

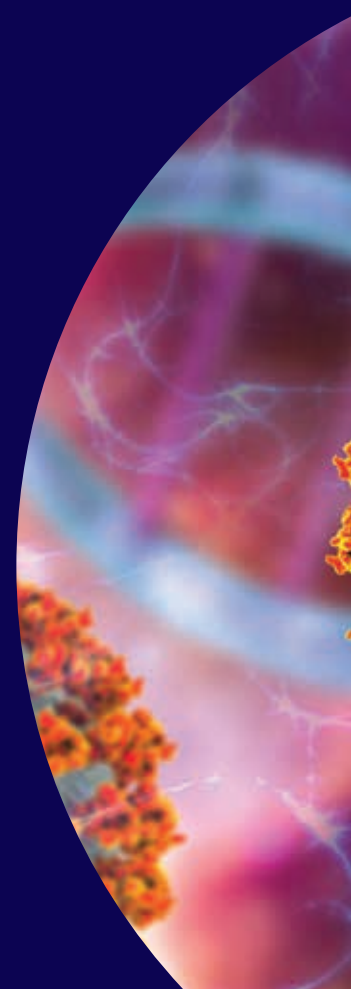


## Welcome to our Half-Yearly Report

**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 corporate assets including cash and product rights (intellectual property, approvals, etc.) of approved life sciences products.

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## Performance Highlights

As at 30 June 2021

# \$0.9660

### Share Price

(31 December 2020: \$0.9960)

# \$0.0338

### Net Income Per Share

(30 June 2020: \$0.0370)<sup>1</sup>

# \$0.9980

### NAV Per Share

(31 December 2020: \$1.0037)

# -3.2%

### Discount to NAV per share

(31 December 2020: -0.8%)

# 1,373.9m

### Shares in issue

(31 December 2020: 1,373.9m)

# \$1,371.1m

### Net assets

(31 December 2020: \$1,378.9m)

# 7 cents per annum

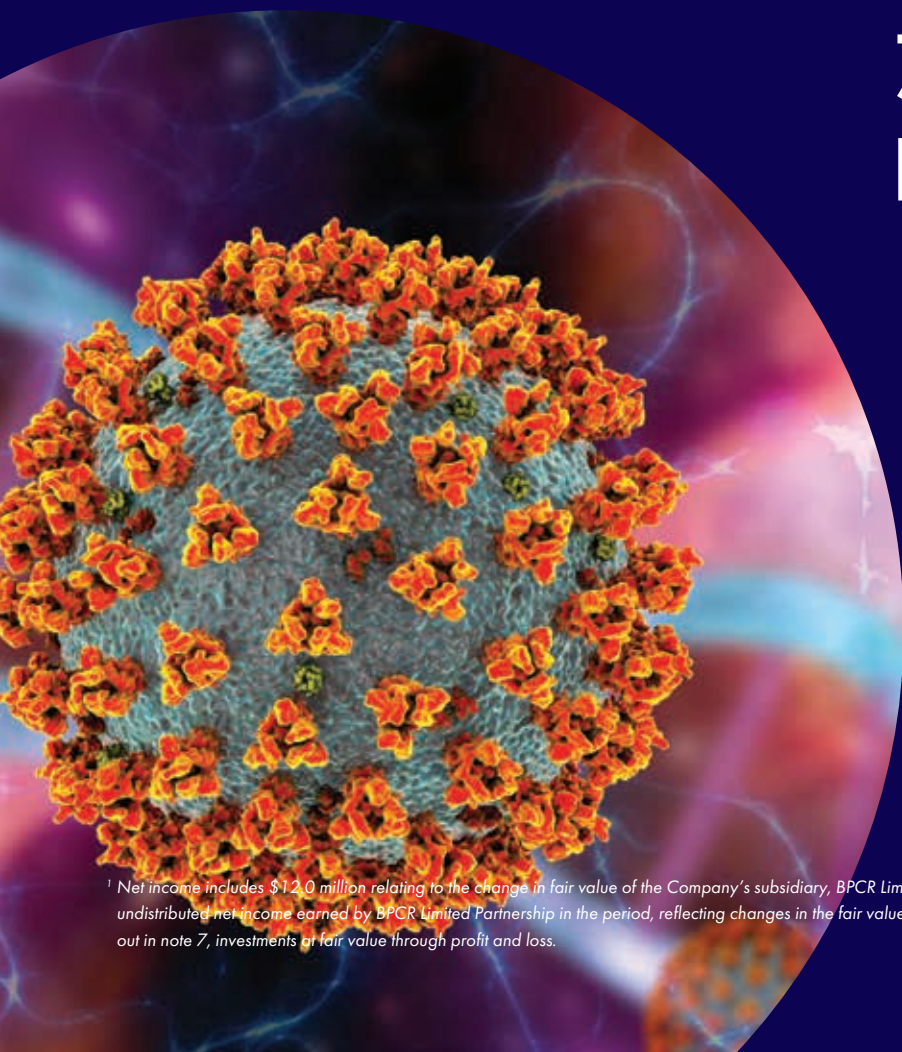
### Target dividend

(31 December 2020: 7 cents  
per annum)

# 0%

### Leverage

(31 December 2020: 0%)



<sup>1</sup> Net income includes \$12.0 million relating to the change in fair value of the Company's 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 2021, the Company increased its diversification through the \$150 million investment in LumiraDx.

**During the first half of 2021, the Company, through its wholly owned subsidiary, BPCR Limited Partnership, invested \$150 million in a senior secured loan to LumiraDx Investment Limited, a UK based diagnostics enterprise. Including assets and liabilities from its financing subsidiary, BPCR Limited Partnership, the Company ended the period with total net assets of \$1,371 million, comprising \$1,167 million of investments, \$212 million of cash and \$8 million of other net liabilities.**

**The Company and its subsidiaries saw \$124 million increased liquidity from the early repayment of the Sebela loan and the scheduled amortisation payments from the Collegium loan and the BMS purchased payments.**

In 2020, the Company entered into a \$200 million revolving credit facility with JPMorgan Chase Bank through its wholly owned subsidiary, BPCR Limited Partnership. On 10 September 2021, the Company was able to negotiate and amend the revolving credit facility on more favorable terms. The key terms to the amendment include a reduction in the committed Revolving Credit Facility ("RCF") from \$200 million to

\$50 million together with changes in the accordion feature allowing for an increase in the RCF to \$100 million and up to \$200 million in term loans, extension of the maturity date to 22 June 2024 and a reduction in the margin payable under the RCF from 4.00 per cent. to 2.75 per cent.

On 10 September 2021, the Company distributed a circular to shareholders for its proposed admission to trade on the premium segment of the main market of the London Stock Exchange. The circular outlines the proposed amendments to the existing Articles in connection with Admission, Adoption of the Investment Policy and a Continuation Resolution and amendments to the Existing Articles in connection therewith. The Company believes that the benefits associated with the migration include potential index inclusion, greater access to capital, potential increased liquidity and expanded analyst coverage.

Under the existing articles of the Company, a Continuation Resolution is required to be held at the first annual general meeting following the fifth anniversary of the Company's IPO and at every third annual general meeting thereafter. However, the Directors believe that it is beneficial to the Company for the first Continuation Resolution to be held earlier, at the General Meeting on 30 September 2021 so as to give investors greater certainty as to the Company's longer term existence in the context of the proposed migration to the Premium Segment. The Directors will be voting in favour of continuation and

would encourage shareholders to do likewise in the belief that the Company has a successful long-term investment programme.

### Audit tender

As previously announced to shareholders, the Company undertook a competitive tender process in relation to the statutory audit of the Company in March 2021, at the end of which it was agreed that Ernst & Young ("EY") would conduct the statutory audit of the Company for the year ending 31 December 2021. Regrettably, EY informed the Board that, due to the tax work carried out by its U.S. offices for the Company for previous financial years up to the financial year ending on 31 December 2020, it was unable to accept the proposed appointment as auditor to the Company for the year to 31 December 2021. Consequently, the Board agreed that PricewaterhouseCoopers LLP ("PwC") should be appointed as auditor to the Company for one further year. The appointment of PwC was approved by shareholders at the general meeting held on 24 June 2021.

### Shareholder returns

The total income for the first half of 2021 was \$58 million, down from the \$59 million reported during the first half of 2020. On 30 June 2021, the Company's Ordinary Shares closed at \$0.9660, below the closing price on 31 December 2020 of \$0.9960. Net Asset Value ("NAV") per Ordinary Share decreased over the same timeframe by \$0.0057 from \$1.0037 to \$0.9980.

The Company made two dividend payments over the period totaling \$0.0379 per share, referencing net income for the quarters ending 31 December 2020 and 31 March 2021.

The Company was therefore able to maintain its record of paying a dividend of at least 1.75 cents per share in every quarter since that ending 30 June 2018.

