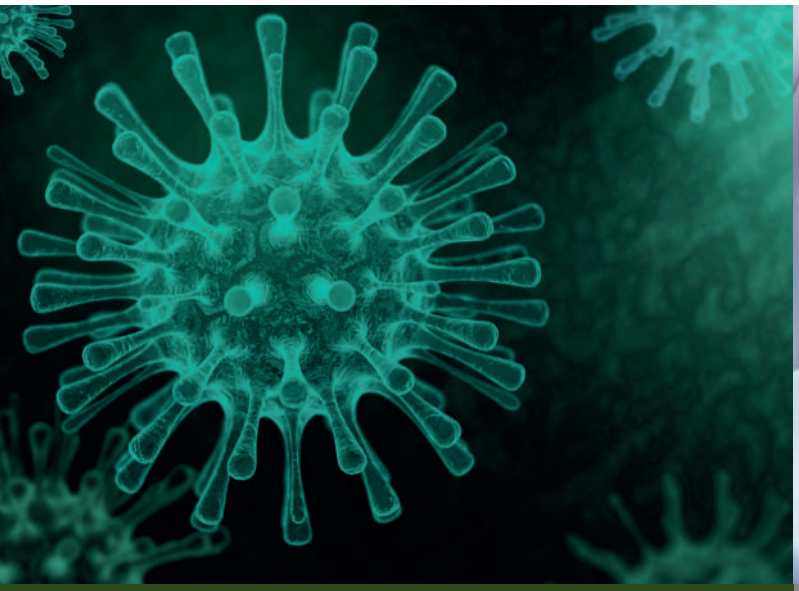
BioPharma Credit plc

HALF YEARLY REPORT 2020



BIOPHARMA
CREDIT PLC

BioPharma Credit PLC provides investors with the opportunity to gain exposure to the fast-growing life sciences industry

Our diversified portfolio is mostly secured by royalties or cash flows derived from sales of approved life sciences products

PERFORMANCE HIGHLIGHTS

Ordinary Shares
as at 30 June 2020

Share price
$0.9760
(31 December 2019: $1.0200)

Net income per Share
$0.0370[1]
(30 June 2019: $0.0607)

NAV per Share
$1.0033
(31 December 2019: $1.0217)

Discount to NAV per share
3.3%
(31 December 2019: 0.2%)

Shares in issue
1,373.9m
(31 December 2019: 1,373.9m)

Net assets
$1,378.4m
(31 December 2019: $1,403.7m)

Target dividend
7 cents per annum

Leverage
0%
(31 December 2019: 0%)

CONTENTS

1. Net income includes $12.0 million relating to the change in fair value of its subsidiary, BPCR Limited Partnership. This change in fair value of $12.0 million is equal to the undistributed net income earned by BPCR Limited Partnership in the period, reflecting changes in the fair value of and income earned on the investment it holds. Details of these investments are set out in note 7, investments at fair value through profit and loss.

CHAIRMAN'S STATEMENT

During the first half of 2020, the Company invested $236 million.

SUMMARY OF ACTIVITIES

During the first half of 2020, the Company invested $236 million, $71 million of which comprised the funding of commitments entered into prior to the start of the period. The Company's outstanding commitments of $248 million as of 30 June 2020 are expected to be funded over the course of the second half of 2020.

During the period the Company entered into a $200 million revolving credit facility with JPMorgan Chase Bank through its wholly-owned subsidiary, BPCR Limited Partnership. This facility is expected to increase the Company's flexibility in relation to funding new lending opportunities and provide liquidity for funding outstanding obligations. At the end of the period the Company had cash and short-term investments of $61 million.

Total income for the first half of 2020 was $59.4 million, which includes $12.6 million relating to the change in fair value of its subsidiary, BPCR Limited Partnership, down from the $90.2 million reported during the first half of 2019 which included $45.8 million in fees linked to the prepayment of the Tesaro loan.

On 25 June 2020 the Company held its third Annual General Meeting at which all proposed resolutions were passed.

SHAREHOLDER RETURNS

On 30 June 2020, the Company's Ordinary Shares closed at $0.9760, somewhat below the closing price on 31 December 2019 of $1.0200. Net Asset Value ("NAV") per Ordinary Share decreased over the same time frame by $0.0184 from $1.0217 to $1.0033. The Company made two dividend payments over the period, one of $0.0303 per share and the other of $0.0175 per share, for a total of $0.0478 per share.

As a result of the extremely volatile equity market conditions experienced during the six months, the discount to NAV at which the Company's shares traded narrowly exceeded 5% over a rolling 3 month period, leading to a temporary triggering of the Company's discount control mechanism. This resulted in the Company repurchasing a total of 59,694 shares after the close of the first half period at an average price of $0.9947 per share and a total cost of $59,502. Subsequently, the share price recovered and the share repurchase obligation lapsed.

During the period the COVID-19 pandemic led to restrictions to the movement of people and disruption to business operations. Thus far the portfolio has proved resilient. Pharmakon Advisors, our investment manager, conducted a review of the Company's assets and believes that the COVID-19 virus has not had a material impact on the credit quality of the loans. The Investment Manager continues to monitor the situation and will inform shareholders of any material changes to this assessment.

OUTLOOK

As at 30 June 2020, the Company had total assets of $1,410 million, represented by $1,346 million of investments, $61 million in cash and $3 million in other assets. The cash balance subsequently increased as a result of the $443.4 million received from the prepayment of the Amicus, Novocure and Lexicon loans. Pharmakon Advisors is in continuing discussions with a number of potential borrowers and, as you will see from their report which follows, they aim to make further commitments over the remainder of the year. In addition, our manager is continuing to develop a longer term pipeline of further potential investments and, as a consequence, we expect to be evaluating a number of alternatives to fund our expected growth.

BOARD CHANGES

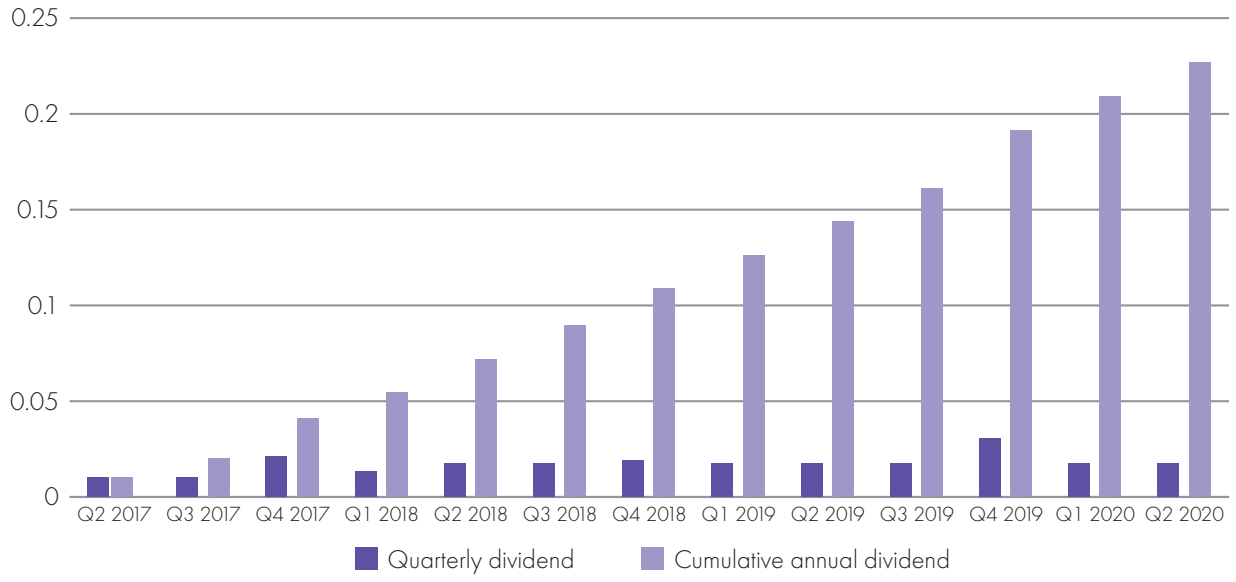
It was announced earlier in the year that I intended to step down as Chairman in the course of this year, that I would be succeeded in that position by our current Senior Independent Director, Harry Hyman,

and that further Board appointments were expected to be made. I can now confirm that my resignation and Mr Hyman's appointment as Chairman will both take effect from 16 September 2020 and that the Board is delighted to welcome Rolf Soderstrom, former CFO of BTG plc, as an additional Director with effect from the same date. Rolf has over 30 years' experience in finance and extensive strategic, operational and international experience including M&A, fundraisings and disposals and is currently Senior Independent Director of Ergomed plc and Chair of its Audit and Risk Committee and External Independent Director of Sosei Group Corporation, which is listed on the Tokyo Stock Exchange.

On behalf of the Board, I should like to express our thanks to Pharmakon for their continued achievements on behalf of the Company in 2020 and to our shareholders for their continued support.

Jeremy Sillem
Chairman
15 September 2020

Cumulative dividend



INVESTMENT MANAGER'S REPORT

Pharmakon is pleased to present an update on the Company's portfolio and investment outlook. The Company's existing portfolio investments continue to perform well. Pharmakon's engagement during the period with potential counterparties resulted in the execution of new investments totalling $165 million which, together with $71 million from the funding of existing commitments entered into prior to the start of the period, resulted in BioPharma Credit funding a total of $236 million in the period. Subsequent to the end of the period, the Company announced the repayment of three investments representing $425 million of investments. Below is an update on the Company's portfolio.

INVESTMENTS

COLLEGIUM

On 7 February 2020, the Company and BioPharma-V, a private fund also investing in life sciences debt managed by Pharmakon Advisors, entered into a definitive senior secured term loan agreement for $200 million with Collegium Pharmaceutical, Inc. (Nasdaq: COLL), a biopharmaceutical company focused on developing and commercialising new medicines for responsible pain management with a current market capitalisation of approximately $636 million as at 9 September 2020 ("Collegium").

