceeds of C Share issue	163,782	163,782	–	–
C Share issue costs	(3,275)	(3,275)	–	–
Net income	849	40,164	–	36,992
Expenses	(398)	(6,517)	–	(7,613)
Net gains on investments at fair value	–	2,014	–	2,265
Currency exchange gains/(losses)	23	(16)	–	51
Finance costs – general	–	(2)	–	(4)
Dividends paid to Ordinary shareholders	–	(39,204)	–	(7,619)
	160,981	1,079,518	–	922,574
C Share liability	–	(160,981)	–	–
Net assets	**160,981**	**918,537**	**–**	**922,574**

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

13. C SHARES continued

	As at 30 June 2018		As at 31 December 2017	
Represented by:	C Share pool $000	Company $000	C Share pool $000	Company $000
Investments at fair value through profit or loss	11,122	927,844	–	569,630
Trade and other receivables	1,034	5,513	–	5,038
Cash and cash equivalents	149,194	149,194	–	350,822
Trade and other payables	(369)	(3,033)	–	(2,916)
	160,981	1,079,518	–	922,574
C Share liability	–	(160,981)	–	–
Net assets	**160,981**	**918,537**	**–**	**922,574**

14. SHARE CAPITAL

	Period ended 30 June 2018		Period ended 31 December 2017	
	Number of shares	$000	Number of shares	$000
Issued and fully paid:				
Ordinary Shares of $0.01:				
Balance at beginning of the period	914,252,831	9,143	1	–
Initial share issue – 27 March 2017	–	–	526,747,199	5,268
Subsequent share issue – 30 March 2017	–	–	235,130,160	2,351
Further share issue – 18 December 2017	–	–	152,375,471	1,524
Balance at end of the period	**914,252,831**	**9,143**	**914,252,831**	**9,143**

Total voting rights at 30 June 2018 were 1,078,035,138 (voting rights for Ordinary Shares were 914,252,831 and for C Shares were 163,782,307).

The Company was incorporated with 1 Ordinary Share issued at $0.01 and 5,000,000 Redeemable Preference Shares issued at £0.01.

The initial placing of 526,747,199 Ordinary Shares took place on 27 March 2017, with a subsequent issue of 235,130,160 Ordinary Shares on 30 March 2017, raising gross proceeds of $761,877,000. The Company commenced business on 27 March 2017 when the Ordinary Shares in issue were admitted to the Official List of TISE and to trading on the Specialist Fund Segment of the LSE.

A further issue of 152,375,471 Ordinary Shares made on a non pre-emptive basis, took place on 18 December 2017, raising gross proceeds of $154,113,000.

Following approval of the Court on 29 June 2017 and the filing of the court order with the Registrar of Companies on 30 June 2017, the share premium account cancellation was effective. The share premium account of $739,021,000 at 29 June 2017 was transferred to a special distributable reserve. The issue costs of $15,237,000 relating to the initial and subsequent listings were offset against the share premium account. At 30 June 2018, the special distributable reserve was $734,309,000 (31 December 2017: $734,356,000).

Following approval of the Court on 29 June 2017 and the filing of the court order with the Registrar of Companies on 30 June 2017, 5,000,000 Redeemable Preference Shares with an aggregate nominal value of £50,000 were cancelled. At 30 June 2018, the Company held no Redeemable Preference Shares (31 December 2017: none).

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

15. SUBSIDIARY

The Company formed a wholly-owned subsidiary, BPCR Ongdapa Limited (“BPCR Ongdapa”), incorporated in Ireland on 5 October 2017 for the purpose of entering into a purchase, sale and assignment agreement with a wholly-owned subsidiary of Royalty Pharma for the purchase of a 50 per cent interest in a stream of payments acquired by Royalty Pharma from Bristol-Myers Squibb ("BMS"). In accordance with IFRS 10, the Company is exempt from consolidating a controlled investee as it is an investment trust. Therefore, the Company’s investment in BPCR Ongdapa is recognised at fair value through profit and loss.

In May 2018, the Company funded $20.0 million of the total expected purchased payments linked to BMS.

16. RECONCILIATION OF TOTAL RETURN FOR THE PERIOD BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Total return for the period before taxation	35,169	7,131
Capital gains	(1,998)	(4,136)
Decrease/(increase) in trade receivables	95	(4,528)
Increase in trade payables*	443	2,365
Finance costs – C Share amortisation	474	–
Cash generated from operations	**34,183**	**832**

* For 30 June 2017, the increase differs from trade and other payables of $3,292,000 due to costs which form part of financing activities.