The COVID-19 pandemic is continuing to have effects on restrictions to the movement of people and disruption to business operations. Despite the challenging environment, the Company and its service providers have performed well and the portfolio continues to be resilient. The recent progress made on national vaccination programmes is encouraging; however uncertainty remains and the Board continues to monitor the situation with Pharmakon Advisors, our investment manager. Our investment manager believes that the COVID-19 pandemic has not had a material impact on the credit quality of the Company's loans. We will continue to monitor the situation and will inform shareholders of any material changes to this assessment.

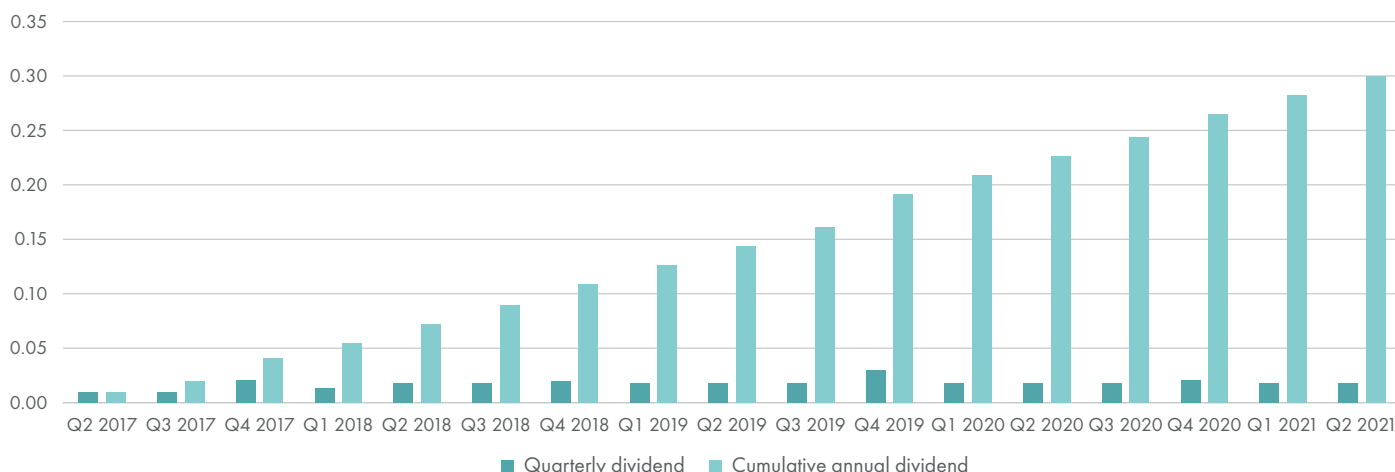
### Outlook

The Investment Manager continues to develop a pipeline of additional possible investments and, as a consequence, we expect to be evaluating a number of potential alternatives to fund future growth and further diversify our portfolio. On behalf of the Board, I should like to express our thanks to Pharmakon for their continued achievements on behalf of the Company in 2021 and to our shareholders for their continued support.

**Harry Hyman**  
Chairman

14 September 2021

## Cumulative dividend since IPO in March 2017



## 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 a new investment totaling \$150 million. During the period, the Company announced the repayment of the Sebela loan, with payments during the first six months of 2021 totaling \$97 million, including a prepayment premium totaling \$1.5 million.



## LumiraDx

**On 24 March 2021, the Company and BioPharma-V, a private fund also investing in life sciences debt managed by Pharmakon Advisors, entered into a definitive senior secured loan agreement for \$300 million with LumiraDx Investment Limited and LumiraDx Group Limited (collectively "LumiraDx").**

**The Company and its subsidiaries funded \$150 million of the \$300 million loan on 29 March 2021.**

**The loan will mature in March 2024 and will bear interest at 8.00 per cent. per annum along with an additional consideration of 2.50 per cent. of the loan amount paid upon funding and an additional 1.50 per cent. of the loan payable at maturity. The Company and its subsidiaries will also be receiving warrants as part of the financing.**

LumiraDx is a UK based, next-generation Point of Care, or POC, diagnostic company addressing the current limitations of legacy POC systems by bringing performance comparable to a central lab to the POC in minutes, on a single instrument for a broad menu of tests with a low cost of ownership. To date, LumiraDx has developed and launched four diagnostic tests for use with its platform: a SARS-CoV-2 ("COVID-19") antigen test commercially available under an Emergency Use Authorization in the United States, and a Conformité Européenne (CE) Mark in the European Economic Area, as well as a SARS-CoV-2 antibody test, an International Normalized Ratio, or INR, test, and a D-Dimer test, all of which are CE Marked.

LumiraDx has also used its technology to develop two rapid COVID-19 reagent testing kits for use on open molecular systems, LumiraDx SARS-CoV-2 RNA STAR and SARS-CoV-2 RNA STAR Complete, both of which obtained Emergency Use Authorization by the FDA.

**\$300 million**

**Total loan amount**

**\$150 million**

**Company commitment**

**Investment type:** Secured loan

**Date Invested:** 23 March 2021

**Maturity:** March 2024

## Collegium

**On 7 February 2020, the Company and BioPharma-V 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 ("Collegium").**

**The Company and its subsidiaries funded \$165 million of the \$200 million loan on 13 February 2020.**

The loan will mature in February 2024 and bears 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 paid upon funding. The loan amortises quarterly and had a remaining balance of \$113 million as of 30 June 2021.

Collegium currently markets Xtampza® ER, an abuse-deterrent, extended-release, oral formulation of oxycodone and Nucynta® (tapentadol), a centrally acting synthetic analgesic.

**\$200 million**

**Total loan amount**

**\$165 million**

**Company commitment**

**Investment type:** Secured loan

**Date Invested:** 7 February 2020

**Maturity:** February 2024

## Investment Manager's Report *continued*

### 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 innovative treatments that provide hope to underserved patient communities ("GBT").**

**GBT drew down \$75 million at closing and an additional \$75 million on 20 November 2020.**

The Company and its subsidiaries funded \$41 million of each tranche for a total investment of \$83 million. The loan will mature in December 2025 and bears 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 paid upon funding and an additional 2.00 per cent. payable upon the repayment of the loan.

GBT manufactures and sells Oxbryta™ (voxelotor) for the treatment of sickle cell disease in adults and pediatric patients 12 years of age and older.

**\$150 million**

**Total loan amount**

**\$83 million**

**Company commitment**

**Investment type:** Secured loan

**Date Invested:** 17 December 2019

**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 ("Sarepta").**

**On 24 September 2020 the Sarepta loan agreement was amended and the loan amount was increased to \$550 million. Sarepta drew down the first \$250 million tranche at closing and an additional \$300 million on 2 November 2020.**

The Company and its subsidiaries funded \$175 million of each tranche for a total investment of \$350 million. The first tranche will mature in December 2023 and the second tranche in December 2024. The loan bears interest at 8.5 per cent. per annum along with a one-time additional consideration of 1.75 per cent. of the first tranche and 2.95 per cent. of the second tranche paid upon funding and an additional 2 per cent. payable upon the repayment of the loan.

Sarepta currently markets Exondys 51 (eteplirsen), Vyondys 53 (golodirsen) and Amondys (casimersen) in the US for the treatment of Duchenne muscular dystrophy (DMD).

**\$500 million**

**Total loan amount**

**\$350 million**

**Company commitment**

**Investment type:** Secured loan

**Date Invested:** 13 December 2019

**Maturity:** December 2024



## 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 ("Akebia").

Akebia drew down \$80 million at closing and an additional \$20 million on 10 December 2020.

The Company and its subsidiaries funded \$40 million of the \$80 million first tranche and \$10 million of the second tranche.

The loan will mature in November 2024 and bears interest at LIBOR plus 7.5 per cent. per annum along with a one-time additional consideration of 2 per cent. of the total loan amount paid upon funding. 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.

**\$100 million**

**Total loan amount**

**\$50 million**

**Company commitment**

**Investment type:** Secured loan

**Date Invested:** 25 November 2019

**Maturity:** December 2024

## 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 for cancer.

On 3 November 2020 the Epizyme loan agreement was amended and the loan amount was increased to \$220 million. Epizyme drew down \$25 million at closing and an additional \$195 million during 2020.

The Company and its subsidiaries funded a total of \$110 million of the Epizyme loan. The loan will mature in November 2024 and bears interest at LIBOR plus 7.75 per cent. per annum along with a one-time additional consideration of 2 per cent. of the total loan amount paid upon funding. Epizyme's lead product, TAZVERIK (tazemetostat), is a first-in-class, oral inhibitor that received FDA approval for epithelioid sarcoma on 23 January 2020 and follicular lymphoma on 18 June 2020.

**\$220 million**

**Total loan amount**

**\$110 million**

**Company commitment**

**Investment type:** Secured loan

**Date Invested:** 18 November 2019

**Maturity:** November 2026

## Investment Manager's Report *continued*

### 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. Optinose drew a total of US\$130 million in three tranches: \$80 million on 12 September 2019, \$30 million on 13 February 2020 and \$20 million on 1 December 2020. There are no additional funding commitments.