The Company funded $165 million of the $200 million loan in February 2020. The loan will mature in February 2024 and will bear interest at three month LIBOR plus 7.50 per cent. per annum subject to a 2.00 per cent. LIBOR floor with a one-time additional consideration of 2.50 per cent. of the loan amount payable upon funding. Collegium currently markets Xtampza® ER, an abuse-deterrent, extended-release, oral formulation of oxycodone and Nucynta® (tapentadol), a centrally acting synthetic analgesic.

Investment type
Secured loan

Date
7 February 2020

Total loan amount
$200m

Company commitment
$165m

Maturity
February 2024

GBT

On 18 December 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $150 million with Global Blood Therapeutics (Nasdaq: GBT), a biopharmaceutical company focused on life-changing treatments for patients with serious blood-based disorders and a current market capitalisation of approximately $3,544 million as at 9 September 2020 ("GBT"). GBT drew down $75 million at closing and has elected to draw the remaining $75 million on 20 November 2020.

The Company funded $41 million of the $75 million first tranche and will fund $41 million of the second tranche on 20 November 2020. The loan will mature in December 2025 and will bear interest at three month LIBOR plus 7.00 per cent. per annum subject to a 2.00 per cent. floor along with a one-time additional consideration of 1.50 per cent. of the total loan amount payable upon funding and an additional 2.00 per cent. payable upon the repayment of the loan. In 2019, GBT obtained US FDA approval for its first product, Oxbryta TM (voxelotor) for the treatment of sickle cell disease in adults and paediatric patients 12 years of age and older.

Investment type
Secured loan

Date
20 December 2020

Total loan amount
$150m

Company commitment
$83m

Maturity
December 2025

SAREPTA

On 13 December 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $500 million with Sarepta Therapeutics (Nasdaq: SRPT), a fully integrated biopharmaceutical company focused on precision genetic medicine with a current market capitalisation of approximately $10,244 million as 9 September 2020 ("Sarepta"). Under the terms of the agreement, Sarepta drew down a first tranche of $250 million and has until December 2020 to draw the remaining second tranche of $250 million, at their option.

The Company funded $175 million of the $250 million first tranche and will fund up to $175 million of the second tranche if the full $250 million of the second tranche is drawn. The balance of the first and second tranches will be funded by BioPharma-V. The loan will mature in December 2023 and will bear interest at 8.5 per cent. per annum along with a one-time additional consideration of 1.75 per cent. of the total loan amount payable upon funding and an additional 2 per cent. payable upon the repayment of the loan.

Sarepta currently markets Exondys 51 (eteplirsen) in the US for the treatment of Duchenne muscular dystrophy (DMD) in patients who have a confirmed mutation of the DMD gene that is amenable to exon 51 skipping. On 12 December 2019, Sarepta announced the FDA approval of Vyondys 53 (golodirsen), its second RNA exon-skipping treatment for DMD approved in the U.S. and that commercial distribution of Vyondys 53 in the US would commence immediately.

On 23 December 2019, Sarepta announced a partnership with Roche in territories outside the United States for its investigational micro-dystrophin gene therapy for DMD. Sarepta received an up front payment of $1.15 billion, comprising $750 million in cash and $400 million in equity and will receive future success-based milestones and royalties.

Investment type
Secured loan

Date
20 December 2019

Total loan amount
$500m

Company commitment
$350m

Maturity
December 2023

AKEBIA

On 11 November 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $100 million with Akebia (Nasdaq: AKBA), a fully integrated biopharmaceutical company focused on the development and commercialisation of therapeutics for people living with kidney disease with a current market capitalisation of approximately $380 million as at 9 September 2020 ("Akebia"). Under the terms of the agreement, Akebia drew down $80 million at closing and has until December 2020 to draw the remaining $20 million, at their option.

The Company funded $40 million of the $80 million first tranche and will fund $10 million of the second tranche if it is drawn. The loan will mature in November 2024 and will bear interest at LIBOR plus 7.50 per cent. per annum along with a one-time additional consideration of 2.00 per cent. of the total loan amount. Akebia currently markets Auryxia® (ferric citrate) which is approved in the US for hyperphosphatemia (elevated phosphorus levels in blood serum) in adult patients with chronic kidney disease (CKD) on dialysis and iron deficiency anaemia in adult patients with CKD not on dialysis. In May 2020, Akebia announced positive results from its Global Ph III program of vadadustat for the treatment of anemia due to chronic kidney disease in adult patients on dialysis. In June 2020, Akebia announced that vadadustat was approved in Japan for the treatment of anemia in adult chronic kidney disease patients.

Investment type
Secured loan

Date
25 November 2019

Total loan amount
$100m

Company commitment
$50m

Maturity
November 2024

INVESTMENT MANAGER'S REPORT (CONTINUED)

EPIZYME

On 4 November 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $70 million with Epizyme (Nasdaq: EPZM), a late-stage biopharmaceutical company developing novel epigenetic therapies with a current market capitalisation of approximately $1,289 million as at 9 September 2020 ("Epizyme"). Under the terms of the agreements, Epizyme drew down $25 million at closing and the second and third tranche of $25 million and $20 million on 27 March 2020 and 30 June 2020 respectively.

The Company has funded all three tranches for a total position of $35 million. The loan will mature in November 2024 and will bear interest at LIBOR plus 7.75 per cent. per annum along with a one-time additional consideration of 2.00 per cent. of the total loan amount. Epizyme's lead product, tazemetostat, is a first-in-class, oral EZH2 inhibitor in clinical development for certain oncology indications. Since tazemetostat was not FDA approved at the time the loan was funded, the loan was over collateralised with cash. This requirement lapsed when tazemetostat was approved for epitheliod sarcoma on 23 January 2020. On June 18, 2020 the US FDA also approved tazemetostat for follicular lymphoma.

Investment type
Secured loan

Date
18 November 2019

Total loan amount
$70m

Company commitment
$35m

Maturity
November 2024

OPTINOSE

On 12 September 2019, the Company and BioPharma-V entered into a definitive senior secured note purchase agreement for the issuance and sale of senior secured notes in an aggregate original principal amount of up to US$150 million by OptiNose US, a wholly-owned subsidiary of OptiNose (Nasdaq: OPTN), a commercial-stage specialty pharmaceutical company with a current market capitalisation of approximately $ 234 million as at 9 September 2020 ("OptiNose"). Under the terms of the agreement OptiNose purchased $80 million from the Company and BioPharma-V on 12 September 2019 and $30 million on 13 February 2020 and has until September 2021 to purchase the remaining $20 million of notes at OptiNose's option.

The Company funded $61 million of the $110 million first two tranches and will issue $11 million of the remaining tranche if it is drawn. The notes mature in September 2024 and bear interest at 10.75 per cent. per annum along with a one-time additional consideration of 0.75 per cent. of the aggregate original principal amount of senior secured notes which the Company and BioPharma-V are committed to purchase under the facility and approximately 800,000 warrants exercisable into common stock of OptiNose.

OptiNose's leading product, XHANCE® (fluticasone propionate), is a nasal spray approved by the U.S. Food and Drug Administration (FDA) in September 2017 for the treatment of nasal polyps in patients 18 years or older. XHANCE® utilises a novel and proprietary exhalation delivery system to deliver the drug high and deep into the sinuses, targeting areas traditional intranasal sprays are not able to reach.

Investment type
Secured loan

Date
12 September 2019

Total loan amount
$150m

Company commitment
$82.5m

Maturity
September 2024

BIODELIVERY SCIENCES

On 23 May 2019, the Company entered into a senior secured loan agreement for up to $80 million with BioDelivery Sciences International (Nasdaq: BDSI), a commercial-stage specialty pharmaceutical company ("BDSI") with a market capitalisation of approximately $416 million as at 9 September 2020. BDSI utilizes its novel and proprietary BioErodible MucoAdhesive (BEMA®) technology, to develop and commercialise new applications of proven therapies aimed at addressing important unmet medical needs. BDSI's leading products include BELBUCA® (buprenorphine buccal film) and Symproic® (naldemedine).

In addition, the Company acquired 5,000,000 BDSI shares at $5.00 each for a total cost of $25 million in a public offering that took place on 11 April 2019. The first tranche of the loan for $60 million was funded on 28 May 2019 and the additional tranche of $20 million was funded on 22 May 2020. The loan will mature in May 2025 and bears interest at LIBOR plus 7.50 per cent., along with 2.00 per cent. additional consideration.

As at 15 September 2020, the Company owns 2,695,189 BDSI shares.

Investment type
Secured loan

Date
28 May 2019

Total loan amount
$80m

Equity
$25m

Company commitment
$105m

Maturity
May 2025

AMICUS

On 20 September 2018, the Company entered into a definitive senior secured loan agreement for $150 million with Amicus Therapeutics, Inc (NASDAQ: FOLD), a commercial stage, rare metabolic disease-focused biopharmaceutical company ("Amicus") with a market capitalisation of approximately $3,610 million as at 9 September 2020.

The loan was repaid fully on 30 July 2020.

The $150 million loan had a five-year maturity and was interest only for the first four years. The loan bore interest at LIBOR plus 7.50 per cent. (subject to certain caps) and included a 2.00 per cent. additional consideration. Following the restructuring of this loan with another third party, Amicus repaid the $150 million loan on 30 July 2020. The Company received a payment of $156 million, including the make-whole and prepayment premium totalling $5 million. The Company earned a 13.40 per cent. internal rate of return on its Amicus investment.

Investment type
Secured loan

Date
20 September 2018

Total loan amount
$150m

Company commitment
$150m

Maturity
September 2023

INVESTMENT MANAGER'S REPORT (CONTINUED)

SEBELA

On 1 May 2018, the Company was lead arranger of 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 began amortising in the third quarter of 2018 and fully matures in December 2022. The loan bears interest at LIBOR (uncapped) plus a single-digit spread and includes additional consideration.

Sebela is a private specialty pharmaceutical company focused on gastrointestinal medicines, dermatology, and women's health. As at 30 June 2020, the principal amount outstanding of the Company's investment was $122 million.

Investment type
Secured loan

Date
1 May 2018

Total loan amount
$316m

Company commitment
$194m

Maturity
December 2022

NOVOCURE

On 7 February 2018, the Company entered into a senior secured loan agreement for $150 million with Novocure Limited (NASDAQ: NVCR), a commercial stage oncology company with a current market capitalisation of approximately $8,638 million as at 9 September 2020 ("Novocure").