ANALYSIS OF NET CASH AND NET DEBT

Net cash	At 1 January 2018 $000	Cash flow $000	Exchange movement $000	At 30 June 2018 $000
Cash and cash equivalents	350,822	(201,612)	(16)	**149,194**

Net cash	At 24 October 2016 $000	Cash flow $000	Exchange movement $000	At 31 December 2017 $000
Cash and cash equivalents	–	350,771	51	350,822

Net debt	At 1 January 2018 $000	Cash flow $000	Exchange movement $000	At 30 June 2018 $000
C Share liability	–	160,958	23	**160,981**

There was no net debt at 31 December 2017 so no table has been included for this period.

17. FINANCIAL INSTRUMENTS

The Company’s financial instruments include its investment portfolio, cash balances, trade receivables and trade payables that arise directly from its operations. Adherence to the Company’s investment policy is key in managing risk. Refer to the Strategic Overview on page 20 of the Company’s annual financial statements for the period from incorporation on 24 October 2016 to 31 December 2017 for a full description of the Company’s investment objective and policy.

The Investment Manager monitors the financial risks affecting the Company on an ongoing basis and the Directors regularly receive financial information, which is used to identify and monitor risk. All risks are actively reviewed and monitored by the Board. Details of the Company’s principal risks can be found in the Strategic Report on pages 21 to 25 of the Company’s annual financial statements for the period from incorporation on 24 October 2016 to 31 December 2017.

The main risks arising from the Company’s financial instruments are:

i) market risk, including price risk, currency risk and interest rate risk;

ii) liquidity risk; and

iii) credit risk.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

17. FINANCIAL INSTRUMENTS continued

(i) Market risk

Market risk is the risk of loss arising from movements in observable market variables. The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

Market price risk

The Company is exposed to price risk arising from its investments whose future prices are uncertain. The Company's exposure to market price risk comprises movements in the value of the Company's investments. See Note 7 above for investments that fall into Level 3 of the fair value hierarchy and refer to the description of valuation policies in Note 2(d). The nature of the Company's investments, with a high proportion of the portfolio invested in unlisted debt instruments, means that the investments are valued by the Company after consideration of the most recent available information from the underlying investments. The Company's portfolio is diversified among counterparties and by the sectors in which the underlying companies operate, minimising the impact of any negative industry-specific trends.

The table below analyses the effect of a 10 per cent change in the fair value of investments:

	As at 30 June 2018		As at 31 December 2017	
Asset	Fair value $000	10 per cent increase/ decrease in market value $000	Fair value $000	10 per cent increase/ decrease in market value $000
BioPharma III	64,790	6,479	123,479	12,348
RPS Note	52,289	5,229	99,651	9,965
Lexicon Senior Secured Loan	124,500	12,450	124,500	12,450
Tesaro Senior Secured Loan	322,000	32,200	222,000	22,200
Novocure Senior Secured Loan	150,000	15,000	–	–
Sebela Senior Secured Loan	194,180	19,418	–	–
BMS Purchased Payments	20,085	2,009	–	–
	927,844	**92,785**	**569,630**	**56,963**

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Investment Manager. Investment performance and exposure are reviewed at each Board meeting.

Currency risk

Currency risk is the risk that fair values of future cash flows of a financial instrument fluctuate because of changes in foreign exchange rates.

At 30 June 2018, the Company held cash balances in GBP Sterling of £58,000 ($77,000) (31 December 2017: £276,000 ($374,000)) and in Euro of €1,000 ($2,000) (31 December 2017: €Nil ($Nil)).

The currency exposures (including non-financial assets) of the Company as at 30 June 2018:

	Cash $000	Investments $000	Other net assets/ (liabilities) $000	Total $000
Sterling	77	–	153	230
Euro	2	–	–	2
US Dollar	149,115	927,844	(158,654)	918,305
	149,194	**927,844**	**(158,501)**	**918,537**

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

17. FINANCIAL INSTRUMENTS continued

The currency exposures (including non-financial assets) of the Company as at 31 December 2017:

	Cash $000	Investments $000	Other net assets/ (liabilities) $000	Total $000
Sterling	374	–	(619)	(245)
US Dollar	350,448	569,630	2,741	922,819
	350,822	**569,630**	**2,122**	**922,574**

A 10 per cent increase in the Sterling exchange rate would have increased net assets by $3,000 (31 December 2017: $45,000). A 10 per cent decrease would have decreased net assets by the same amount (31 December 2017: same).