On 2 March 2021, the sales covenants in the notes were reduced by 16 per cent. for 2021 and 3 per cent. thereafter to allow for slower growth due to the temporary impact of COVID 19 from reduced patient visits. The revised covenant for 2021

of \$80 million still represents growth of 65 per cent. from 2020.

The Company and its subsidiaries funded a total \$72 million across all tranches and was allocated 445,696 warrants. 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 was committed to purchase under the facility and 810,357 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.

**\$130 million**

Total loan amount

**\$72 million**

Company commitment

Investment type: Secured loan

Date Invested: 12 September 2019

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"). BDSI utilises its novel and proprietary BioErodible MucoAdhesive (BEMA®) technology to develop and commercialize new applications of proven therapies aimed at addressing important unmet medical needs. 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 second \$20 million tranche was funded on 22 May 2020. The loan will mature in May 2025 and bears interest at LIBOR plus 7.5 per cent., along with 2 per cent. additional consideration paid at closing. The Company sold 46 per cent of its BDSI shares during 2019 at an average price of \$6.5. BDSI shares closed at \$3.58 on 30 June 2021.

BDSI's leading products include BELBUCA® (buprenorphine buccal film) and Symproic® (naldemedine).

**\$80 million**

Total loan amount

**\$25 million**

Equity

**\$105 million**

Company commitment

Investment type: Secured loan

Date Invested: 28 May 2019

Maturity: May 2025

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## Bristol-Myers Squibb, Inc.

**On 8 December 2017, the Company's wholly-owned subsidiary entered into a purchase, sale and assignment agreement with a wholly-owned subsidiary of Royalty Pharma Investments ("RPI"), an affiliate of the Investment Manager, for the purchase of a 50 per cent. interest in a stream of payments (the "Purchased Payments") acquired by RPI's subsidiary from Bristol-Myers Squibb (NYSE: BMY) 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 2021, the Company funded all of the Purchased Payments based on sales from 1 January 2018 to 31 December 2019 for a total of \$162 million.

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## Sebela Pharmaceuticals

**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 was due to fully mature in December 2022. The loan bore interest at LIBOR (un-capped) plus a single digit spread and included additional consideration.**

Sebela is a private specialty pharmaceutical company focused on gastrointestinal

medicines, dermatology, and women's health. The Company received its final loan payment on 30 June 2021 with payments during the first six months of 2021 totaling \$97 million, including a prepayment premium totaling \$1.5 million. The Company earned a 11.2 per cent. internal rate of return on its Sebela investment.

## 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 3 per cent. during the period, compared to 13 per cent. during the first six months of 2020. Global equity issuance by life sciences companies during the period was \$59 billion, a 6 per cent. decrease from the \$63 billion issued during the first six months of 2020. We anticipate a slowdown in equity issuance coupled with greater appetite for fixed income as a source of capital during the remainder of 2021.

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 \$111 billion, a 516 per cent. increase from the \$18 billion witnessed during the first six months of 2020, driven mainly by an increase in M&A activity globally as a result of COVID-19 pandemic restrictions easing. We are encouraged by the number of M&A opportunities that are starting to build up which should lead to a more active market in the near term.

Despite the challenging environment due to the COVID-19 pandemic, we continue to carefully track and monitor the Company's operations and its service providers, and we have not experienced any technical or operational difficulties during the pandemic. COVID-19 continues to cause major disruptions across the globe however we have confidence in the performance of our loans and there has not been a material impact on the credit quality of the Company's

investments. We will continue to monitor the pandemic and will inform investors of any material changes to this assessment.

Global transition away from USD LIBOR has been postponed to July 2023. As of today, major financial institutions continue to use USD LIBOR as a reference for USD loans and other financial instruments and will be permitted to continue to do so until January 2022. The industry received further clarification from the Alternative Reference Rates Committee (ARRC) following the July 2021 meeting. The recommendation for most new instruments that reference USD LIBOR is to transition away from LIBOR to Secured Overnight Financing Rate (SOFR). The Company has five loans with coupons that reference 3 Month USD LIBOR, they all include language that describes how a new reference rate will be used in the absence of USD LIBOR and all have a 2.00 per cent. LIBOR floor. As of 9 September 2021, the 3 Month USD LIBOR rate was 0.11 per cent., significantly below the floors in the five loans. The Investment Manager will continue to monitor news on the transition and will take steps in accordance with industry standards.

We continue to see a robust pipeline of investment opportunities and expect it to continue to grow as new products are approved. 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**

14 September 2021

## Case study – LumiraDx



Industry leading innovator, providing simple, accessible and affordable point of care testing

**LumiraDx, a Next-Generation Point of Care Diagnostics Testing Company, was founded in 2014 by a group of entrepreneurs with a successful track record in building and scaling diagnostics and health IT businesses. These included Medisense, Inverness Medical and Alere. Having worked together for more than a decade, this team brings significant expertise in, developing, manufacturing and commercializing industry-leading point of care (POC) diagnostic Platforms, using cloud-based platforms to integrate health system networks and transfer patient data and using data to develop supported self-care plans to improve individuals' health and system-wide outcomes.**

LumiraDx's innovative diagnostic testing Platform has been in development since 2014 and is designed to offer a broad menu of tests with lab-comparable performance at a low cost and with results in less than 12 minutes at the point of care. High sensitivity COVID-19 antigen tests currently being deployed globally in partnership with governments, health systems, retail chains and global health foundations are meeting the urgent global health needs. The LumiraDx SARS-CoV-2 Ag Test combines performance with speed, without compromising a high sensitivity of detection.

In common with other viruses, SARS-CoV-2 carries the risk of mutation and becoming more diverse with new variants of the virus occurring over time. While some new variants may emerge and disappear, or be clinically inconsequential, others emerge and dominate and have been detected globally during this pandemic. Government regulators in the US, UK and other countries have instituted guidelines that tests must meet to be able to detect the emerging variants that are driving many new COVID-19 cases globally.

The LumiraDx SARS-CoV-2 Antigen test is well positioned to detect these existing and new variants. Unlike polymerase chain reaction (PCR), the LumiraDx SARS-CoV-2 Ag Test uses antibodies, not nucleic acid based-primers, to capture SARS-CoV-2 nucleocapsid antigen, not the spike protein. Antibodies typically recognize 8-15 amino acid target sequences which are equivalent to 24-45 nucleotide sequences. Thus, single nucleic acid point mutations are not likely to affect the performance of the LumiraDx SARS-CoV-2 Ag Test. Furthermore, mutations outside of the nucleocapsid viral coding region (ex Spike protein) are also unlikely to affect the assay performance.

LumiraDx has a pipeline of 30 plus assays across common health conditions including infectious disease, cardiovascular disease, diabetes, and coagulation disorders to address a \$50 plus billion global market opportunity with the LumiraDx Platform.

## 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 6 to 13.

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.

The Directors have considered the principal risks facing the Company and 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 2020, and expect that, for the remainder of the year ending 31 December 2021, these will continue to be as set out on pages 19 to 25 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;
- Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for shareholders investing in the Company;
- COVID-19 may affect the Company's ability to continue operations; and
- Changes to accounting regulation may require the Company to make a change in accounting policy that could have a material impact on its reported results including its net asset value, net income and distributable reserves.

## 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.

No material uncertainties have been detected which would influence the Company's ability to continue as a going concern 12 months from the date of this report. 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 4 to 13.

## 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 UK adopted 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 14 September 2021 and the above responsibility statement was signed on its behalf by Harry Hyman, Chairman.

On behalf of the Board

**Harry Hyman**  
**Chairman**

14 September 2021

# Independent Review Report to BioPharma Credit PLC

## REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

### OUR CONCLUSION

We have reviewed BioPharma Credit PLC's condensed interim financial statements (the "interim financial statements") in the half-yearly report of BioPharma Credit PLC for the 6 month period ended 30 June 2021 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

### WHAT WE HAVE REVIEWED

The interim financial statements comprise:

- the condensed statement of financial position as at 30 June 2021;
- 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 of BioPharma Credit PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

## 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.

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 directors of the company as a body, for management purposes, in connection with the Interim Review and for no other purpose. Our report may not be made available to any other party without our prior written consent. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### WHAT A REVIEW OF INTERIM FINANCIAL STATEMENTS INVOLVES

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

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



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

**PricewaterhouseCoopers LLP**

**Chartered Accountants**

**London**

14 September 2021

## Condensed Statement of Comprehensive Income

For the period ended 30 June 2021

(In \$'000s except per share amounts)