The loan was repaid fully on 18 August 2020.

The $150 million loan was originally scheduled to mature in February 2023 and bear interest at 9.00 per cent. per annum. Novocure repaid the $150 million loan on 18 August 2020. The Company received a payment of $155 million, including a prepayment premium totalling $3 million. The Company earned a 10.20 per cent. internal rate of return on its Novocure investment.

Novocure manufactures and sells the Optune system, a cancer treatment centred on a proprietary therapy called TTFields, which involves the use of electric fields tuned to specific frequencies to disrupt solid tumour cancer cell division. Optune is currently approved for the treatment of adults with glioblastoma.

On 27 February 2020, Novocure reported revenues of $351 million for the year ended 31 December 2019 a 42.00 per cent. increase over 2018. Novocure invests meaningfully in research and development and has late stage trials (Phase III pivotal studies) underway for TTFields in brain metastases, non-small cell lung cancer and pancreatic cancer.

On 23 May 2019, the FDA approved the NovoTTF-100L system in combination with chemotherapy for the treatment of malignant pleural mesothelioma. This is the first FDA approved mesothelioma treatment in over 15 years.

Investment type
Secured loan

Date
7 February 2020

Total loan amount
$150m

Company commitment
$150m

Maturity
February 2023

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 (NASDAQ: LXRX) ("Lexicon"), a fully integrated biopharmaceutical company with a current market capitalisation of approximately $171 million as at 9 September 2020.

The loan was repaid fully on 8 September 2020.

The Company funded $125 million of the $150 million first tranche and Lexicon did not draw the second tranche. The loan paid a fixed 9.00% coupon. Lexicon markets XERMELO® (teloristat ethyl) for the treatment of carcinoid syndrome diarrhoea in the United States and has licensed XERMELO® to Ipsen Pharma SA for commercialisation in territories outside of the United States and Japan. At the time of the loan Lexicon was developing Zynquista (sotagliflozin) for the treatment of type 1 and type 2 diabetes in partnership with Sanofi. The loan was secured by substantially all of Lexicon's assets, including its rights to XERMELO® and Zynquista.

Zynquista (sotagliflozin) received approval in Europe for Type 1 diabetes on 26 April 2019. On 22 March 2019, the FDA issued a Complete Response Letter (CRL) which indicated that a New Drug Application for the oral treatment of Type 1 diabetes would not be approved in its present form for Zynquista. Lexicon appealed the decision to the FDA and on 2 December 2019, the FDA affirmed its initial decision. Lexicon has escalated its appeal to the FDA's Center for Drug Evaluation and Research and is awaiting a decision. The drug is still being evaluated for use in Type 2 patients with potential to generate $110 million in development milestones by early 2020 plus $150 million upon approval. The Type 2 diabetes market is much larger than the Type 1 market.

On 26 July 2020, Lexicon announced a definitive agreement pursuant to which Lexicon will sell Lexicon's XERMELO® (telotristat ethyl) product and related assets for up to $224 million in upfront and milestone payments to TerSera Therapeutics LLC. Lexicon will use the upfront proceeds from the XERMELO® sale to substantially reduce its debt, including full repayment of its $150 million secured term loan, of which the Company owns $124.5 million. The Lexicon loan has a prepayment premium of 2.00 per cent. if prepaid before the fourth anniversary of the relevant closing date plus, if the prepayment is made before the third anniversary, a make-whole amount equal to the interest payable between the prepayment date and the third anniversary of the relevant closing date. The Lexicon loan closed on 4 December 2017.

Lexicon repaid the $124.5 million loan on 8 September 2020. The Company received a payment of $132 million including the make-whole and prepayment premium totalling $6 million. The Company earned a 12.10 per cent. internal rate of return on its Lexicon investment.

Investment type
Secured loan

Date
4 December 2017

Total loan amount
$200m

Company commitment
$125m

Maturity
December 2022

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 50.00 per cent. interest in a stream of payments (the "Purchased Payments") acquired by RPI's subsidiary from Bristol-Myers Squibb (NYSE: BMY) through a purchase agreement dated 14 November 2017.

As a result of the arrangements, RPI's subsidiary and the Company's subsidiary are each 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 was expected to fund $140 million to $165 million during 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. As of 30 June 2020, the Company funded all eight of the Purchased Payments based on sales from 1 January 2018 to 31 December 2019 for a total of $162 million out of the originally expected range of $140 million to $165 million.

Investment type
Secured loan

Date
8 December 2017

Total loan amount
$140-165m

Company commitment
$140-165m

Maturity
December 2020

INVESTMENT MANAGER'S REPORT (CONTINUED)

INVESTMENT OUTLOOK

The life sciences industry is expected to continue to have substantial capital needs during the coming years as the number of products undergoing clinical trials continues to grow. All else being equal, companies seeking to raise capital are generally more receptive to straight debt financing alternatives at times when equity markets are soft, increasing the number and size of fixed-income investment opportunities for the Company, and will be more inclined to issue equity or convertible bonds at times when equity markets are strong. A good indicator of the life sciences equity market is the New York Stock Exchange Biotechnology Index ("BTK Index"). While there was substantial volatility during the period, the BTK index grew 13% during the period, a similar performance to the first six months of 2019. Global equity issuance by life sciences companies during the period was $63 billion, a 97 per cent. increase from the $32 billion issued during the first six months of 2019. We anticipate a slowdown in equity issuance coupled with greater appetite for fixed-income as a source of capital during the remainder of 2020.

Acquisition financing is an important driver of capital needs in the life sciences industry in general and a source of investment opportunities. An active M&A market helps drive opportunities for investors such as the Company, as acquiring companies need capital to fund acquisitions. Global life sciences M&A volume during the period was $18 billion, a 55 per cent. decrease from the $39 billion witnessed during the first six months of 2019, driven mainly by a decrease in M&A activity globally as a result of the COVID-19 pandemic. We are encouraged by the number of M&A opportunities that are starting to build up and should lead to a more active market in the near term.

In conclusion, there continues to be a robust pipeline of investment opportunities, but as usual, the precise timing of their execution is not completely within our control. Pharmakon will continue to evaluate potential capital sources to fund additional investments in addition to the $248 million in commitments expected to be funded during 2020. These commitments can be fully funded with the proceeds from the recent loan prepayments. 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. Further, Pharmakon remains confident of our ability to deliver attractive returns that will enable the Company to continue to pay its target dividend yield to its investors.

Pedro Gonzalez de Cosio
Co-founder and CEO, Pharmakon

15 September 2020

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 2 to 10.

During the period the impact of COVID-19 led to restrictions to the movement of people and disruption to business operations impacting global portfolio company valuations and returns and potentially impacting the operational resilience of the Company's service providers. As the impact of COVID-19 continues, the Directors and the Investment Manager continue to monitor the situation closely.

The Directors and the Investment Manager have considered the adverse impact of potential changes in law, regulation and taxation and the matter of foreign exchange risk. They have determined that although there are a number of potential risks associated with the Brexit process, it has not had a material impact on the credit quality of the loans.

The Directors have considered the principal risks facing the Company and, other than the pandemic risk noted above, there have not been any material changes to the principal risks and uncertainties and approach to mitigating these risks since the publication of the Annual Report and Financial Statements for the year ended 31 December 2019, and expect that, for the remainder of the year ending 31 December 2020, these will continue to be as set out on pages 25 to 28 of that report.

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

- Failure to achieve target returns;
- The success of the Company depends on the ability and expertise of the Investment Manager;
- The Company may from time to time commit to make future investments that exceed the Company's current liquidity;
- The Investment Manager's ability to source and advise appropriately on investments;
- There can be no assurance that the Board will be able 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

GOING CONCERN

The financial statements continue to be prepared on a going concern basis. The Directors have reviewed areas of potential financial risk and cash flow forecasts.

The Board is mindful of the uncertainty surrounding the COVID-19 pandemic's duration. Thus far, the portfolio has proved resilient and the Board is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. All of the Company's borrowers continue to pay as agreed and Company projections will continue to be reviewed at Audit and Risk Committee and Board Meetings. The Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the COVID-19 pandemic.

No material uncertainties have been detected which would influence the Company's ability to continue as a going concern for a period of not less than 12 months. Accordingly, the Board of Directors continue to adopt the going concern basis in preparing the financial statements. 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 2 to 10.

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 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 Report was approved by the Board of Directors on 15 September 2020 and the above responsibility statement was signed on its behalf by Jeremy Sillem, Chairman.

On behalf of the Board

Jeremy Sillem
Chairman
15 September 2020

INDEPENDENT REVIEW REPORT TO BIOPHARMA CREDIT PLC

REPORT ON THE CONDENSED FINANCIAL STATEMENTS

OUR CONCLUSION

We have reviewed BioPharma Credit PLC's interim financial statements in the half-yearly report of BioPharma Credit PLC for the 6-month period ended 30 June 2020 (the "half-yearly report"). 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 2020;
- 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.

