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COMPANIES HOUSE

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

BiOPHARMA
----- CREDIT PLC -----

WELCOME TO OUR ANNUAL 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 cash
flows derived
from sales of approved
life sciences products

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PERFORMANCE HIGHLIGHTS

Shares

as at 31 December 2020

Share price

\$0.9960

(31 December 2019: \$1.0200)

Net income per share

\$0.0732¹

(31 December 2020: \$0.0828)

NAV per Share

\$1.0037

(31 December 2019: \$1.0217)

Discount to NAV per share

0.8%

(31 December 2019: 0.2%)

Shares in issue

1,373.9m

(31 December 2019: 1,373.9m)

Net assets

\$1,378.9m

(31 December 2019: \$1,403.7m)

Target dividend

7 cents per annum

Dividend Paid 7.3 cents

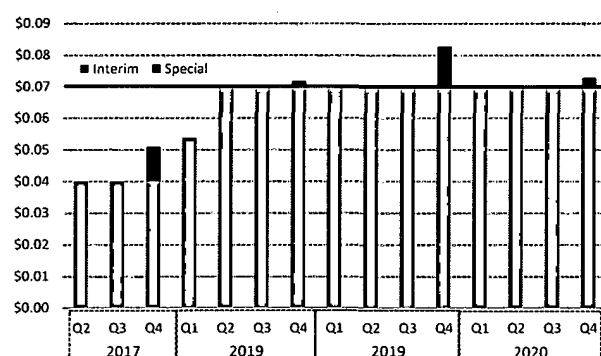
(31 December 2019: 8.3 cents)

Leverage

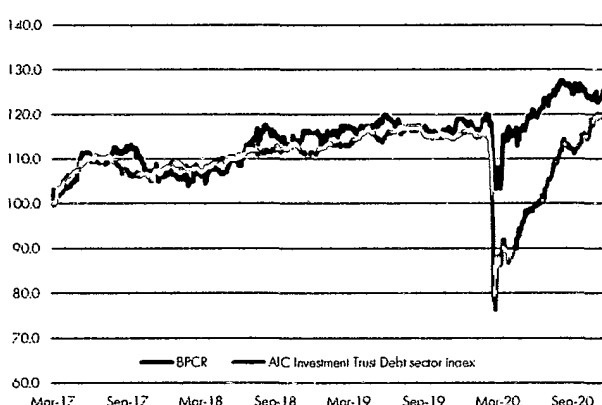
0%

(31 December 2019: 0%)

BPCR annualized dividends per share in US\$



Performance of the Company²

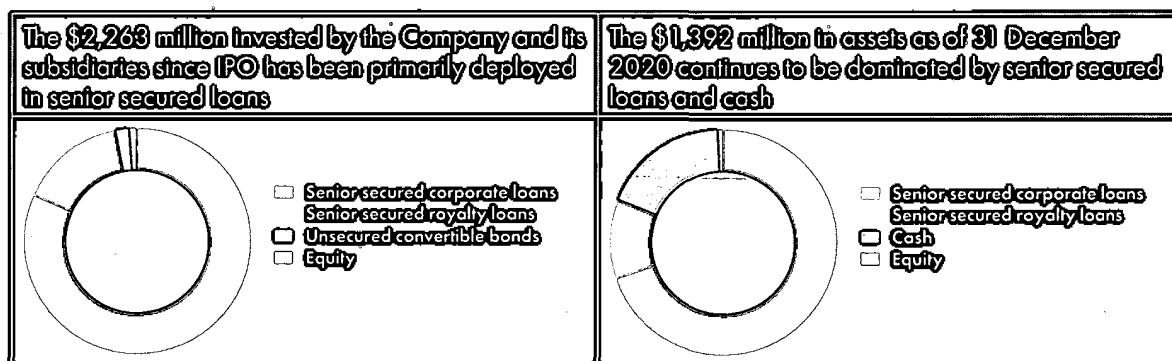


1. Net income includes \$20.5 million relating to the change in fair value of the Company's subsidiary, BPCR Limited Partnership. This change in fair value of \$20.5 million is equal to the undistributed net income earned by BPCR Limited Partnership in the year, reflecting changes in the fair value of and income earned on the investment it holds. Details of these investments are set out in Note 2F, accounting policy for income and Note 7, investment at fair value through profit or loss. Details of its subsidiaries including its newly formed entities in 2020 are set out in Note 14.
2. Performance of the Company and its subsidiaries versus AIC Investment Trust Debt Sector Index.