	Period ended 30 June 2021 (Unaudited)			Period ended 30 June 2020 (Unaudited)			
	Note	Revenue	Capital	Total	Revenue	Capital	Total
<b>Income</b>							
Investment income	3	74,679	-	74,679	45,793	-	45,793
Other income	3	12	-	12	1,033	-	1,033
Net (losses)/gains on investments at fair value	7	-	(22,702)	(22,702)	-	1,524	1,524
Net currency exchange gains/(losses)		-	1	1	-	(37)	(37)
<b>Total income</b>		<b>74,691 *</b>	<b>(22,701)</b>	<b>51,990</b>	<b>46,826 **</b>	<b>1,487</b>	<b>48,313</b>
<b>Expenses</b>							
Management fee	4	(6,866)	-	(6,866)	(6,872)	-	(6,872)
Directors' fees	4	(198)	-	(198)	(198)	-	(198)
Other expenses	4	(679)	-	(679)	(877)	-	(877)
<b>Total expenses</b>		<b>(7,743)</b>	<b>-</b>	<b>(7,743)</b>	<b>(7,947)</b>	<b>-</b>	<b>(7,947)</b>
<b>Return on ordinary activities after finance costs and before taxation</b>		<b>66,948</b>	<b>(22,701)</b>	<b>44,247</b>	<b>38,879</b>	<b>1,487</b>	<b>40,366</b>
Taxation on ordinary activities	5	-	-	-	-	-	-
<b>Return on ordinary activities after finance costs and taxation</b>		<b>66,948</b>	<b>(22,701)</b>	<b>44,247</b>	<b>38,879</b>	<b>1,487</b>	<b>40,366</b>
<b>Net revenue and capital return per ordinary share (basic and diluted)</b>	<b>11</b>	<b>\$0.0487</b>	<b>\$(0.0165)</b>	<b>\$0.0322</b>	<b>\$0.0283</b>	<b>\$0.0011</b>	<b>\$0.0294</b>

The total column of this statement is the Company's Condensed Statement of Comprehensive Income prepared in accordance with IFRS. 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 22 to 51 form part of these financial statements.

\* Includes \$17 million from prior year income and current year expenses from its financing subsidiary, BPCR Limited Partnership. Total recorded income for the first six months of 2021, was \$58 million. Please see note 3 on page 28 for full details.

\*\* Total income for the first six months of 2020 was \$59 million, which includes \$12 million relating to the change in fair value of its subsidiary, BPCR Limited Partnership. Please see note 3 on page 28 for full details.

## Condensed Statement of Changes in Equity

For the period ended 30 June 2021

(In \$'000s)

For the period ended 30 June 2021 (Unaudited)							
	Note	Share capital	Share premium account	Special distributable reserve*	Capital reserve**	Revenue reserve*	Total equity attributable to shareholders of the Company
Net assets attributable to shareholders at 1 January 2021		13,739	607,125	730,492	20,014	7,545	1,378,915
Return on ordinary activities after finance costs and taxation		-	-	-	(22,701)	66,948	44,247
Dividends paid to Ordinary Shareholders	6	-	-	(2,262)	-	(49,810)	(52,072)
<b>Net assets attributable to shareholders at 30 June 2021</b>		<b>13,739</b>	<b>607,125</b>	<b>728,230</b>	<b>(2,687)</b>	<b>24,683</b>	<b>1,371,090</b>

For the period ended 30 June 2020 (Unaudited)							
	Note	Share capital	Share premium account	Special distributable reserve*	Capital reserve**	Revenue reserve*	Total equity attributable to shareholders of the Company
Net assets attributable to shareholders at 1 January 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)
<b>Net assets attributable to shareholders at 30 June 2020</b>		<b>13,739</b>	<b>607,125</b>	<b>730,631</b>	<b>12,039</b>	<b>14,894</b>	<b>1,378,428</b>

\* The special distributable and revenue reserves can be distributed in the form of a dividend.

\*\* The negative capital reserve at 30 June 2021 is due to unrealised depreciation on BPCR LP - see note 7. The capital reserve can be used to repurchase treasury shares. It cannot be used for distributions.

The notes on pages 22 to 51 form part of these financial statements.

# Condensed Statement of Financial Position

As at 30 June 2021

(In \$'000s except per share amounts)

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Non-current assets</b>			
Investments at fair value through profit or loss	7	1,226,058	1,194,831
		<b>1,226,058</b>	<b>1,194,831</b>
<b>Current assets</b>			
Trade and other receivables	8	26,376	208
Cash and cash equivalents	9	122,478	193,269
		<b>148,854</b>	<b>193,477</b>
<b>Total assets</b>		<b>1,374,912</b>	<b>1,388,308</b>
<b>Current liabilities</b>			
Trade and other payables	10	3,822	9,393
<b>Total current liabilities</b>		<b>3,822</b>	<b>9,393</b>
<b>Total assets less current liabilities</b>		<b>1,371,090</b>	<b>1,378,915</b>
<b>Net assets</b>		<b>1,371,090</b>	<b>1,378,915</b>
<b>Represented by:</b>			
Share capital	13	13,739	13,739
Share premium account		607,125	607,125
Special distributable reserve		728,230	730,492
Capital reserve		(2,687)	20,014
Revenue reserve		24,683	7,545
<b>Total equity attributable to shareholders of the Company</b>		<b>1,371,090</b>	<b>1,378,915</b>
<b>Net asset value per ordinary share (basic and diluted)</b>	<b>12</b>	<b>\$0.9980</b>	<b>\$1.0037</b>

The financial statements of BioPharma Credit PLC registered number 10443190 were approved and authorised for issue by the Board of Directors on 14 September 2021 and signed on its behalf by:

**Harry Hyman**  
**Chairman**

14 September 2021

The notes on pages 22 to 51 form part of these financial statements.

## Condensed Cash Flow Statement

For the period ended 30 June 2021

(In \$'000s)

	Note	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<b>Cash flows from operating activities</b>			
Investment income received		48,472	37,888
Other income received		150	1,458
Investment management fee paid		(6,870)	(6,774)
Performance fee paid		(5,473)	(20,968)
Net amounts paid on behalf of BPCR Limited Partnership		–	26,241
Other expenses paid		(1,070)	(1,039)
Cash generated from operations	15	35,209	36,806
<b>Net cash flow generated from operating activities</b>		<b>35,209</b>	<b>36,806</b>
<b>Cash flow from investing activities</b>			
Purchase of investments *		(146,250)	(225,736)
Redemptions of investments **		–	8,308
Sales of investments **		92,321	10,753
<b>Net cash flow used in investing activities</b>		<b>(53,929)</b>	<b>(206,675)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to Ordinary shareholders	6	(52,072)	(65,674)
<b>Net cash flow used in financing activities</b>		<b>(52,072)</b>	<b>(65,674)</b>
<b>Decrease in cash and cash equivalents for the period</b>		<b>(70,792)</b>	<b>(235,543)</b>
Cash and cash equivalents at start of period	9	193,269	296,638
Revaluation of foreign currency balances		1	(37)
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b>122,478</b>	<b>61,058</b>

\* 2020 Purchases of investments includes Collegium, Optimose Tranche B, Epizyme Tranche B and BDSI Tranche B fundings before assets were transferred in kind to the financing subsidiary, BPCR LP, on 22 May 2020. These payments do not include investments made by BPCR LP.

\*\* BPCR LP investments not included.

The notes on pages 22 to 51 form part of these financial statements.

# Notes to the Financial Statements

For the period ended 30 June 2021

## 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. On 6 February 2017 the Company changed its name from PRECIS (2772) PLC.

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 duties 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 2021 to 30 June 2021 and have been prepared in conformity with UK adopted International Accounting Standard 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 2020. The Company's annual financial statements were prepared in conformity with IFRS, 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 April 2021) for the financial statements of

investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS. The financial statements have adopted the following accounting policies in their preparation, which remain consistent with the accounting policies adopted in the audited financial statements for the year ended 31 December 2020.

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

The Company's condensed half-year information contained in this Half-Yearly Report does not constitute full statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the periods ended 30 June 2021 and 30 June 2020 are not financial years and have not been audited. The information for the year ended 31 December 2020 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:

- 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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### A) BASIS OF PREPARATION (CONTINUED)

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

### B) PRESENTATION OF CONDENSED STATEMENT OF COMPREHENSIVE INCOME

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

### 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.

The fair value hierarchy consists of the following three levels:

- Level 1 – Quoted market price for identical instruments in active markets
- Level 2 – Valuation techniques using observable inputs
- Level 3 – Valuation techniques using significant unobservable inputs

Listed level 1 investments where a financial instrument is active are priced by quoted market prices.

Level 2 investments may be valued using market data obtained from external, independent sources. The data used could include quoted prices for similar assets and liabilities in active markets, prices for identical or similar assets and liabilities in inactive markets, or models with observable inputs.

For unlisted level 3 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.

## Notes to the Financial Statements

For the period ended 30 June 2021

### 2. ACCOUNTING POLICIES (CONTINUED)

#### D) INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

#### E) 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 Statement of Comprehensive Income.

#### F) INCOME

There are five main sources of revenue for the Company: interest income, income from subsidiaries, royalty revenue, make-whole and prepayment income, dividends and paydown fees.

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.

The Company recognises accrued income for investments that it holds directly. The Company also holds an investment in BPCR Limited Partnership, its wholly owned subsidiary which it measures at fair value through profit or loss rather than consolidate. BPCR Limited Partnership also recognises accrued

income for investments it holds directly. When the accrued income is recorded at the Partnership, the Company recognises the income in capital within the Condensed Statement of Comprehensive Income. When the Company's right to receive the income is established, funds are transferred from the Partnership to the Company and income is transferred to revenue within the Statement of Comprehensive Income.