INDEPENDENT REVIEW REPORT TO BIOPHARMA CREDIT PLC (CONTINUED)

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
15 September 2020

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2020

(In $000s except per share amounts)

		Period ended 30 June 2020 (Unaudited)			Period ended 30 June 2019 (Unaudited)		
	Note	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income							
Investment income	3	45,793	–	45,793	84,005	–	84,005
Other income	3	1,033	–	1,033	6,186	–	6,186
Net gains/(losses) on investments at fair value	7	–	1,524	1,524	–	(3,366)	(3,366)
Net currency exchange losses		–	(37)	(37)	–	(6)	(6)
Total income		**46,826**	**1,487**	**48,313**	**90,191**	**(3,372)**	**86,819**
Expenses							
Management fee	4	(6,872)	–	(6,872)	(7,053)	–	(7,053)
Directors' fees	4	(198)	–	(198)	(191)	–	(191)
Other expenses	4	(877)	–	(877)	407	(48)	359
Total expenses		**(7,947)**	–	**(7,947)**	**(6,837)**	**(48)**	**(6,885)**
Return on ordinary activities after finance costs and before taxation		**38,879**	**1,487**	**40,366**	**83,354**	**(3,420)**	**79,934**
Taxation on ordinary activities	5	–	–	–	–	–	–
Return on ordinary activities after finance costs and taxation		**38,879**	**1,487**	**40,366**	**83,354**	**(3,420)**	**79,934**
Net revenue and capital return per ordinary share (basic and diluted)	**11**	**$0.0283**	**$0.0011**	**$0.0294**	**$0.0607**	**($0.0025)**	**$0.0582**

The total column of this statement is the Company's Condensed 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 19 to 46 form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2020

(In $000s)

For the period ended 30 June 2020

	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 2020		13,739	607,125	730,631	10,552	41,689	1,403,736
Return on ordinary activities after finance costs and taxation		–	–	–	1,487	38,879	40,366
Dividends paid to Ordinary Shareholders	6	–	–	–	–	(65,674)	(65,674)
Net assets attributable to shareholders at 30 June 2020		**13,739**	**607,125**	**730,631**	**12,039**	**14,894**	**1,378,428**

For the period ended 30 June 2019

	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 2019		13,739	607,125	734,309	2,045	22,804	1,380,022
Return on ordinary activities after finance costs and taxation		–	–	–	(3,420)	83,354	79,934
Dividends paid to Ordinary Shareholders	6	–	–	(27,722)	–	(22,804)	(50,526)
Net assets attributable to shareholders at 30 June 2019		**13,739**	**607,125**	**706,587**	**(1,375)**	**83,354**	**1,409,430**

** The special distributable and revenue reserves can be distributed in the form of a dividend. The capital reserve is not used for distributions.*

The notes on pages 19 to 46 form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

As of 30 June 2020

(In $000s except per share amounts)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current assets			
Investments at fair value through profit or loss	7	1,346,084	1,116,127
		1,346,084	**1,116,127**
Current assets			
Trade and other receivables	8	3,223	16,206
Cash and cash equivalents	9	61,058	296,638
		64,281	**312,844**
Total assets		**1,410,365**	**1,428,971**
Current liabilities			
Trade and other payables	10	31,373	24,504
Total current liabilities		**31,373**	**24,504**
Total assets less current liabilities		**1,378,992**	**1,404,467**
Non-current liabilities			
Deferred performance fee	10	564	731
Net assets		**1,378,428**	**1,403,736**
Represented by:			
Share capital	13	13,739	13,739
Share premium account		607,125	607,125
Special distributable reserve		730,631	730,631
Capital reserve		12,039	10,552
Revenue reserve		14,894	41,689
Total equity attributable to shareholders of the Company		**1,378,428**	**1,403,736**
Net asset value per Ordinary Share (basic and diluted)	12	**$1.0033**	**$1.0217**

The financial statements of BioPharma Credit PLC registered number 10443190 were approved and authorised for issue by the Board of Directors on 15 September 2020 and signed on its behalf by:

Jeremy Sillem
Chairman
15 September 2020

The notes on pages 19 to 46 form part of these financial statements.

CONDENSED CASH FLOW STATEMENT

For the period ended 30 June 2020

(In $000s)

	Note	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Cash flows from operating activities			
Investment income received		37,888	94,208
Other income received		1,458	6,614
Investment management fee paid		(6,774)	(6,737)
Performance fee paid		(20,968)	–
Finance costs paid		–	(3)
Net amounts received on behalf of BPCR Limited Partnership*		26,241	–
Other expenses paid		(1,039)	(1,649)
Cash generated from operations	15	36,806	92,433
Net cash flow generated from operating activities		**36,806**	**92,433**
Cash flow from investing activities			
Purchase of investments		(225,736)	(145,786)
Redemptions of investments		8,308	352,735
Sales of investments		10,753	–
Net cash flow (used in)/ generated from investing activities		**(206,675)**	**206,949**
Cash flow from financing activities			
Ordinary Share issue costs		–	466
Dividends paid to Ordinary Shareholders	6	(65,674)	(50,526)
Net cash flow used in financing activities		**(65,674)**	**(50,060)**
(Decrease)/increase in cash and cash equivalents for the period		**(235,543)**	**249,322**
Cash and cash equivalents at start of period	9	296,638	363,572
Revaluation of foreign currency balances		(37)	(6)
Cash and cash equivalents at end of period	**9**	**61,058**	**612,888**

** On 22 May 2020, the Company transferred the full carrying amount of several investments to its newly formed wholly-owned subsidiary BPCR Limited Partnership ("BPCP LP") in return for an investment in BPCP LP. The amount reported of $26,241,000 represents the net proceeds from investments received and payments of expenses made by the Company on behalf of BPCR LP.*

The notes on pages 19 to 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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"). Pharmakon has, with the consent of the Directors, delegated certain administrative functions to Link Alternative Fund Administrators Limited ("Link").

2. ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company's condensed half-year financial statements covers the period from 1 January 2020 to 30 June 2020 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 for the year ended 31 December 2019. 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 Disclosure Guidance Transparency Rules sourcebook of the Financial Conduct Authority (FCA) and the AIC SORP (issued in October 2019) 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, consistent with the accounting policies adopted in the audited financial statements for the year ended 31 December 2019, with the exception of the change explained in note 2 (F).

The financial statements are presented in US dollars, being the functional currency of the Company. The Board is mindful of the uncertainty surrounding the COVID-19 pandemic's duration. Thus far, the portfolio has proved resilient and the Board is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Company projections will continue to be reviewed at Audit Committee and Board Meetings. The Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the COVID-19 pandemic. The financial statements have therefore 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 435 of the Companies Act 2006. The financial information for the periods ended 30 June 2020 and 30 June 2019 is not a financial year and has not been audited. The information for the year ended 31 December 2019 has been extracted from the latest published financial statements, which have been delivered to the Registrar of Companies. The 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:

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

2. ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PREPARATION (CONTINUED)

- 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 generates returns through interest income. All investments, including its subsidiaries, BPCR Ongdapa Limited and BPCR Limited Partnership, are reported at fair value.

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.

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 financial assets are measured at fair value through profit or loss. They are accounted for on their trade date at fair value, which is equivalent to 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 in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines (issued in December 2018), 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, 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.

Unlisted investments often require the manager to make estimates and judgements and apply assumptions or subjective judgement to future events and other matters that may affect fair value. For unlisted investments valued using a discounted cash flow analysis, the key judgements are the size of the market, pricing, projected sales of the product at trade date and future growth and other factors that will support the repayment of a senior secured or royalty debt instrument.

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.

2. ACCOUNTING POLICIES (CONTINUED)

E) 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.

F) INCOME

There are four main sources of revenue for the Company: interest income, royalty revenue, make-whole and prepayment income, and dividends.

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 and are amortised under the effective interest rate method.

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.

Make-whole and prepayment income is recognised when payments are received by the Company and is recorded to revenue within the Condensed Statement of Comprehensive Income.

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.

Some investments include additional consideration in the form of structuring fees, which are paid on completion of the transaction. From 1 January 2020, such fees are recognised over the life of the investment. Prior to this date they were recognised at the funding date. The impact of this change is immaterial. These fees are allocated to revenue within the Condensed Statement of Comprehensive Income.

Some investments include paydown fees, which are paid when the investment is repaid. From 1 January 2020, such fees are recognised over the life of the repayment period. The impact of this change is immaterial. These fees are allocated to revenue within the Condensed Statement of Comprehensive Income.

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

G) DIVIDENDS PAID TO SHAREHOLDERS

Dividends to shareholders are recognised as a liability in the year 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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

2. ACCOUNTING POLICIES (CONTINUED)

G) DIVIDENDS PAID TO SHAREHOLDERS (CONTINUED)

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.

H) 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.

The performance fee is considered to be an annual fee and is only recognised at the end of each performance period. It is calculated in accordance with the details in Note 4(b) below. Any performance fee triggered, whether payable or deferred, is recognised in the Condensed Statement of Comprehensive Income. Where a performance fee is payable it is treated as a current liability in the Condensed Statement of Financial Position. Where a performance fee is deferred, it is treated as a non-current liability in the Condensed Statement of Financial Position. It becomes payable to the Investment Manager at the end of the first performance period in respect to which the compounding condition is satisfied.

I) 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. The Company assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss is considered immaterial.

J) 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.

K) TRADE AND OTHER PAYABLES

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

L) 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.

M) SHARE CAPITAL AND RESERVES

The share capital represents the nominal value of the Company's ordinary shares.

2. ACCOUNTING POLICIES (CONTINUED)

M) SHARE CAPITAL AND RESERVES (CONTINUED)

The share premium account represents the excess over nominal value of the fair value of consideration received for the Company's ordinary 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.

N) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with IFRS requires the Directors to make accounting estimates which will not always equal the actual results. The Directors also need to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and judgements included in other notes, together with information about the basis of calculation for each line in the financial statements.

In particular, judgements and estimates are made in determining the fair valuation of unquoted investments for which there is no observable market and may cause material adjustments to the carrying value of those investments. Determining fair value of investments with unobservable market inputs is an area involving management judgement, requiring assessment as to whether the value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made including management's expectations of short and long term growth rates in product sales and the selection of discount rates to reflect the risks involved. These are valued in accordance with Note 2(D) above and using the valuation techniques described in Note 7 below.

Also, judgements are made when determining any deferred performance fee; this may be affected by future changes in the Company's portfolio and other assets and liabilities. Any deferred performance fee is calculated in accordance with Note 4(B) below and is recognised in accordance with Note 2(H) above.

These judgements and estimates are reviewed on an ongoing basis. Revisions to these judgements and estimates are also reviewed on an ongoing basis. Revisions are recognised prospectively.

O) NEW ACCOUNTING STANDARDS EFFECTIVE 1 JANUARY 2020

Amendment to IFRS 3 'Business Combinations'

The Directors have considered the implications of the amendments to IFRS 3 and are of the opinion that the Company's subsidiaries are already measured at fair value. Therefore, there has been no impact on the current and comparative financial statements for this accounting standard.

Definition of Material (Amendments to IAS 1 and IAS 8)

The Directors have considered the implications of the amendments to IAS 1 and IAS 8 and are of the opinion that there is no impact to the Company. Therefore, there has been no impact on the current and comparative financial statements for this accounting standard.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

2. ACCOUNTING POLICIES (CONTINUED)

P) 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 2020 and have therefore not been applied in preparing these financial statements.