AT A GLANCE

Our primary objective is to continue to generate predictable income for shareholders

WE WILL SEEK TO ACHIEVE THIS BY CONTINUING TO BUILD A HIGH-QUALITY PORTFOLIO OF INVESTMENTS PRIMARILY SECURED BY RIGHTS AND CASH FLOWS DERIVED FROM SALES OF APPROVED LIFE SCIENCES PRODUCTS



2020 Investments

Collegium	GBT	Sarepta	Akebia	Epizyme	Optinose	BioDelivery
Funded in 2020: \$165 million	Funded in 2020: \$41 million	Funded in 2020: \$175 million	Funded in 2020: \$10 million	Funded in 2020: \$97 million	Funded in 2020: \$28 million	Funded in 2020: \$20 million
Previously funded: \$nil	Previously funded: \$41 million	Previously funded: \$175 million	Previously funded: \$40 million	Previously funded: \$13 million	Previously funded: \$44 million	Previously funded: \$60 million
Total investment: \$165 million	Total investment: \$83 million	Total investment: \$350 million	Total investment: \$50 million	Total investment: \$110 million	Total investment: \$72 million	Total investment: \$80 million

In addition, \$12 million was advanced to BMS in 2020.

All remaining investment commitments are \$0 as at 31 December 2020.

2020 Repayments

Novocure	Lexicon	Amicus
Investment date: 7 February 2018	Investment date: 18 December 2017	Investment date: 28 September 2018
Amount: \$150 million	Amount: \$125 million	Amount: \$150 million
Prepayment fees: \$3 million	Prepayment fees: \$6 million	Prepayment fees: \$5 million
Realised gross IRR 10.2%	Realised gross IRR 12.1%	Realised gross IRR 13.4%

INVESTMENT

	As at 31 Dec 2020 (in millions)	As at 31 Dec 2019 (in millions)	% Change
Cash and cash equivalents	250*	297	-15.7%
Lexicon senior secured loan	-	25	-
Novocure senior secured loan	-	50	-
Sebelo senior secured loan	92	10	-29.2%
BMS purchased payments	160	50	-6.7%
Amicus senior secured loan	-	50	-
BioDelivery Sciences senior secured loan	80	60	-33.3%
BioDelivery Sciences equity	11	7	-85.3%
Optinose senior secured note and warrants	72	26	-56.5%
Epizyme senior secured loan	110	3	-76.7%
Axsbio senior secured loan	50	40	-25.0%
Sarepta Therapeutics senior secured loan	350	5	-100.0%
Global Blood Therapeutics senior secured loan	83	4	-100.0%
Collegium Therapeutics senior secured loan	104	-	-
Convertible bonds	-	20	-
Other net assets	(13)	(9)	-34.4%
Total net assets	1,379	1,405	-1.8%

Investment type as at 31 December 2020	Percentage as at 31 Dec 2020	Percentage as at 31 Dec 2019
Cash and cash equivalents	18.1%	21.7%
Lexicon senior secured loan	-	8.9%
Novocure senior secured loan	-	10.7%
Sebelo senior secured loan	6.7%	9.3%
BMS purchased payments	11.6%	10.7%
Amicus senior secured loan	-	10.7%
BioDelivery Sciences senior secured loan	5.8%	4.3%
BioDelivery Sciences equity	0.8%	1.2%
Optinose senior secured note and warrants	5.2%	3.3%
Epizyme senior secured loan	8.0%	0.9%
Axsbio senior secured loan	3.6%	2.8%
Sarepta Therapeutics senior secured loan	25.4%	12.5%
Global Blood Therapeutics senior secured loan	6.0%	2.9%
Collegium Therapeutics senior secured loan	9.7%	0.0%
Convertible bonds	-	1.4%
Other net assets	-6.9%	-0.6%
Total net assets	100.0%	100.0%

* Includes cash of the Company and its subsidiaries

BIOPHARMA CREDIT PLC

CHAIRMAN'S STATEMENT

During 2020, the Company invested \$548 million, including \$322 million from its financing subsidiary, BPCR Limited Partnership.

INTRODUCTION

2020 WAS THE COMPANY'S THIRD FULL YEAR OF OPERATIONS AND I AM PLEASED TO BE ABLE TO REPORT ON ANOTHER YEAR OF CONSISTENT RETURNS AND TARGETS MET.

INVESTMENTS

Over the course of 2020, the Company and its subsidiaries invested \$548 million, \$308 million of which comprised the funding of commitments entered into prior to the start of the year, \$165 million for the new Collegium loan and \$75 million as part of the amendment and upsizing of the Epizyme loan. The Company, including assets and liabilities from its financing subsidiary, BPCR Limited Partnership, ended the year with total net assets of \$1,379 million, comprising \$1,142 million of investments, \$250 million of cash and \$13 million of other net liabilities.