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

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. As the investments are classified as level 3 in the fair value hierarchy, there is no observable evidence of the fair value of the investments excluding the fees, therefore the fees should be included in the day one fair value of the investments. From 1 January 2020, such fees are included in the fair value of the investment and released to the Condensed Statement of Comprehensive Income over the life of the investment. Prior to this date they were recognised as a gain in the Statement of Comprehensive Income at the funding date. We consider incorporating the fees in the fair value gains and losses over the life of the loans to be more reflective of the period over which the benefit



## Notes to the Financial Statements

For the period ended 30 June 2021

### 2. ACCOUNTING POLICIES (CONTINUED)

#### F) INCOME (CONTINUED)

is received. The impact of this change is immaterial to both the current and prior period. 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

The Company intends to pay dividends in US Dollars on a quarterly basis, however, shareholders can elect to have dividends paid in sterling. The Company may, where the Directors consider it appropriate, use the reserve created by the cancellation of its share premium account to pay dividends.

The Company intends to comply with the requirements for maintaining investment trust status for the purposes of section 1158 of the Corporation Tax Act 2010 (as amended) regarding distributable income. As such, the Company will distribute amounts such that it does not retain in respect of an accounting period an amount greater than 15 per cent. of its income (as calculated for UK tax purposes) for that period.

#### 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 within the next twelve months, it is treated as a current liability in the Condensed Statement of Financial Position. Where a performance fee is deferred by more than twelve months, 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 are recognised and carried at amortised cost as the Company collects contractual interest payments from its borrowers. An allowance for estimated unrecoverable amounts are measured and recognised where necessary. The Company assesses, on a forward-looking basis, the expected losses associated with its trade and other receivables.

#### 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.

Cash and cash equivalents includes interest and income from money market funds.

#### K) TRADE AND OTHER PAYABLES

Trade and other payables are recognised and carried at amortised cost, do not carry any interest and are short-term in nature.

# Notes to the Financial Statements

For the period ended 30 June 2021

## 2. ACCOUNTING POLICIES (CONTINUED)

### L) TAXATION

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

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.

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. This reserve cannot be distributed.

The special distributable reserve was created on 29 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. This reserve cannot be distributed.

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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### N) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

In particular 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 estimates, 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 critical 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, estimates including cash flow projections, discount rates and growth rates in product sales 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 estimates are reviewed on an ongoing basis. Revisions to these estimates are also reviewed on an ongoing basis. Revisions are recognised prospectively.

### O) NEW ACCOUNTING STANDARDS EFFECTIVE 1 JANUARY 2021

#### 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.

### 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 2021 and have therefore not been applied in preparing these financial statements.

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.

# Notes to the Financial Statements

For the period ended 30 June 2021

## 3. INCOME

	Period ended 30 June 2021	Period ended 30 June 2020
	\$000	\$000
<b>Income from investments</b>		
US unfranked investment income from BPCR LP	70,091	–
US unfranked investment income from BPCR Ongdapa	–	3,440
US fixed interest investment income	136	19,633
US floating interest investment income	2,978	21,826
Paydown fee*	–	427
Prepayment premium**	1,474	–
Additional consideration received***	–	467
	74,679	45,793
<b>Other income</b>		
Interest income from liquidity/money market funds	12	1,033
	12	1,033
<b>Total income</b>	<b>74,691</b>	<b>46,826</b>

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

\*\* In 2021 the Company's senior secured term loan to Sebela included a prepayment premium of \$1,474,000, 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.

The below table reconciles the total income with the total income of BioPharma Credit PLC and BPCR Limited Partnership as disclosed in the chairman statement on page 5.

	Period ended 30 June 2021	Period ended 30 June 2020
	\$000	\$000
Total income of BioPharma Credit PLC	74,691	46,826
Prior year income paid to BioPharma Credit PLC from BPCR Limited Partnership	(20,484)	–
Undistributed income due to BioPharma Credit PLC from BPCR Limited Partnership	–	12,009
Expenses incurred by BPCR Limited Partnership	3,961	585
<b>Total income of BioPharma Credit PLC and BPCR Limited Partnership</b>	<b>58,168</b>	<b>59,420</b>

## 4. FEES AND EXPENSES

### EXPENSES

	Period ended 30 June 2021			Period ended 30 June 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Management fee (note 4a)	6,866	–	6,866	6,872	–	6,872
Directors' fees (note 4c)	198	–	198	198	–	198
<b>Other operating expenses</b>						
Company Secretarial fee	45	–	45	42	–	42
Administration fee	64	–	64	56	–	56
Legal & professional fees	57	–	57	263	–	263
Public relations fees	100	–	100	105	–	105
Director's and Officer's Liability Insurance	92	–	92	65	–	65
Auditor' remuneration - Statutory audit	138	–	138	130	–	130
Auditor's remuneration - Other audit related services - Interim review	53	–	53	37	–	37
Auditor's remuneration - Other audit-related services - Agreed upon procedures	15	–	15	9	–	9
VAT	(47)	–	(47)	17	–	17
Other expenses	162	–	162	153	–	153
	679	–	679	877	–	877
<b>Total expenses</b>	<b>7,743</b>	<b>–</b>	<b>7,743</b>	<b>7,947</b>	<b>–</b>	<b>7,947</b>

#### 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: ( $\frac{1}{12}$  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 ( $\frac{1}{12}$  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. 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.

## Notes to the Financial Statements

For the period ended 30 June 2021

### 4. FEES AND EXPENSES (CONTINUED)

#### B) PERFORMANCE FEE (CONTINUED)

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.

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 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.

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.

## 4. FEES AND EXPENSES (CONTINUED)

### B) PERFORMANCE FEE (CONTINUED)

The below table and captions show the accrued and payable performance fee.

	As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
	\$000	\$000	\$000
Accrued performance fee	-	-	4,909
Performance fee payable	-	-	5,473
Performance fee deferred	-	564	-

During the period a performance fee of \$5,473,000 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.

## Notes to the Financial Statements

For the period ended 30 June 2021

### 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 2021			Period ended 30 June 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$ 000	\$000	\$000	\$000	\$000	\$000
Total return on ordinary activities before taxation	66,948	(22,701)	44,247	38,879	1,487	40,366
Theoretical tax at UK Corporation tax rate of 19.00% (30 June 2020: 19.00% )*	12,720	(4,313)	8,407	7,387	283	7,670
Effects of:						
Capital items that are not taxable	-	4,313	4,313	-	(283)	(283)
Tax deductible interest distributions	(12,720)	-	(12,720)	(7,387)	-	(7,387)
<b>Total tax charge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

At 30 June 2021, 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 2021			Period ended 30 June 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>In respect of the current period</b>						
First interim dividend of \$0.0175 per Ordinary share (2020: \$0.0175 per Ordinary share)	21,782	2,262	24,044	24,044	–	24,044
<b>In respect of the previous year ended 31 December 2020 (31 December 2019):</b>						
Special dividend of \$0.0029 per Ordinary share (2020: \$0.0128 per Ordinary share)	3,984	–	3,984	17,586	–	17,586
Fourth interim dividend of \$0.0175 per Ordinary share (2020: \$0.0175 per Ordinary share)	24,044	–	24,044	24,044	–	24,044
	<b>49,810</b>	<b>2,262</b>	<b>52,072</b>	<b>65,674</b>	<b>–</b>	<b>65,674</b>

## 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at 30 June 2021	As at 31 December 2020
	\$000	\$000
<b>Investment portfolio summary</b>		
Listed investments at fair value through profit and loss	9,649	11,320
Unlisted investments in subsidiaries at fair value through profit and loss	1,216,328	1,090,887
Unlisted fixed interest investments at fair value through profit and loss	81	303
Unlisted floating interest investments at fair value through profit and loss	–	92,321
	<b>1,226,058</b>	<b>1,194,831</b>

## Notes to the Financial Statements

For the period ended 30 June 2021

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

	Period ended 30 June 2021				Total
	Listed investments	Unlisted investments in subsidiaries	Unlisted fixed interest investments	Unlisted floating interest investments	
	\$000	\$000	\$000	\$000	
<b>Investment portfolio summary</b>					
Opening cost at beginning of period	13,544	1,070,139	1,238	92,321	1,177,242
Opening unrealised (depreciation)/appreciation at beginning of period	(2,224)	20,748	(935)	–	17,589
Opening fair value at beginning of period	11,320	1,090,887	303	92,321	1,194,831
Movements in the period:					
Purchases at cost	–	146,250	–	–	146,250
Redemption and sales proceeds	–	–	–	(92,321)	(92,321)
Change in unrealised depreciation	(1,671)	(20,809)	(222)	–	(22,702)
<b>Closing fair value at the end of the period</b>	<b>9,649</b>	<b>1,216,328</b>	<b>81</b>	<b>–</b>	<b>1,226,058</b>
Closing cost at end of period	13,544	1,216,389	1,238	–	1,231,171
Closing unrealised depreciation at end of period	(3,895)	(61)	(1,157)	–	(5,113)
<b>Closing fair value at the end of the period</b>	<b>9,649</b>	<b>1,216,328</b>	<b>81</b>	<b>–</b>	<b>1,226,058</b>

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

	Period ended 30 June 2021	Period ended 30 June 2020
	\$000	\$000
Realised loss on sale of investments	–	(647)
Unrealised (depreciation)/appreciation	(22,702)	2,171
	<b>(22,702)</b>	<b>1,524</b>

There were no transaction costs for the acquisition or disposal of investments in any of the relevant periods.