Interest rate risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate movements may potentially affect future cash flows from:

- investments in fixed interest rate securities and unquoted loans; and
- the level of income receivable on cash deposits and liquidity funds.

The RPS Note, Lexicon and the Novocure loans have a fixed interest rate and therefore are not subject to interest rate risk. At 30 June 2018, the RPS Note, Lexicon and Novocure loans represented 5.69 per cent, 13.55 per cent and 16.33 per cent of the Company's net assets, respectively (31 December 2017: 10.80 per cent, 13.49 per cent and Nil per cent).

The Tesaro loan, the Sebela loan, BMS Purchased Payments and cash and cash equivalents, including investments in liquidity funds, have a floating rate of interest. At 30 June 2018, these represented 35.06 per cent, 21.14 per cent, 2.19 per cent and 16.24 per cent of the Company's net assets, respectively (31 December 2017: 24.06 per cent, Nil per cent, Nil per cent and 38.03 per cent).

A 100 basis point increase or decrease in interest rates associated with the limited partnership interest in BioPharma III would not have materially impacted net income for the period ended 30 June 2018 (30 June 2017: not material).

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At 30 June 2018, the Company had cash and cash equivalents, including investments in liquidity/money market funds with balances of $149,194,000 (31 December 2017: $350,822,000) and maximum unfunded commitments of $161,500,000–$181,500,000 (31 December 2017: $329,500,000–$349,500,000).

The Company maintains sufficient liquid investments through its cash and cash equivalents to pay accounts payable, accrued expenses and ongoing expenses of the Company. Liquidity risk is manageable through a number of options, including the Company's ability to issue debt and/or equity and by selling all or a portion of an investment in the secondary market.

(iii) Credit risk

This is the risk the Company's trade and other receivables will not meet their obligations to the Company. While the Company will often seek to be a secured lender for each debt asset, there is no guarantee that the relevant borrower will repay the loan or that the collateral will be sufficient to satisfy the amount owed. All of the Company's investments are senior secured investments as detailed in the Portfolio Information on page 9.

When the Investment Manager makes an investment, the creditworthiness of the counterparty is taken into account so as to minimise the risk to the Company of default. Creditworthiness is assessed on an ongoing basis and changes to a counterparty's risk profile are monitored by the Investment Manager on a regular basis, and discussed with the Board at quarterly meetings.

The Company's maximum exposure to credit risk at any given time is the fair value of its investment portfolio. At 30 June 2018, the Company's maximum exposure to credit risk was $927,844,000 (31 December 2017: $569,630,000). The Company's concentration of credit risk by counterparty can be found in the Portfolio Information contained on page 9.

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

17. FINANCIAL INSTRUMENTS continued

Capital management

The Company's primary objectives in relation to the management of capital are:

- to ensure its ability to continue as a going concern;
- to ensure that the Company conducts its affairs to enable it to continue to meet the criteria to qualify as an investment trust; and
- to maximise the long-term shareholder returns in the form of sustainable income distributions through an appropriate balance of equity capital and debt.

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000.

The Company has complied with all the above requirements during this financial period.

18. RELATED PARTY TRANSACTIONS

The amounts incurred in respect of management fees during the period to 30 June 2018 was $4,852,000 (30 June 2017: $1,956,000), of which $2,580,000 was outstanding at 30 June 2018 (31 December 2017: $2,004,000). The amount due to the Investment Manager for performance fees at 30 June 2018 was $Nil (30 June 2017: $Nil).

The amount incurred in respect of Directors' fees during the period to 30 June 2018 was $163,000 (30 June 2017: $251,000 ($163,000 of this figure has been included within share issue costs)) of which $Nil was outstanding at 30 June 2018 (31 December 2017: $Nil).

The Shared Services Agreement was entered into by and between Royalty Pharma, an affiliate of Pharmakon Advisors, L.P., and the Investment Manager on 30 November 2016 and deemed effective as of 1 January 2016. Under the terms of the Shared Services Agreement, the Investment Manager will have access to the expertise of certain Royalty Pharma employees, including its research, legal and compliance, and finance teams.