COVID-19-Related Rent Concessions (Amendment to IFRS 16) - amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, effective for annual reporting periods beginning on or after 1 June 2020.

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

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 2020	Period ended 30 June 2019
	$000	$000
Income from investments		
US unfranked investment income from BioPharma III	-	844
US unfranked investment income from BPCR Ongdapa	3,440	4,133
US fixed interest investment income	19,633	12,397
US floating interest investment income	21,826	19,669
US make-whole interest investment income*	-	36,102
Paydown fee**	427	-
Prepayment premium***	-	9,660
Additional consideration received****	467	1,200
	45,793	84,005
Other income		
Interest income from liquidity/money market funds	1,033	3,539
Interest income from US treasury bonds	-	2,628
Other interest	-	19
	1,033	6,186
Total income	46,826	90,191

* In 2019 the Company's senior secured term loan to Tesaro included make whole interest investment income of $36,102,000, which was paid upon the loan repayment and recognised as income in the year.

** In 2020 the Company's senior secured term loans to Sarepta and GBT included paydown fees of $357,000 and $70,000.

*** In 2019 the Company's senior secured term loan to Tesaro included a prepayment premium of $9,660,000, which was paid upon the loan repayment and recognised as income in the year.

**** In 2020 the Company's senior secured term loan to Collegium included additional consideration in the form of structuring fees of $4,125,000 which was paid upon the completion of the transaction and $467,000 of this amount recognised as income in the period. In 2019 the Company's senior secured term loan to Biodelivery Sciences included additional consideration in the form of structuring fees of $1,200,000 which was paid upon the completion of the transaction and recognised as income in the period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

4. FEES AND EXPENSES

EXPENSES

	Period ended 30 June 2020			Period ended 30 June 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	$000	$000	$000	$000	$000	$000
Management fee (note 4a)	6,872	-	6,872	7,053	-	7,053
Directors' fees (note 4c)	198	-	198	191	-	191
Other expenses						
Company Secretarial fee	42	-	42	44	-	44
Administration fee	56	-	56	62	-	62
Legal & professional fees	263	-	263	(1,029)	-	(1,029)
Public relations fees	105	-	105	96	-	96
Auditor's remuneration - Statutory audit	130	-	130	167	-	167
Auditor's remuneration - Other audit-related services - interim review	37	-	37	37	-	37
Auditor's remuneration - Other audit-related services - Agreed upon procedures	9	-	9	-	-	-
Other expenses	235	-	235	216	48	264
	877	-	877	(407)	48	(359)
Total expenses	**7,947**	**-**	**7,947**	**6,837**	**48**	**6,885**

The negative balance of legal fees in the prior period relates to the reversal of an accrual for legal work carried out in relation to a potential revolving credit facility. Following a negotiation of the fee subsequent to the year end, the amount paid in respect of the services was revised down from $1,658,000 to $500,000.

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

Subject to: (i) the NAV attributable to the Ordinary Shares as at the end of a performance period representing a minimum of 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.

4. FEES AND EXPENSES (CONTINUED)

B) PERFORMANCE FEE (CONTINUED)

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 a 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.

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.

The Board of Directors approved an amendment, effective 19 September 2018, to the performance fee provisions. The amendment was 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

4. FEES AND EXPENSES (CONTINUED)

B) PERFORMANCE FEE (CONTINUED)

The below table shows the accrued and payable performance fee.

	As at 30 June 2020 $000	As at 30 June 2019 $000	As at 31 December 2019 $000
Accrued performance fee	-	-	13,570
Performance fee payable	-	-	21,364
Performance fee deferred	564	-	731

During the period a performance fee of $20,968,000 was paid to Pharmakon.

The Performance Fee for a performance period shall be paid as soon as practicable after the end of the relevant performance period and, in any event, within three calendar months of the end of such performance period.

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.

5. TAXATION ON ORDINARY ACTIVITIES

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 2020			Period ended 30 June 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	$000	$000	$000	$000	$000	$000
Total return on ordinary activities before taxation	38,879	1,487	40,366	83,354	(3,420)	79,934
Theoretical tax at UK Corporation tax rate of 19.00% (30 June 2019: 19.00%)*	7,387	283	7,670	15,837	(650)	15,187
Effects of:						
Capital items that are not taxable	-	(283)	(283)	-	650	650
Tax deductible interest distributions	(7,387)	-	(7,387)	(15,837)	-	(15,837)
Total tax charge	**-**	**-**	**-**	**-**	**-**	**-**

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

At 30 June 2020, the Company had no unprovided deferred tax liabilities. At that date, based on current estimates and including the accumulation of net allowable losses, the Company had no unrelieved 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 for the foreseeable future to meet) the conditions for approval as an Investment Trust company.

6. DIVIDENDS

Dividends paid in respect of the period under review:

	Period ended 30 June 2020			Period ended 30 June 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	$000	$000	$000	$000	$000	$000
First interim dividend of $0.0175 per Ordinary share (2019: $0.0175 per Ordinary share)	24,044	-	24,044	-	24,044	24,044
In respect of the previous year ended 31 December 2019:						
Special dividend of $0.0128 per Ordinary share (2019: $nil per Ordinary share)	17,586	-	17,586	-	-	-
Fourth interim dividend of $0.0175 per Ordinary share (2019: $0.0175 per Ordinary share)	24,044	-	24,044	22,804	1,240	24,044
Second special dividend of $0.00177441 per Ordinary share	-	-	-	-	2,438	2,438
	65,674	**-**	**65,674**	**22,804**	**27,722**	**50,526**

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at 30 June 2020	As at 31 December 2019
	$000	$000
Investment portfolio summary		
Listed investments at fair value through profit and loss	11,751	16,980
Listed fixed interest investments at fair value through profit and loss	4,376	19,656
Unlisted investments in subsidiaries measured at fair value through profit and loss	1,082,148	-
Unlisted fixed interest investments at fair value through profit and loss	125,796	495,525
Unlisted floating interest investments at fair value through profit and loss	122,013	583,966
	1,346,084	**1,116,127**

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

	Period ended 30 June 2020					
	Listed investments	Listed fixed interest investments	Unlisted investments in subsidiaries	Unlisted fixed interest investments	Unlisted floating interest investments	Total
	$000	$000	$000	$000	$000	$000
Investment portfolio summary						
Opening cost at beginning of period	13,544	19,950	-	494,738	584,366	1,112,598
Opening unrealised appreciation/(depreciation) at beginning of period	3,436	(294)	-	787	(400)	3,529
Opening fair value at beginning of period	16,980	19,656	-	495,525	583,966	1,116,127
Movements in the period:						
Purchases at cost	-	-	-	16,500	209,636	226,136
Redemption and sales proceeds	-	(10,753)	-	-	(8,308)	(19,061)
Transfer of assets to subsidiary*	-	-	1,070,139	(385,500)	(663,281)	21,358
Realised loss on sale of investments	-	(247)	-	-	(400)	(647)
Movement in unrealised (depreciation)/ appreciation	(5,229)	(4,280)	12,009	(729)	400	2,171
Closing fair value at the end of the period	**11,751**	**4,376**	**1,082,148**	**125,796**	**122,013**	**1,346,084**
Closing cost at end of period	13,544	8,950	1,070,139	125,738	122,013	1,340,384
Closing unrealised (depreciation)/appreciation at end of period	(1,793)	(4,574)	12,009	58	-	5,700
Closing fair value at the end of the period	**11,751**	**4,376**	**1,082,148**	**125,796**	**122,013**	**1,346,084**

*On 22 May 2020, the Company transferred the full carrying amount of several investments to its newly incorporated, wholly-owned subsidiary BPCR LP in return for an investment in BPCP LP of the same amount $1,048 million. The balance on the transfer line of $21 million relates to accrued income which is subsequently reflected in the fair value of BPCR LP, previously disclosed as part of trade and other receivables in the Company and expenses paid on the behalf of BPCR LP.

	Period ended 30 June 2020	Period ended 30 June 2019
	$000	$000
Realised losses on sale of investments	(647)	-
Unrealised appreciation/(depreciation)	2,171	(3,366)
	1,524	**(3,366)**

In addition, legal fees incidental to the acquisition of investments totalled $nil (30 June 2019: $48,000 and 31 December 2019: $48,000) as disclosed in Note 4, have been taken to the capital column in the Condensed Statement of Comprehensive Income since they are capital in nature.

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 2020			
	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Investment portfolio summary				
Listed investments at fair value through profit and loss	11,751	-	-	11,751
Listed fixed interest investments at fair value through profit and loss	4,376	-	-	4,376
Unlisted investments in subsidiaries measured at fair value through profit and loss	-	-	1,082,148	1,082,148
Unlisted fixed interest investments at fair value through profit and loss	-	1,296	124,500	125,796
Unlisted floating interest investments at fair value through profit and loss	-	-	122,013	122,013
	16,127	1,296	1,328,661	1,346,084
Liquidity/money market funds	44,091	-	-	44,091
Total	**60,218**	**1,296**	**1,328,661**	**1,390,175**

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Investment portfolio summary				
Listed investments at fair value through profit and loss	16,980	-	-	16,980
Listed fixed interest investments at fair value through profit and loss	19,656	-	-	19,656
Unlisted investments in subsidiaries measured at fair value through profit and loss	-	-	-	-
Unlisted fixed interest investments at fair value through profit and loss	-	2,025	493,500	495,525
Unlisted floating interest investments at fair value through profit and loss	-	-	583,966	583,966
	36,636	2,025	1,077,466	1,116,127
Liquidity/money market funds	291,025	-	-	291,025
Total	**327,661**	**2,025**	**1,077,466**	**1,407,152**

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

LEVEL 3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Period ended 30 June 2020			
	Unlisted investments in subsidiaries	Unlisted fixed interest investments	Unlisted floating interest investments	Total investments
	$000	$000	$000	$000
Opening balance	-	493,500	583,966	1,077,466
Purchases	-	16,500	209,636	226,136
Redemptions*	-	-	(8,308)	(8,308)
Transfer of assets to subsidiary**	1,070,139	(385,500)	(663,281)	21,358
Realised loss on sale of investments	-	-	(400)	(400)
Change in unrealised appreciation	12,009	-	400	12,409
Closing balance at 30 June 2020	**1,082,148**	**124,500**	**122,013**	**1,328,661**

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

** On 22 May 2020, the Company transferred the full carrying amount of several investments to its newly incorporated, wholly-owned subsidiary BPCR LP in return for an investment in BPCP LP of the same amount $1,048 million. The balance on the transfer line of $21 million relates to accrued income which is subsequently reflected in the fair value of BPCR LP, previously disclosed as part of trade and other receivables in the Company and expenses paid on the behalf of BPCR LP.