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 2021			Total
	Level 1	Level 2	Level 3	
	\$000	\$000	\$000	\$000
<b>Investment portfolio summary</b>				
Listed investments at fair value through profit or loss	9,649	–	–	9,649
Unlisted investments in subsidiaries at fair value through profit or loss	–	–	1,216,328	1,216,328
Unlisted fixed interest investments at fair value through profit or loss	–	81	–	81
Unlisted floating interest investments at fair value through profit or loss	–	–	–	–
	9,649	81	1,216,328	1,226,058
Liquidity/money market funds	122,353	–	–	122,353
<b>Total</b>	<b>132,002</b>	<b>81</b>	<b>1,216,328</b>	<b>1,348,411</b>

## Notes to the Financial Statements

For the period ended 30 June 2021

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

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Investment portfolio summary				
Listed investments at fair value through profit or loss	11,320	–	–	11,320
Unlisted investments in subsidiaries at fair value through profit or loss	–	–	1,090,887	1,090,887
Unlisted fixed interest investments at fair value through profit or loss	–	303	–	303
Unlisted floating interest investments at fair value through profit or loss	–	–	92,321	92,321
	11,320	303	1,183,208	1,194,831
Liquidity/money market funds	181,532	–	–	181,532
<b>Total</b>	<b>192,852</b>	<b>303</b>	<b>1,183,208</b>	<b>1,376,363</b>

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 2021		
	Unlisted investments	Unlisted floating interest investments	Total
	\$ 000	\$ 000	\$ 000
Opening balance	1,090,887	92,321	1,183,208
Investments in subsidiaries	146,250	–	146,250
Redemptions*	–	(92,321)	(92,321)
Change in unrealised appreciation	(20,809)	–	(20,809)
<b>Closing balance at 30 June 2021</b>	<b>1,216,328</b>	<b>–</b>	<b>1,216,328</b>

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

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 100 basis points 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 2021

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

The Company's unlisted investments, including those of its wholly owned subsidiary BPCR LP, are all classified as Level 3 investments. The fair values of the unlisted investments have been determined principally by reference to discounted cash flows. The significant unobservable input used is detailed below:

As at 30 June 2021							
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	
<b>Assets held by BPCR LP*</b>							
Akebia	50,000	Discounted cash flow	Discount rate	11.5%	50,847	49,178	
BDSI	80,000	Discounted cash flow	Discount rate	11.3%	81,423	78,620	
BMS	149,329	Discounted cash flow	Discount rate	10.5%	152,118	146,637	
Other net assets of BPCR LP	59,561	Amortised cost	–	–	–	–	
Collegium	113,438	Discounted cash flow	Discount rate	12.4%	114,586	112,317	
Epizyme	110,000	Discounted cash flow	Discount rate	11.1%	113,201	106,933	
Global Blood Therapeutics	82,500	Discounted cash flow	Discount rate	11.1%	84,362	80,702	
Lumira Investment Limited	150,000	Discounted cash flow	Discount rate	9.9%	153,106	146,988	
OptiNose US	71,500	Discounted cash flow	Discount rate	13.3%	72,676	70,356	
Sarepta Therapeutics	350,000	Discounted cash flow	Discount rate	10.7%	357,509	342,732	
	<b>1,216,328</b>				<b>1,179,828</b>	<b>1,134,463</b>	

\*The Company holds an investment in BPCR Limited Partnership, its wholly owned subsidiary, which it measures at fair value through profit or loss rather than consolidate.

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

As at 31 December 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
Sebela	92,321	Discounted cash flow	Discount rate	12.4%	92,860	91,789
<b>Assets held by BPCR LP*</b>						
Akebia	50,000	Discounted cash flow	Discount rate	11.1%	51,035	48,999
BDSI	80,000	Discounted cash flow	Discount rate	11.1%	81,717	78,341
BMS	160,180	Discounted cash flow	Discount rate	9.4%	163,586	150,906
Other net assets of BPCR LP	52,644	Amortised cost	–	–	–	–
Collegium	134,063	Discounted cash flow	Discount rate	12.0%	135,668	132,500
Epizyme	110,000	Discounted cash flow	Discount rate	11.0%	113,546	106,615
Global Blood Therapeutics	82,500	Discounted cash flow	Discount rate	13.9%	84,158	80,894
OptiNose US	71,500	Discounted cash flow	Discount rate	12.8%	72,932	70,112
Sarepta Therapeutics	350,000	Discounted cash flow	Discount rate	10.4%	358,804	341,514
	<b>1,183,208</b>				<b>1,154,306</b>	<b>1,101,670</b>

\* The Company holds an investment in BPCR Limited Partnership, its wholly owned subsidiary, which it measures at fair value through profit or loss rather than consolidate.

## 8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	\$000	\$000
Unlisted income receivable from BPCR LP	26,071	–
Interest accrued on liquidity/money market funds	1	3
Other debtors	304	205
	<b>26,376</b>	<b>208</b>

## Notes to the Financial Statements

For the period ended 30 June 2021

### 9. CASH AND CASH EQUIVALENTS

	As at 30 June 2021	As at 31 December 2020
	\$000	\$000
Cash at bank	125	11,737
Liquidity/money market funds	122,353	181,532
	<b>122,478</b>	<b>193,269</b>

### 10. TRADE AND OTHER PAYABLES

	As at 30 June 2021	As at 31 December 2020
	\$000	\$000
<b>Current liabilities</b>		
Performance fee payable	-	5,473
Management fees accrual	3,427	3,431
Accruals	395	489
	<b>3,822</b>	<b>9,393</b>

### 11. RETURN PER ORDINARY SHARE

Revenue return per ordinary share is based on the net revenue after taxation of \$66,948,000 (30 June 2020: \$38,879,000) and 1,373,872,373 (30 June 2020: 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 loss for the period of \$22,701,000 (30 June 2020: profit of \$1,487,000) and on 1,373,872,373 (30 June 2020: 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 2021 of \$1,371,090,000 (30 June 2020: \$1,378,428,000 and 31 December 2020: \$1,378,915,000) and ordinary shares of 1,373,872,373 (30 June 2020: 1,373,932,067 and 31 December 2020: 1,373,872,373), being the number of ordinary shares in issue at 30 June 2021.

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 2021		Year ended 31 December 2020	
	Number of shares	\$000	Number of shares	\$000
<b>Issued and fully paid:</b>				
Ordinary shares of \$0.01:				
Balance at beginning of the period	1,373,932,067	13,739	1,373,932,067	13,739
<b>Balance at end of the period</b>	<b>1,373,932,067</b>	<b>13,739</b>	<b>1,373,932,067</b>	<b>13,739</b>

Total voting rights at 30 June 2021 were 1,373,872,373 (31 December 2020: 1,373,872,373). During the previous year 59,694 shares were bought back for treasury. The balance of treasury shares on 30 June 2021 was 59,694 (31 December 2020: 59,694).

### 14. SUBSIDIARY

The Company formed a wholly-owned subsidiary, BPCR Ongdapa Limited ("BPCR Ongdapa"), incorporated in Ireland on 5 October 2017 for the purpose of entering into a purchase, sale and assignment agreement with a wholly-owned subsidiary of Royalty Pharma for the purchase of a 50 per cent. interest in a stream of payments acquired by Royalty Pharma from Bristol-Myers Squibb ("BMS"). In accordance with IFRS 10, the Company is exempt from consolidating a controlled investee as an investment entity. Therefore, the Company's investment in BPCR Ongdapa is recognised at fair value through profit or 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 2021 is \$1 (30 June 2020: \$1 and 31 December 2020: \$1) and the profit and loss for the period ended 30 June 2021 is \$159,669 (30 June 2020: \$nil and 31 December 2020: \$445,582).

The Company formed a wholly-owned subsidiary, BPCR Limited Partnership (BPCR LP), 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 entity. Therefore, the Company's investment in BPCR Limited Partnership will be recognised at fair value through profit or loss.

The Company is not exempt from consolidating the the financial statements of BPCR GP under IFRS 10, however the highly immaterial (nil) balance of BPCR GP would produce accounts with almost identical balances to the Company. Furthermore with reference to the Companies Act, section 405 (2) "A subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view". 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 2021 is \$nil (2020: \$nil) and the profit and loss for the period to 30 June 2021 is \$nil (2020: \$nil).