On 7 February 2018, the Company entered into a definitive term senior secured loan agreement for $150,000,000 with Novocure Limited (NASDAQ: NVCR) ("Novocure"). The $150 million loan will mature in February 2023 and bears interest at 9.0% per annum. Novocure used $100,000,000 of the net proceeds to entirely prepay the $100,000,000, 10.0% coupon loan made by BioPharma III Holdings, LP ("BioPharma III") in 2015 that was scheduled to mature in 2020. The Company is a limited partner in BioPharma III and therefore received a distribution of approximately $46,000,000 from BioPharma III as a result of the prepayment from Novocure.

On 8 December 2017, the Company's wholly-owned subsidiary entered into a purchase, sale and assignment agreement with RPI Acquisitions (Ireland) ("RPI Acquisitions"), an affiliate of Royalty Pharma, for the purchase of a 50 per cent interest in a stream of payments acquired by RPI Acquisitions from Bristol-Myers Squibb ("BMS") through a purchase agreement dated 14 November 2017. The Purchased Payments are linked to tiered worldwide sales of Onglyza and Farxiga, diabetes agents marketed by AstraZeneca, and related products. The Company is expected to fund $140,000,000 to $160,000,000 between 2018 and 2020, determined by product sales and will receive payments from 2020 through 2025. Based on current sell-side analyst estimates for the products, the Investment Manager estimates that the rate of return on the transaction will be in the high single-digits per annum. In May and August 2018, the Company funded $20,085,400 and $21,483,337, respectively, of the total expected Purchased Payments linked to BMS.

On 4 December 2017, the Company and BioPharma Credit Investments IV, S.àr.L. ("BioPharma IV"), a fund managed by the Investment Manager, entered into a definitive term loan agreement for up to $200,000,000 with Lexicon Pharmaceuticals, Inc. (NASDAQ: LXRX), a fully integrated biopharmaceutical company ("Lexicon"). The loan is secured by substantially all of Lexicon's assets, including its rights to XERMELO and Sotagliflozin. The $200,000,000 loan will be available in two tranches, each maturing in December 2022 and bearing interest at 9.0 per cent per annum. The first $150,000,000 is available immediately and an additional tranche of $50,000,000 is available for draw by March 2019 at Lexicon's option if net XERMELO sales are greater than $25,000,000 in the preceding quarter. Under the terms of the transaction, the Company will invest up to $166,000,000 ($124,500,000 in the first tranche and up to an additional $41,500,000 by 30 March 2019) and BioPharma IV will invest up to $34,000,000 in parallel with the Company acting as collateral agent. The Company funded the first tranche on 18 December 2017 and recorded interest income of $5,634,000 for the period ended 30 June 2018 (30 June 2017: $Nil). The outstanding balance as at 30 June 2018 was $124,500,000 (31 December 2017: $124,500,000).

— Notes to the Financial Statements continued —

For the period from 1 January 2018 to 30 June 2018

18. RELATED PARTY TRANSACTIONS continued

On 21 November 2017, the Company and BioPharma Credit Investments IV, S.àr.L. ("BioPharma IV"), a fund managed by the Investment Manager, entered into a definitive loan agreement for up to $500,000,000 with Tesaro, Inc. (NASDAQ: TSRO) ("Tesaro"). Under the terms of the transaction, the Company funded $222,000,000 of the $300,000,000 first tranche on 6 December 2017 and committed to invest up to an additional $148,000,000 by 20 December 2018 at Tesaro's option, with BioPharma IV committing to invest up to $130,000,000 in parallel. On 3 May 2018, Biopharma Credit received notice from Tesaro requesting funding of the $200,000,000 second tranche by 1 August 2018. The Company funded $100,000,000 on 29 June 2018 and assigned its remaining $48,000,000 second tranche commitment to other investors, resulting in a total investment in the Tesaro loan of $322,000,000 across both tranches. The first $300,000,000 tranche bears interest at LIBOR plus 8 per cent, with the second optional tranche bearing interest at LIBOR plus 7.5 per cent. The LIBOR rate is subject to a floor of 1 per cent and certain caps. Each tranche of the loan is interest only for the first two periods, amortises over the remaining term, and can be prepaid at Tesaro's discretion, at any time, subject to prepayment fees. The Company recorded interest income of $11,194,000 for the period ended 30 June 2018 (30 June 2017: $Nil). The outstanding balance as at 30 June 2018 was $322,000,000 (31 December 2017: $222,000,000).