There were no transfers between levels during the period.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

VALUATION TECHNIQUES

Unrealised gains and losses recorded on Level 1 financial instruments are reported in net gains on investments at fair value on the Condensed Statement of Comprehensive Income. The fund administrator utilises quoted prices in active markets that they have access to and the Investment Manager verifies the quoted prices on Bloomberg.

Unrealised gains and losses recorded on Level 2 and 3 financial instruments are reported in net gains on investments at fair value on the Condensed Statement of Comprehensive Income. Level 2 and Level 3 financial instruments are fair valued using inputs that 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.

Level 3 financial instruments are fair valued using a discounted cash flow methodology. For capped royalty investments, discount rates are applied to the consensus forecasts or the manager's forecast for sales of the underlying products to determine fair value. The significant unobservable input used in the fair value measurement of the Company's Level 3 investments is the discount rate used to discount future cash flows from borrowers. Significant increases (decreases) in the discount rate would result in a significantly lower (higher) fair value measurement. The Investment Manager believes 10 per cent. is an appropriate threshold for determining a reasonably possible change in fair value.

Investments held in subsidiaries, namely BPCR LP, are based on the fair value of the investments held in those entities.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

The Company's unlisted investments 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 sensitivity analysis includes both the investments of the company and the investments held in the subsidiary, namely BPCR LP. The significant unobservable input used is detailed below:

	As at 30 June 2020					
Assets	Fair value at Level 3 financial assets at fair value through profit or loss	Valuation technique	Unobservable input	Discount rate	Fair value sensitivity to a 100bps decrease in the discount rate	Fair value sensitivity to a 100bps increase in the discount rate
	$000				$000	$000
Lexicon Pharmaceuticals	124,500	Discounted cash flow	Discount rate	10.4%	127,405	122,468
Sebela	122,013	Discounted cash flow	Discount rate	11.3%	123,105	120,944
Assets held by BPCR LP						
Akebia	40,000	Discounted cash flow	Discount rate	11.0%	40,968	39,067
Amicus	150,000	Discounted cash flow	Discount rate	9.9%	153,285	146,821
BDSI	80,000	Discounted cash flow	Discount rate	11.1%	81,995	78,080
BMS	162,032	Discounted cash flow	Discount rate	10.9%	165,737	158,474
Other assets of BPCR LP	33,679					
Collegium	154,687	Discounted cash flow	Discount rate	11.7%	156,824	152,612
Epizyme	35,000	Discounted cash flow	Discount rate	11.2%	35,904	34,130
Global Blood Therapeutics	41,250	Discounted cash flow	Discount rate	10.7%	42,467	40,084
Novocure	150,000	Discounted cash flow	Discount rate	10.6%	152,881	147,203
OptiNose US	60,500	Discounted cash flow	Discount rate	12.5%	61,920	59,130
Sarepta Therapeutics	175,000	Discounted cash flow	Discount rate	10.3%	179,497	170,667
	1,328,611				1,321,988	1,269,680

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

	As at 31 December 2019					
Assets	Fair value at Level 3 financial assets at fair value through profit or loss	Valuation technique	Unobservable input	Discount rate	Fair value sensitivity to a 100bps decrease in the discount rate	Fair value sensitivity to a 100bps increase in the discount rate
	$000				$000	$000
Akebia	40,000	Discounted cash flow	Discount rate	10.9%	41,103	38,941
Amicus	150,000	Discounted cash flow	Discount rate	11.3%	153,937	146,211
BDSI	60,000	Discounted cash flow	Discount rate	11.5%	61,670	58,398
BMS	149,896	Discounted cash flow	Discount rate	10.4%	154,172	145,803
BPCR LP	-	-	-	-	-	-
Collegium	-	-	-	-	-	-
Epizyme	12,500	Discounted cash flow	Discount rate	10.7%	12,888	12,129
Global Blood Therapeutics	41,250	Discounted cash flow	Discount rate	9.9%	42,705	39,865
Lexicon Pharmaceuticals	124,500	Discounted cash flow	Discount rate	10.4%	127,451	121,649
Novocure	150,000	Discounted cash flow	Discount rate	10.4%	153,433	146,681
OptiNose US	44,000	Discounted cash flow	Discount rate	12.4%	45,174	42,871
Sarepta Therapeutics	175,000	Discounted cash flow	Discount rate	10.1%	180,112	170,094
Sebela	130,320	Discounted cash flow	Discount rate	12.6%	131,630	128,728
	1,077,466				1,104,275	1,051,370

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 $000	As at 31 December 2019 $000
Listed fixed interest income receivable	114	26
Unlisted fixed interest income receivable	2,832	3,061
Unlisted floating interest income receivable	-	3,938
Interest accrued on liquidity/money market funds	4	429
US floating interest income receivable from BPCR Ongdapa	-	8,417
Other debtors	273	335
	3,223	**16,206**

A portion of trade and other receivables relating to accrued interest were transferred to BPCR LP on 22 May 2020 and is now reflected in the fair value of BPCR LP.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

9. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 $000	As at 31 December 2019 $000
Cash at bank	16,967	5,613
Liquidity/money market funds	44,091	291,025
	61,058	**296,638**

10. TRADE AND OTHER PAYABLES

	As at 30 June 2020 $000	As at 31 December 2019 $000
Current Liabilities		
Amounts due to BPCR LP	27,598	-
Performance fee payable	-	20,633
Management fees accrual	3,427	3,496
Accruals	348	375
	31,373	**24,504**
Non-current liabilities		
Deferred performance fee	564	731
	31,937	**25,235**

The amounts due to BPCR LP relate to items received by the Company on behalf of BPCR LP. This amount is unsecured and interest free.

11. RETURN PER ORDINARY SHARE

Revenue return per ordinary share is based on the net revenue after taxation of $38,879,000 (30 June 2019: $83,354,000) and 1,373,932,067 (30 June 2019: 1,373,932,067) ordinary shares, being the weighted average number of ordinary shares for the period.

Capital return per ordinary share is based on net capital gain for the period of $1,487,000 (30 June 2019: loss $3,420,000) and on 1,373,932,067 (30 June 2019:1,373,932,067) 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.

12. 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 2020 of $1,378,428,000 (30 June 2019: $1,409,430,000 and 31 December 2019: $1,403,736,000) and ordinary shares of 1,373,932,067 (30 June 2019: 1,373,932,067 and 31 December 2019: 1,373,932,067), being the number of ordinary shares in issue at 30 June 2020.

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.

13. SHARE CAPITAL

	Period ended 30 June 2020		Year ended 31 December 2019	
	Number of shares	$000	Number of shares	$000
Issued and fully paid:				
Ordinary shares of $0.01:				
Balance at beginning of the period	1,373,932,067	13,739	1,373,932,067	13,739
Balance at end of the period	**1,373,932,067**	**13,739**	**1,373,932,067**	**13,739**

Total voting rights at 30 June 2020 were 1,373,932,067 (31 December 2019: 1,373,932,067).

14. SUBSIDIARIES

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 an investment trust. Therefore, the Company's investment in BPCR Ongdapa is recognised at fair value through profit and loss. The registered address for BPCR Ongdapa is BPCR Ongdapa Limited, 2 Grand Canal Square, Grand Canal Harbour, Dublin, Ireland. The aggregate amount of its capital reserves as at 30 June 2020 is $1 (30 June 2019: $1 and 31 December 2019: $1) and the profit and loss for the period ended 30 June 2020 is $nil (30 June 2019: $nil and 31 December 2019: $nil).

The Company formed a wholly-owned subsidiary, BPCR Limited Partnership, incorporated in England and Wales on 27 March 2020 for the purpose of entering into a three year $200 million revolving credit facility with JPMorgan Chase Bank. BPCR Limited Partnership has its registered office at 51 New North Road, Exeter, United Kingdom, EX4 4EP and received an initial contribution of £1.00 at formation from the Company, its sole Limited Partner. In accordance with IFRS 10, the Company is exempted from consolidating a controlled investee as it is an investment trust. Therefore, the Company's investment in BPCR Limited Partnership will be recognised at fair value through profit and loss.

The General Partner for BPCR LP is BPCR GP Limited, incorporated in England and Wales on 11 March 2020. In accordance with IFRS 10, the Company is not exempt from consolidating. However, the insignificance of BPCR GP Limited's account balances results in consolidation providing a set of accounts with almost identical balances to the Company. The registered address for BPCR GP Limited is BPCR GP Limited, 51 New North Road, Exeter, United Kingdom, EX4 4EP. The aggregate amount of its capital reserves as at 30 June 2020 is $nil (2019: $nil) and the profit and loss for the period to 30 June 2020 is $nil (2019: $nil).

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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

	Period ended 30 June 2020 $000	Period ended 30 June 2019 $000
Total return for the period before taxation	40,366	79,934
Capital (gains)/losses	(1,487)	3,372
Decrease in trade receivables	12,983	10,680
Increase/(decrease) in trade payables	6,702	(1,553)
Additional consideration	(400)	-
Other assets transferred to BPCR LP*	(21,358)	-
Cash generated from operations	**36,806**	**92,433**

* On 22 May 2020, the Company transferred the full carrying amount of several investments to its newly incorporated, wholly-owned subsidiary BPCR LP in return for an investment in BPCP LP of the same amount $1,048 million. The balance on the transfer line of $21 million relates to accrued income which is subsequently reflected in the fair value of BPCR LP, previously disclosed as part of trade and other receivables in the Company and expenses paid on the behalf of BPCR LP.