The Company formed two wholly-owned structured subsidiaries, BPCR Ongdapa Ltd. and BPCR Limited Partnership to assist in meeting its investment objectives and enter into a revolving credit facility. The Company generates returns and retains the ownership risks in the investments retained in the subsidiaries. These entities meet the definition of an investment entity within IFRS 10 and the Company is required to measure these subsidiaries at fair value through profit and loss rather than consolidate. The maximum exposure to loss for the unconsolidated structured subsidiaries is the fair value and any accrued unpaid fees.

## Notes to the Financial Statements

For the period ended 30 June 2021

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

	Period ended 30 June 2021	Period ended 30 June 2020
	\$000	\$000
Total return for the period before taxation	44,247	40,366
Capital losses/(gains)	22,701	(1,487)
(Increase)/decrease in trade receivables	(26,168)	12,983
(Decrease)/increase in trade payables	(5,571)	6,702
Non-cash movement for additional consideration*	–	(400)
Other assets transferred to BPCR LP**	–	(21,358)
<b>Cash generated from operations</b>	<b>35,209</b>	<b>36,806</b>

\* In 2020 the Company's senior secured term loan of \$20,000,000 to BDSI included additional consideration of \$400,000. This reduced the value of the payment made.

\*\* 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 BPCR LP of the same amount \$1,048,000,000. The balance on the transfer line of \$21,358,000 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 2021	Cash decrease in the period	Exchange movement	At 30 June 2021
	\$000	\$000	\$000	\$000
Cash and cash equivalents	193,269	(70,792)	1	122,478

	At 1 January 2020	Cash decrease in the period	Exchange movement	At 30 June 2020
	\$000	\$000	\$000	\$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 14 to 26 of the Company's annual financial statements for the year ended 31 December 2020 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 19 to 26 of the Company's annual financial statements for the year ended 31 December 2020.

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

- (A) market risk, including price risk, currency risk and interest rate risk;
- (B) liquidity risk; and
- (C) credit risk.

### (A) Market risk

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

#### Market price risk

The Company is exposed to price risk arising from its investments whose future prices are uncertain. The Company's exposure to 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.

## Notes to the Financial Statements

For the period ended 30 June 2021

### 16. FINANCIAL INSTRUMENTS (CONTINUED)

	As at 30 June 2021		As at 30 June 2020		At 31 December 2020	
	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
Biodelivery Sciences International Equity	9,649	965	11,751	1,175	11,320	1,132
Convertible bonds	-	-	4,376	438	-	-
Lexicon Senior Secured Loan	-	-	124,500	12,450	-	-
OptiNose US warrants	81	8	1,296	130	303	30
Sebela Senior Secured Loan	-	-	122,013	12,201	92,321	9,232
<b>Assets held by BPCR LP</b>						
Akebia	50,000	5,000	40,000	4,000	50,000	5,000
Amicus Senior Secured Loan	-	-	150,000	15,000	-	-
Biodelivery Sciences International Loan	80,000	8,000	80,000	8,000	80,000	8,000
BMS Purchased Payments (BPCR Ongdapa)	149,329	14,933	162,032	16,203	160,180	16,018
Collegium	113,438	11,344	154,687	15,469	134,063	13,407
Epizyme	110,000	11,000	35,000	3,500	110,000	11,000
Global Blood Therapeutics	82,500	8,250	41,250	4,125	82,500	8,250
Lumira Investment Limited	150,000	15,000	-	-	-	-
Optinose US Note	71,500	7,150	60,500	6,050	71,500	7,150
Optinose US Equity	-	-	-	-	101	10
Other Assets of BPCR LP	59,561	5,956	33,679	3,368	52,543	5,254
Novocure Senior Secured Loan	-	-	150,000	15,000	-	-
Sarepta Therapeutics	350,000	35,000	175,000	17,500	350,000	35,000
	<b>1,226,058</b>	<b>122,606</b>	<b>1,346,084</b>	<b>134,609</b>	<b>1,194,831</b>	<b>119,483</b>

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

#### Currency Risk

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

At 30 June 2021, the Company held cash balances in GBP Sterling of £81,000 (\$112,000) (30 June 2020: £20,000 (\$24,000) and 31 December 2020: £72,000 (\$99,000)) and in Euro of €7,000 (\$8,000) (30 June 2020: €10,000 (\$11,000) and 31 December 2020: €10,000 (\$12,000)) .

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

The currency exposures (including non-financial assets) of the Company as at 30 June 2021:

	Cash	Investments	Other net assets/ (liabilities)	Total
	\$000	\$000	\$000	\$000
Sterling	112	-	(40)	72
Euro	8	-	-	8
US Dollar	122,358	1,226,058	22,594	1,371,010
	<b>122,478</b>	<b>1,226,058</b>	<b>22,554</b>	<b>1,371,090</b>

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

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

The currency exposures (including non-financial assets) of the Company as at 31 December 2020:

	Cash	Investments	Other net assets/ (liabilities)	Total
	\$000	\$000	\$000	\$000
Sterling	99	-	(209)	(110)
Euro	12	-	-	12
US Dollar	193,158	1,194,831	(8,976)	1,379,013
	<b>193,269</b>	<b>1,194,831</b>	<b>(9,185)</b>	<b>1,378,915</b>

A 10 per cent. increase in the Sterling exchange rate would have increased net assets by \$16,000 (30 June 2020: \$21,000 and 31 December 2020: \$20,000). A 10 per cent. increase in the Euro exchange rate would have increased net assets by \$1,000 (30 June 2020: \$1,000 and 31 December 2020: \$1,000). A 10 per cent decrease would have decreased net assets by the same amount (30 June 2020: same and 31 December 2020: same).

## Notes to the Financial Statements

For the period ended 30 June 2021

### 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 Lexicon, Novocure, OptiNose US, Sarepta Therapeutics 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 2021	As at 30 June 2020	As at 31 December 2020
	% of Company Net Assets	% of Company Net Assets	% of Company Net Assets
Sarepta Therapeutics	25.53	12.70	25.38
OptiNose US	5.21	4.39	5.19
Novacure Senior Secured Loan	–	10.88	–
Lexicon Senior Secured Loan	–	9.03	–
Convertible bonds	–	0.32	–

The BMS Purchased Payments, Collegium, Amicus, Sebela, BDSI, Global Blood Therapeutics, Akebia, Lumira 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 2021	As at 30 June 2020	As at 31 December 2020
	% of Company Net Assets	% of Company Net Assets	% of Company Net Assets
Lumira Investment Limited	10.94	–	–
BMS Purchased Payments (BPCR Ongdapa)	10.89	11.75	11.62
Collegium	8.27	11.22	9.72
Epizyme	8.02	2.54	7.98
Global Blood Therapeutics	6.02	2.99	5.98
Biodelivery Sciences International Loan	5.83	5.80	5.80
Akebia	3.65	2.90	3.63
Amicus Senior Secured Loan	–	10.88	–
Sebela Senior Secured Loan	–	8.85	6.70
Cash and cash equivalents*	8.93	4.43	14.02

\* Cash and cash equivalents represents the Company only and does not include cash held by BPCR LP.

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

### (B) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At 30 June 2021, the Company had cash and cash equivalents, including investments in liquidity/money market funds with balances of \$122,478,000 (30 June 2020: \$61,058,000 and 31 December 2020: \$193,269,000) and maximum unfunded commitments of \$nil (30 June 2020: \$248,250,000 and 31 December 2020: \$nil).

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. As of 30 June 2021, the outstanding balance on the credit facility was \$nil.

### (C) 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 6 to 13.

The Investment Manager performs a robust credit risk analysis during the investment process for all new investments and constantly monitors the collateral on its outstanding senior secured loans as to minimise the credit risk to the Company of default. The credit risk of the senior secured loans will increase significantly after initial recognition when borrowers are not making principal and interest payments as agreed. The fair value of the senior secured loan will be adjusted, either partially or in full, when there is no realistic prospect of recovery and the amount of the change in fair value has been determined by the Investment Manager. Subsequent recoveries of amounts previously adjusted will decrease the amount of the fair value loss recorded. 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 2021, the Company's maximum exposure to credit risk was \$1,226,058,000 (30 June 2020: \$1,346,084,000 and 31 December 2020: \$1,194,831,000). The Company's concentration of credit risk by counterparty can be found in the Investment Manager's Report on page 6 to 13.

### 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.

## Notes to the Financial Statements

For the period ended 30 June 2021

### 16. FINANCIAL INSTRUMENTS (CONTINUED)

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 2021 was \$6,866,000 (30 June 2020: \$6,872,000), of which \$3,427,000 (30 June 2020: \$3,427,000) was outstanding at 30 June 2021. The amount due to the Investment Manager for performance fees at 30 June 2021 was \$nil (31 December 2020: \$5,473,000).

The amount incurred in respect of Directors' fees during the period to 30 June 2021 was \$198,000 (30 June 2020: \$198,000) of which \$nil was outstanding at 30 June 2021 (30 June 2020: \$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. In the period to 30 June 2021, the Company recorded income of \$49,281,000 (30 June 2020: \$12,009,000) and the outstanding balance on 30 June 2021 was \$1,216,328,000 (30 June 2020: \$1,082,148,000). BPCR GP Limited had an outstanding balance as at 30 June 2021 of \$nil (30 June 2020: \$nil).