The Company entered into the RPS Note with RPS BioPharma Investments, LP on 30 March 2017 for $185,130,000. The Note bears a fixed interest rate of 12 per cent, matures on 30 June 2026 and is secured by rights to royalty payments from 21 pharmaceutical products. In the period ended 30 June 2018, the Company recorded $4,464,000 (30 June 2017: $4,389,000) of interest and amortisation payments of $47,362,000 (30 June 2017: $48,238,000). The outstanding balance as at 30 June 2018 was $52,289,000 (31 December 2017: $99,651,000).

On 27 March 2017, the Company acquired a limited partnership interest in BioPharma III for $153,482,000. During the period ended 30 June 2018, the Company recorded $2,970,000 (30 June 2017: $262,000) of investment income and repayments of $63,673,000 (30 June 2017: $18,695,000). The Company also recorded net gains on investments at fair value of $2,014,000 for the period ended 30 June 2018 (30 June 2017: $4,124,000). The outstanding balance as at 30 June 2018 was $64,790,000 (31 December 2017: $123,479,000).

BioPharma III, BioPharma IV, RPS BioPharma Investments, L.P., and RPI Acquisitions are related entities of the Company due to a principal of the Investment Manager having significant influence over each of these entities.

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 June 2018, there were outstanding commitments of $161.5 million–$181.5 million (31 December 2017: $329.5 million–$349.5 million) in respect of investments (see Note 18 for further details).

20. SUBSEQUENT EVENTS

On 20 September 2018, the Company entered into a definitive loan agreement for $150 million with Amicus Therapeutics, Inc., a rare metabolic disease-focused biopharmaceutical company (NASDAQ: FOLD, "Amicus"). Under the terms of the transaction, the Company will invest $150 million in a senior secured loan that has a term of five years, additional consideration of 2 per cent, and bears interest at LIBOR plus 7.5 per cent subject to a floor of 1 per cent and certain caps. The loan is interest only for the first four years, amortises over the remaining term, and can be prepaid at Amicus' discretion, at any time, subject to prepayment fees. The loan is expected to close and be funded within six business days. The funding will be completed from the assets attributable to the C Shares of the Company only. Following this investment, the C Shares will be 100 per cent invested and therefore eligible for conversion into Ordinary Shares, as outlined in the Prospectus published on 14 March 2018.

— Independent Review Report —

To BioPharma Credit PLC

REPORT ON THE HALF YEARLY REPORT

Our conclusion

We have reviewed BioPharma Credit PLC's Half Yearly Report (the "interim financial statements") in the half-yearly report of BioPharma Credit PLC for the six month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed statement of financial position as at 30 June 2018;
- the condensed statement of comprehensive income for the period then ended;
- the condensed cash flow statement for the period then ended;
- the condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-Yearly Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Company is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the directors

The Half-Yearly Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half-Yearly Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
26 September 2018

— Company Information —

The Company is a closed-ended investment company incorporated on 24 October 2016. The Ordinary Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the LSE and TISE on 27 March 2017.

The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010 and an investment company within the meaning of Section 833 of the Companies Act 2006.

Investment objective

The Company aims to generate long-term shareholder returns, predominantly in the form of sustainable income distributions from exposure to the life sciences industry.

Summary of investment policy

Once substantially invested, the Company will target an annual dividend yield of 7 per cent (calculated by reference to the issue price at the time of the Admission to trading).

The Company will seek to achieve its investment objective primarily through investments in debt assets secured by royalties or other cash flows derived from sales of approved life sciences products. Subject to certain restrictions and limitations, the Company may also invest in unsecured debt and equity issued by companies in the life sciences industry.

The Investment Manager will select investment opportunities based upon in-depth, rigorous analysis of the life sciences products backing an investment as well as the legal structure of the investment. A key component of this process is to examine future sales potential of the relevant product which is affected by several factors, including but not limited to; clinical utility, competition, patent estate, pricing, reimbursement (insurance coverage), marketer strength, track record of safety, physician adoption and sales history.

The Company will seek to build a diversified portfolio by investing across a range of different forms of assets issued by a variety of borrowers. In particular, no more than 30 per cent of the Company's gross assets will be exposed to any single borrower.

— Directors, Advisers and Other Service Providers —

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Harry Hyman (Senior Independent Director)
Colin Bond
Duncan Budge

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ISIN: GB00BDGKMY29
TICKER: BPCR

C Shares
SEDOL: BDRNW62
ISIN: GB00BDRNW621
TICKER: BPC1

LEI: 213800AV55PYXAS7SY24

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