ANALYSIS OF NET CASH AND NET DEBT

Net cash

	At 1 January 2020 $000	Cash flow $000	Exchange movement	At 30 June 2020 $000
Cash and cash equivalents	296,638	(235,543)	(37)	61,058

16. 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 pages 22 to 24 of the Company's annual financial statements for the year ended 31 December 2019 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 25 to 28 of the Company's annual financial statements for the year ended 31 December 2019.

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.

(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.

16. FINANCIAL INSTRUMENTS (CONTINUED)

Market price risk

The Company is exposed to price risk arising from its investments whose future prices are uncertain. The Company's exposure to 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. The Investment Manager believes 10 per cent. is the appropriate threshold for determining whether a material change in market value has occurred.

	As at 30 June 2020		As at 30 June 2019		At 31 December 2019	
	Fair value	10 per cent. Increase/ decrease in market value	Fair value	10 per cent. Increase/ decrease in market value	Fair value	10 per cent. Increase/ decrease in market value
	$000	$000	$000	$000	$000	$000
Lexicon Senior Secured Loan	124,500	12,450	124,500	12,450	124,500	12,450
Sebela Senior Secured Loan	122,013	12,201	164,782	16,478	130,320	13,032
Biodelivery Sciences International Equity	11,751	1,175	23,300	2,330	16,979	1,698
Convertible bonds	4,376	438	21,337	2,134	19,656	1,966
OptiNose US warrants	1,296	130	-	-	2,026	203
Assets held by BPCR LP						
Sarepta Therapeutics	175,000	17,500	-	-	175,000	17,500
BMS Purchased Payments (BPCR Ongdapa)	162,032	16,203	103,031	10,303	149,896	14,990
Collegium	154,687	15,469	-	-	-	-
Amicus Senior Secured Loan	150,000	15,000	150,000	15,000	150,000	15,000
Novocure Senior Secured Loan	150,000	15,000	150,000	15,000	150,000	15,000
Biodelivery Sciences International Loan	80,000	8,000	60,000	6,000	60,000	6,000
OptiNose US	60,500	6,050	-	-	44,000	4,400
Global Blood Therapeutics	41,250	4,125	-	-	41,250	4,125
Akebia	40,000	4,000	-	-	40,000	4,000
Epizyme	35,000	3,500	-	-	12,500	1,250
Other Assets of BPCR LP	33,679	3,368	-	-	-	-
	1,346,084	**134,609**	**796,950**	**79,695**	**1,116,127**	**111,614**

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

16. FINANCIAL INSTRUMENTS (CONTINUED)

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 2020, the Company held cash balances in GBP Sterling of £20,000 ($24,000) (30 June 2019: £291,000 ($371,000) and 31 December 2019: £nil ($nil)) and in Euro of €10,000 ($11,000) (30 June 2019: €3,000 ($4,000) and 31 December 2019: €3,000 ($4,000)).

The currency exposures (including non-financial assets) of the Company as at 30 June 2020:

	Cash $000	Investments $000	Other net assets/ (liabilities) $000	Total $000
Sterling	24	-	(33)	(9)
Euro	11	-	-	11
US Dollar	61,023	1,346,084	(28,681)	1,378,426
	61,058	**1,346,084**	**(28,714)**	**1,378,428**

The currency exposures (including non-financial assets) of the Company as at 30 June 2019:

	Cash $000	Investments $000	Other net assets/ (liabilities) $000	Total $000
Sterling	371	-	2	373
Euro	4	-	-	4
US Dollar	612,513	796,950	(410)	1,409,053
	612,888	**796,950**	**(408)**	**1,409,430**

The currency exposures (including non-financial assets) of the Company as at 31 December 2019:

	Cash $000	Investments $000	Other net assets/ (liabilities) $000	Total $000
Sterling	-	-	-	-
Euro	4	-	-	4
US Dollar	296,634	1,116,127	(9,230)	1,403,531
	296,638	**1,116,127**	**(9,230)**	**1,403,535**

A 10 per cent. increase in the Sterling exchange rate would have increased net assets by $21,000 (30 June 2019: $30,000 and 31 December 2019: $nil). A 10 per cent. decrease would have decreased net assets by the same amount (30 June 2019: same and 31 December 2019: same).

16. FINANCIAL INSTRUMENTS (CONTINUED)

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 floating rate securities, unquoted loans and purchased payments; and
- the level of income receivable on cash deposits and liquidity funds.

The Sarepta Therapeutics, Novocure, Lexicon, OptiNose US loans and the convertible bond have a fixed interest rate and therefore are not subject to interest rate risk. The below table shows the percentage of the Company's net assets they represent.

	As at 30 June 2020 % of Company Net Assets	As at 30 June 2019 % of Company Net Assets	At 31 December 2019 % of Company Net Assets
Sarepta Therapeutics	12.70	-	12.47
Novocure Senior Secured Loan	10.88	10.64	10.69
Lexicon Senior Secured Loan	9.03	8.83	8.87
OptiNose US	4.39	-	3.13
Convertible bonds	0.32	1.51	1.40

The BMS Purchased Payments, the Collegium, Amicus, Sebela, BSI, Global Blood Therapeutics, Akebia, and Epizyme loans and cash and cash equivalents, including investments in liquidity funds, have a floating rate of interest. The below table shows the percentage of the Company's net assets they represent.

	As at 30 June 2020 % of Company Net Assets	As at 30 June 2019 % of Company Net Assets	At 31 December 2019 % of Company Net Assets
BMS Purchased Payments (BPCR Ongdapa)	11.75	7.31	10.68
Collegium	11.22	-	-
Amicus Senior Secured Loan	10.88	10.64	10.69
Sebela Senior Secured Loan	8.85	11.69	9.28
Biodelivery Sciences International Loan	5.80	4.26	4.27
Global Blood Therapeutics	2.99	-	2.94
Akebia	2.90	-	2.85
Epizyme	2.54	-	0.89
Cash and cash equivalents	4.43	43.48	21.13

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

16. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At 30 June 2020, the Company had cash and cash equivalents, including investments in liquidity/money market funds with balances of $61,058,000 (30 June 2019: $612,888,000 and 31 December 2019: $296,638,000) and maximum unfunded commitments of $248,250,000 (30 June 2019: $76,969,000 and 31 December 2019: $319,386,000).

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. On 22 May 2020, the Company entered into a $200 million revolving credit facility with JPMorgan Chase Bank. This facility will increase the Company's flexibility in relation to funding new lending opportunities and provide liquidity for funding outstanding obligations.

(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 Investment Manager's Report on pages 4 to 10.

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 2020, the Company's maximum exposure to credit risk was $1,346,084,000 (30 June 2019: $800,999,000 and 31 December 2019: $1,116,127,000). The Company's concentration of credit risk by counterparty can be found in the Investment Manager's Report on pages 4 to 10.

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.

17. RELATED PARTY TRANSACTIONS

The amount incurred in respect of management fees during the period to 30 June 2020 was $6,872,000 (30 June 2019: $7,053,000), of which $3,427,000 (30 June 2019: $3,510,000) was outstanding at 30 June 2020. The amount due to the Investment Manager for performance fees at 30 June 2020 was $564,000 (31 December 2019: $7,794,000).

The amount incurred in respect of Directors' fees during the period to 30 June 2020 was $198,000 (30 June 2019: $191,000) of which $nil was outstanding at 30 June 2020 (30 June 2019: $nil).

The Shared Services Agreement was entered into by and between RP Management, LLC, 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.

BPCR Limited Partnership and its General Partner, BPCR GP Limited, are related entities of the Company, as they are wholly-owned subsidiaries and formed for the purpose of entering into a new credit facility. On 22 May 2020, several investments totaling $1,070,139,000 were transferred to BPCR LP from the Company, transferred to BPCR Limited Partnership from the Company, in the period to 30 June 2020, the Company recorded income of $12,009,000 (30 June 2019: $nil) and the outstanding balance as at 30 June 2020 was $1,082,148,000 (30 June 2019: $nil). BPCR GP Limited had an outstanding balance as at 30 June 2020 of $nil (30 June 2019: $nil).

On 7 February 2020, the Company and BioPharma Credit Investments V (Master) LP ("BioPharma V"), entered into a definitive senior secured term loan agreement for $200,000,000 with Collegium Pharmaceutical, Inc. (Nasdaq: COLL). The Company's share of the transaction was $165,000,000 and the Company funded the term loan on 13 February 2020. The loan will mature in January 2024 and will bear interest at 3-month LIBOR plus 7.50 per cent. per annum subject to a 2.00 per cent. floor along with a one-time additional consideration of 2.50 per cent. of the loan amount which was paid at funding. In the period to 30 June 2020, the Company recorded interest of $2,864,000 (30 June 2019: $nil). The outstanding balance as at 30 June 2020 was $154,687,500 (30 June 2019: $nil).

On 18 December 2019, the Company and BioPharma V, a fund managed by the Investment Manager, entered into a definitive senior secured term loan agreement with Global Blood Therapeutics (Nasdaq: GBT). The Company will invest up to $82,500,000 ($41,250,000 in the first tranche and up to an additional $41,250,000 by 31 December 2020) and BioPharma V will invest an additional $67,500,000. The loan will mature in December 2025 and will bear interest at three-month LIBOR plus 7.00 per cent. per annum subject to a 2.00 per cent. floor along with a one-time additional consideration of 1.50 per cent. of the total loan amount payable upon funding and an additional 2.00 per cent. payable upon the repayment of the loan. The Company funded the first tranche on 20 December 2019. In the first half of 2020, the Company recorded interest of $4,354,000 (30 June 2019: $nil). The outstanding balance as at 30 June 2020 was $41,250,000 (30 June 2019: $nil).

On 13 December 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement with Sarepta Therapeutics (Nasdaq: SRPT). The Company will invest up to $350,000,000 in two tranches ($175,000,000 in the first tranche and up to an additional $175,000,000 by 31 December 2020) and BioPharma V will invest up to an additional $150,000,000. The loan will mature in December 2023 and will bear interest at 8.50 per cent. per annum along with a one-time additional consideration of 1.75 per cent. of the total loan amount payable upon funding and an additional 2.00 per cent. payable upon the repayment of the

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

17. RELATED PARTY TRANSACTIONS (CONTINUED)

loan. In first half of 2020, the Company recorded interest of $5,909,000 (30 June 2019: $nil). The Company funded the first tranche on 20 December 2019. The outstanding balance as at 30 June 2020 was $175,000,000 (30 June 2019: $nil).