On 24 March 2021, the Company and BioPharma Credit Investments V (Master) LP ("BioPharma V"), a fund managed by the Investment Manager, entered into a definitive senior secured term loan agreement for \$300,000,000 with LumiraDx Group Limited ("LumiraDx"). The Company's share of the transaction was \$150,000,000 and the Company funded the term loan on 29 March 2021. The loan will mature in March 2024 and will bear interest at 8.00 per cent. per annum along with a one-time additional consideration of 2.50 per cent. of the loan amount payable upon funding plus an additional 1.50 per cent. of the loan payable at maturity. In the first half of 2021, the BPCR LP recorded interest of \$3,133,000 (30 June 2020: \$nil). The outstanding balance as at 30 June 2021 was \$150,000,000 (30 June 2020: \$nil).

On 7 February 2020, the Company and 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 first half of 2021, BPCR LP recorded interest of \$6,156,000 (30 June 2020: \$2,864,000). The outstanding balance as at 30 June 2021 was \$113,437,500 (30 June 2020: \$154,687,000).



## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

On 18 December 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement with Global Blood Therapeutics (Nasdaq: GBT). GBT drew down \$75,000,000 at closing on 20 December 2019 and \$75,000,000 of the second tranche on 20 November 2020. The Company funded \$41,250,000 of each tranche for a total investment of \$82,500,000 and BioPharma V invested the remaining \$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. In the first half of 2021, BPCR LP recorded interest of \$3,733,000 (30 June 2020: \$4,354,000). The outstanding balance as at 30 June 2021 was \$82,500,000 (30 June 2020: \$41,250,000).

On 13 December 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement for up to \$500,000,000 with Sarepta Therapeutics (Nasdaq: SRPT). On 24 September 2020 the Sarepta loan agreement was amended and the loan amount was increased to \$550,000,000. Sarepta drew down the first \$250,000,000 tranche on 20 December 2019 and the second \$300,000,000 tranche on 2 November 2020. The Company funded \$175,000,000 of each tranche for a total investment of \$350,000,000 and BioPharma V invested the remaining \$200,000,000. The first tranche will mature in December 2023 and the second tranche in December 2024. The loan will bear interest at 8.50 per cent. per annum along with a one-time additional consideration of 1.75 per cent. of the first tranche and 2.95 per cent. of the second tranche payable upon funding and an additional 2.00 per cent. payable upon the repayment of the loan. In the first half of 2021, BPCR LP recorded interest of \$14,958,000 (30 June 2020: \$5,909,000). The outstanding balance as at 31 December 2020 was \$350,000,000 (30 June 2019: \$175,000,000).

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). Akebia drew down the first \$80,000,000 on 25 November 2019 and the second \$20,000,000 tranche on 10 December 2020. The Company invested \$40,000,000 and \$10,000,000 of the first and second tranche, respectively. 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 2021, BPCR LP recorded interest of \$2,388,000 (30 June 2020: \$1,509,000). The outstanding balance as at 30 June 2021 was \$50,000,000 (30 June 2020: \$40,000,000).

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). On 3 November 2020, the Epizyme loan agreement was amended and the loan amount was increased to \$220,000,000. Epizyme drew down the \$25,000,000 on 18 November 2019 and an additional \$195,000,000 during 2020. The Company funded a total of \$110,000,000 of the Epizyme loan. The first three tranches of the loan will mature in November 2024 and the fourth tranche will mature in November 2026. The loan 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 2021, BPCR LP recorded interest of \$5,392,000 (30 June 2020: \$677,000). The outstanding balance as at 30 June 2021 was \$110,000,000 (30 June 2020: \$35,000,000).

## Notes to the Financial Statements

For the period ended 30 June 2021

### 17. RELATED PARTY TRANSACTIONS (CONTINUED)

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. Optinose drew a total of \$130,000,000 in three tranches: \$80,000,000 on 12 September 2019, \$30,000,000 on 13 February 2020 and \$20,000,000 on 1 December 2020. There are no further funding commitments. The notes mature in September 2024 and bear interest at 10.75% per annum along with a one-time additional consideration of 0.75% of the aggregate original principal amount of senior secured notes which the Company and BioPharma-V are committed to purchase under the facility and 810,357 warrants exercisable into common stock of OptiNose. The Company funded a total \$71,500,000 across all tranches and was allocated 445,696 warrants. In the first half of 2021, BPCR LP recorded interest of \$3,865,000 (30 June 2020: \$2,372,000). The outstanding balance as at 30 June 2021 of the outstanding notes was \$71,500,000 (30 June 2020: \$60,500,000).

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 was 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 period to 30 June 2021, BPCR LP recorded interest of \$nil (30 June 2020: \$5,363,000). On 18 August 2020, NovoCure Limited repaid their loan and the Company received a payment of \$154,838,000 million comprised of \$150,000,000 million in principal, \$1,838,000 million in accrued interest, and \$3,000,000 million in prepayment fees. The outstanding balance as at 30 June 2021 was \$nil (30 June 2020: \$150,000,000).

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 affiliate of Royalty 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 \$nil to RPI Acquisitions in the first half of 2021 (30 June 2020: \$12,136,000) for the Purchased Payments. In the first half of 2021, BPCR LP recorded interest of \$7,060,000 (30 June 2020: \$3,440,000).

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

On 4 December 2017, the Company and BioPharma Credit Investments IV, S.à.r.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: LXX), 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. 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 2021, BPCR LP recorded interest of \$nil (30 June 2020: \$5,665,000). On 8 September 2020, Lexicon repaid the \$150,000,000 loan. The Company received a payment of \$132,300,000 million on its \$124,500,000 share of the loan, including the make-whole and prepayment premium totalling \$5,600,000. The outstanding balance as at 30 June 2021 was \$nil (30 June 2020: \$124,500,000).

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.

## 18. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 June 2021, there were no outstanding commitments (30 June 2020: \$248,250,000 and 31 December 2020: \$nil) in respect of investments (see Note 17 for further details).

## 19. SUBSEQUENT EVENTS

On 10 September 2021, the company distributed a circular to shareholders for its proposed admission to trade on the premium segment of the main market of the London Stock Exchange.

On 10 September 2021, the Company was able to negotiate and amend the original \$200 million revolving credit facility with JPMorgan Chase Bank through its wholly owned subsidiary, BPCR Limited Partnership, on more favorable terms. The key terms to the amendment include a reduction in the committed Revolving Credit Facility ("RCF") from \$200 million to \$50 million together with changes in the accordion feature allowing for an increase in the RCF to \$100 million and up to \$200 million in term loans, extension of the maturity date to 22 June 2024 and a reduction in the margin payable under the RCF from 4.00 per cent. to 2.75 per cent.

## **Glossary of Terms and Alternative Performance Measures (APM)**

### **NET INCOME PER ORDINARY SHARE**

Net income per share is the net revenue for the year divided by the number of ordinary shares outstanding.

### **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.

## Corporate Information

### DIRECTORS

Harry Hyman (Chairman)  
Colin Bond  
Duncan Budge  
Stephanie Léouzon  
Rolf Soderstrom

### INVESTMENT MANAGER AND AIFM

Pharmakon Advisors L.P.  
110 East 59th Street #3300  
New York, NY 10022  
USA

### ADMINISTRATOR

Link Alternative Fund Administrators Limited  
Beaufort House  
51 New North Road  
Exeter  
EX4 4EP

### COMPANY SECRETARY AND REGISTERED OFFICE

Link Company Matters Limited  
Beaufort House  
51 New North Road  
Exeter  
EX4 4EP

Tel: 01392 477500

### COMPANY WEBSITE

[www.bpcruk.com](http://www.bpcruk.com)

### CUSTODIAN

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One Canada Square  
London  
E14 5AL

### FINANCIAL AND STRATEGIC COMMUNICATIONS

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London  
EC2V 6DN

### INDEPENDENT AUDITOR

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London  
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### JOINT BROKERS

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Goldman Sachs International  
Peterborough Court  
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### LEGAL ADVISER

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Primrose Street  
London  
EC2A 2EG

### REGISTRAR

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10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### TISE SPONSOR

Carey Commercial Limited  
1st and 2nd Floors  
Elizabeth House  
Les Ruettes Brayes  
St Peter Port  
Guernsey  
GY1 1EW

## 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](http://www.bpcruk.com).

### IDENTIFICATION CODES

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

### CONTACTING THE COMPANY

Shareholder queries are welcomed by the Company. While any queries regarding your shareholding should be directed to the Registrar, shareholders who wish to raise any other matters with the Company may do so using the following contact details:

Company Secretary – [biopharmacreditplc@linkgroup.co.uk](mailto:biopharmacreditplc@linkgroup.co.uk)

Chairman – [chairman@bpcruk.com](mailto:chairman@bpcruk.com)

Senior Independent Director – [sid@bpcruk.com](mailto:sid@bpcruk.com)