On 11 November 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement for up to $100,000,000 with Akebia (Nasdaq: AKBA). The Company's share of the transaction will be up to $50,000,000 and the Company initially invested $40,000,000 on 25 November 2019. The loan will mature in November 2024 and will bear interest at LIBOR plus 7.50 per cent. per annum along with a one-time additional consideration of 2.00 per cent. of the total loan amount. In the first half of 2020, the Company recorded interest of $1,509,000 (30 June 2019: $nil). The outstanding balance as at 30 June 2020 was $40,000,000 (30 June 2019: $nil).

On 4 November 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement for up to $70,000,000 with Epizyme (Nasdaq: EPZM). The Company's share of the transaction will be up to $35,000,000 and the Company invested $12,500,000 on 18 November 2019, $12,500,000 on 27 March 2020 and $10,000,000 on 30 June 2020. The loan will mature in November 2024 and will bear interest at LIBOR plus 7.75 per cent. per annum along with a one-time additional consideration of 2.00 per cent. of the total loan amount. On 4 November 2019, Royalty Pharma, an affiliate of Pharmakon Advisors,announced an agreement to purchase future royalties on tazemetostat net sales outside of Japan owned by Eisai Co. for $330,000,000 and a separate $100,000,000 equity investment directly in Epizyme. Pablo Legorreta, a principal of Pharmakon and RP management was named to the Epizyme board of directors. In the first half of 2019, the Company recorded interest of $677,000 (30 June 2019: $nil). The outstanding balance as at 30 June 2020 was $35,000,000 (30 June 2019: $nil).

On 12 September 2019, the Company and BioPharma V, entered into a definitive senior secured note purchase agreement for the issuance and sale of senior secured notes in an aggregate original principal amount of up to $150,000,000 by OptiNose US. OptiNose US is a wholly-owned subsidiary of OptiNose (Nasdaq: OPTN), a commercial-stage specialty pharmaceutical company. The Company's share of the transaction will be up to $82,500,000 and the Company invested $44,000,000 on 12 September 2019 and $16,500,000 on 13 February 2020. Under the terms of the agreement, Optinose has until 2021 September to purchase the remaining $11 million of notes. Senior secured notes in an aggregate original principal amount of up to $150,000,000 will be issued and sold in up to four tranches, each maturing in September 2024 and bearing interest at 10.75 per cent. per annum along with a one-time additional consideration of 0.75 per cent. of the aggregate original principal amount of senior secured notes which the Company and BioPharma V are committed to purchase under the facility and approximately 800,000 warrants exercisable into common stock of OptiNose. In the first half of 2020, the Company recorded interest of $2,372,000 (30 June 2019: $nil). The outstanding balance as at 30 June 2020 of the outstanding notes was $60,500,000 (30 June 2019: $nil).

On 7 February 2018, the Company entered into a senior secured term loan agreement for $150,000,000 with Novocure Limited (NASDAQ: NVCR) ("Novocure"). The $150,000,000 loan was originally scheduled to mature in February 2023 and bore interest at 9.0 per cent. per annum. Novocure used $100,000,000 of the net proceeds to entirely prepay the $100,000,000, 10.0 per cent. 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. In the first half of 2020, the Company recorded interest of $5,363,000 (30 June 2019: $6,788,000). The outstanding balance as at 30 June 2020 was $150,000,000 (30 June 2019: $150,000,000).

17. RELATED PARTY TRANSACTIONS (CONTINUED)

On 8 December 2017, the Company's wholly-owned subsidiary BPCR Ongdapa entered into a purchase, sale and assignment agreement with RPI Acquisitions (Ireland) Limited ("RPI Acquisitions"), an affiliatalty Pharma, for the purchase of a 50 per cent. interest in a stream of Purchased Payments acquired by RPI Acquisitions from Bristol-Myers Squibb through a purchase agreement dated 14 November 2017. As a result of the arrangements, RPI's subsidiary and the Company's subsidiary are each 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 was expected to fund $140,000,000 to $165,000,000 between 2018 and 2020, determined by product sales and will receive payments from 2020 through 2025 estimated to yield a return in the high single-digits per annum. The Company advanced $12,136,000 to RPI Acquisitions in the first half 2020 (30 June 2019: $38,622,000) for the Purchased Payments. In the first half of 2020, the Company recorded interest of $3,440,000 (30 June 2019: $2,542,000).

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 (NASDAQ: LXRX), a fully integrated biopharmaceutical company ("Lexicon"). The loan was secured by substantially all of Lexicon's assets, including its rights to Xermelo® and sotagliflozin. The $200,000,000 loan was available in two tranches, each maturing in December 2022 and bearing interest at 9.0 per cent. per annum. The first $150,000,000 was available immediately and an additional tranche of $50,000,000 was not drawn down as net Xermelo sales did not meet the required target by March 2019. The Company funded $124,500,000 of the first tranche on 18 December 2017 and Lexicon has not drawn the second tranche. In the first half of 2020, the Company recorded interest of $5,665,000 (30 June 2019: $5,634,000). The outstanding balance as at 30 June 2020 was $124,500,000 (30 June 2019: $124,500,000).

On 21 November 2017, the Company and BioPharma IV entered into a definitive loan agreement for up to $500,000,000 with Tesaro (NASDAQ: TSRO), an oncology-focused biopharmaceutical company ("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 $148,000,000 of the $200,000,000 second tranche by 20 December 2018 at Tesaro's option with BioPharma IV committing to invest up to $130,000,000 in parallel with the Company acting as collateral agent. The Company funded $100,000,000 of the second tranche on 29 June 2018 and assigned its remaining $48,000,000 commitment to other investors. The loan has a term of seven periods and is secured by Tesaro's US rights to ZEJULA® and VARUBI®. The first $300,000,000 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 was 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. In the period to 30 June 2020, the Company recorded interest of $nil (30 June 2019: $2,191,000). Following its acquisition by GlaxoSmithKline, Tesaro repaid the $500,000,000 loan on 23 January 2019. The Company received a payment of $369,953,000 on its $322,000,000 share of the loan, including the make-whole and prepayment premium totalling $45,762,000. The outstanding balance as at 30 June 2020 was $nil (30 June 2019: $nil).

BioPharma V, BioPharma III, BioPharma IV, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

18. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 June 2020, there were outstanding commitments of up to $248,250,000 (30 June 2019: $76,969,000 million and 31 December 2019: $319,386,000) in respect of investments (see Note 17 for further details).

19. SUBSEQUENT EVENTS

On 30 July 2020, Amicus Therapeutics, Inc. (NASDAQ: FOLD) repaid their loan and the Company received a payment of $156.3 million comprised of $150 million in principal, $1.1 million in accrued interest, and $5.2 million in make-whole amount and prepayment fees.

On 18 August 2020, NovoCure Limited (NASDAQ: NVCR) repaid their loan and the Company received a payment of $154.8 million comprised of $150 million in principal, $1.8 million in accrued interest, and $3.0 million in prepayment fees.

On 8 September 2020, Lexicon Pharmaceuticals (NASDAQ: LXRX) repaid their loan and the Company received a payment of $132.3 million comprised of $124.5 million in principle, $2.2 million in accrued interest, and $5.6 million in make-whole amount and prepayment fees.

Subsequent to the period end and up to 15 September 2020, the Company purchased 59,694 shares into treasury at an average price of $0.9947 and a total cost of $60,000.

Subsequent to the period end, the Company sold their remaining 8,950,000 face value of convertible bonds at a price of 56 cents for proceeds of $5,100,000.

GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES (APM)

NET INCOME

Net income includes $12.0 million relating to the change in fair value of its subsidiary, BPCR Limited Partnership. This change in fair value of $12.0 million is equal to the undistributed net income earned by BPCR Limited Partnership in the period, reflecting changes in the fair value of and income earned on the investment it holds. Details of these investments are set out in note 7, investments at fair value through profit and loss.

NAV PER ORDINARY SHARE

Net Asset Value (NAV) is the value of total assets less liabilities. The NAV per share is calculated by dividing this amount by the number of ordinary shares outstanding.

PREMIUM (DISCOUNT) TO NAV PER ORDINARY SHARE

As stock markets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and it is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

RETURN PER ORDINARY SHARE

Revenue return per Ordinary share is based on the net revenue after taxation divided by the weighted average number of Ordinary Shares for the year.

Capital return per Ordinary Share is based on net capital gains divided by weighted average number of Ordinary Shares for the year.

ONGOING CHARGES

Ongoing charges are the Company's expenses expressed (excluding and including performance fee) as a percentage of its average monthly net assets and follows the AIC recommended methodology. Ongoing charges are different to total expenses as not all expenses are considered to be operational and recurring.

DIRECTORS, ADVISERS AND OTHER SERVICE PROVIDERS

DIRECTORS

Jeremy Sillem (Chairman)
Harry Hyman (Senior Independent Director)
Colin Bond
Duncan Budge
Stephanie Léouzon

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TISE SPONSOR

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Les Ruettes Brayes
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COMPANY WEBSITE

www.bpcruk.com

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

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.

SHAREHOLDER INFORMATION

KEY DATES

March	Annual results announced Payment of fourth interim dividend
June	Annual General Meeting Company's half-year end Payment of first interim dividend
September	Half-yearly results announced Payment of second interim dividend
December	Company's year end Payment of third interim dividend

FREQUENCY OF NAV PUBLICATION

The Company's NAV is released to the LSE and TISE on a monthly basis and is published on the Company's website.

ANNUAL AND HALF-YEARLY REPORT

Copies of the Company's Annual and Half-yearly Reports, stock exchange announcements and further information on the Company can be obtained from the Company's website www.bpcruk.com.

IDENTIFICATION CODES

SEDOL:	BDGKMY2
ISIN:	GB00BDGKMY29
TICKER:	BPCR
LEI:	213800AV55PYXAS7SY24

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FINANCIAL REPORT AND AUDITED FINANCIAL STATEMENTS 2020

BIOPHARMA
CREDIT PLC