The Company and its subsidiaries saw increased liquidity from three early repayments of its Amicus, Novocure and Lexicon investments in the third quarter of 2020 totalling \$425 million. These repayments were accompanied by prepayment and other fees totalling \$14 million, thereby enhancing attractive overall rates of return on these investments.

SHAREHOLDER RETURNS

The Company reported total income for 2020 of \$89 million, which includes \$20.5 million relating to the change in fair value of its subsidiary, BPCR Limited Partnership, down from the \$122 million reported during 2019 which included \$46 million in fees linked to the prepayment of the Tesaro loan.

On 31 December 2020, the Company's Ordinary Shares closed at \$0.9960, below the closing price on 31 December 2019 of \$1.0200. Net Asset Value ("NAV") per Ordinary Share decreased over the same timeframe by \$0.018 from \$1.0217 to \$1.0037. The Company made four dividend payments over the year totalling \$0.0829 per share, referencing net income for the four quarters ending 30 September 2020. 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.

Following the end of the year, the Company declared a further dividend in respect of the last quarter of 2020 of 2.04 cents per share made up of an ordinary dividend of 1.75 cents per share together with a special dividend of 0.2901 cents per share. Total dividends from 2020 results reached 7.3 cents per share.

During the year, the COVID-19 pandemic led to restrictions to the movement of people and disruption to business operations. So far the portfolio has proved

resilient. Pharmakon Advisors, our investment manager, believes that the COVID-19 virus has not had a material impact on the credit quality of the loans. The Investment Manager continues to monitor the situation and will inform shareholders of any material changes to this assessment.

BOARD CHANGES

A number of Board changes have taken place during the year. Jeremy Sillem retired as a Director and Chairman of the Company on 16 September 2020. On behalf of the Board, I would like to thank Jeremy for his leadership of the Company since IPO. The Board also welcomed Rolf Soderstrom as an additional Director of the Company, with effect from 16 September 2020. Rolf brings over 30 years of experience in finance and extensive strategic, operational and international experience including M&A, fundraisings and disposals to the Board. Finally, following my appointment as Chairman, Duncan Budge has been appointed as Senior Independent Director of the Company.

OUTLOOK

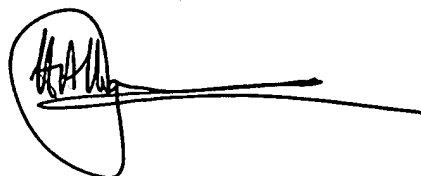
The Investment Manager continues to develop a pipeline of additional potential investments and, as a consequence, we expect to be evaluating a number of potential alternatives to fund future growth and further diversify our portfolio.

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

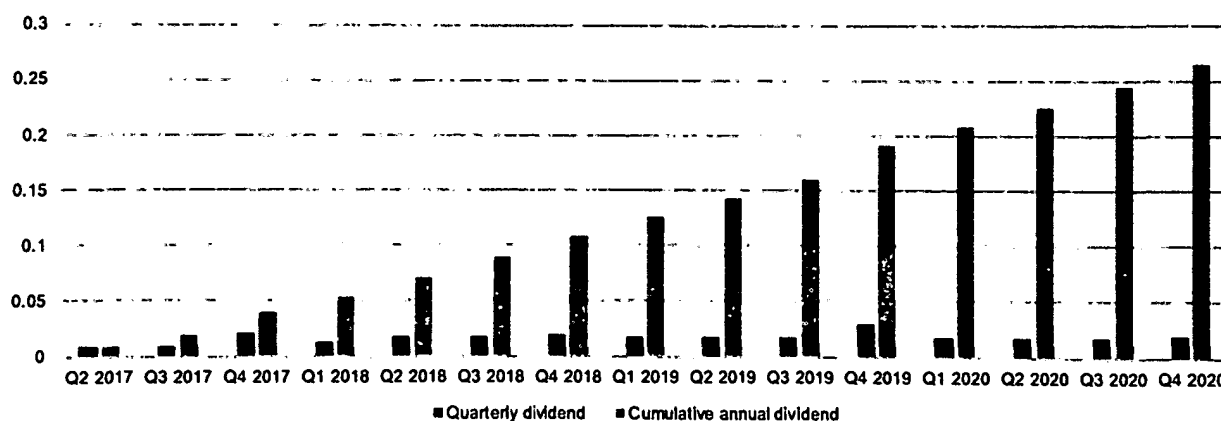
Harry Hyman

Chairman

15 March 2021



CUMULATIVE DIVIDEND



INVESTMENT MANAGER'S REPORT

AN ATTRACTIVE INVESTMENT ENVIRONMENT TO BUILD ON PAST PERFORMANCE

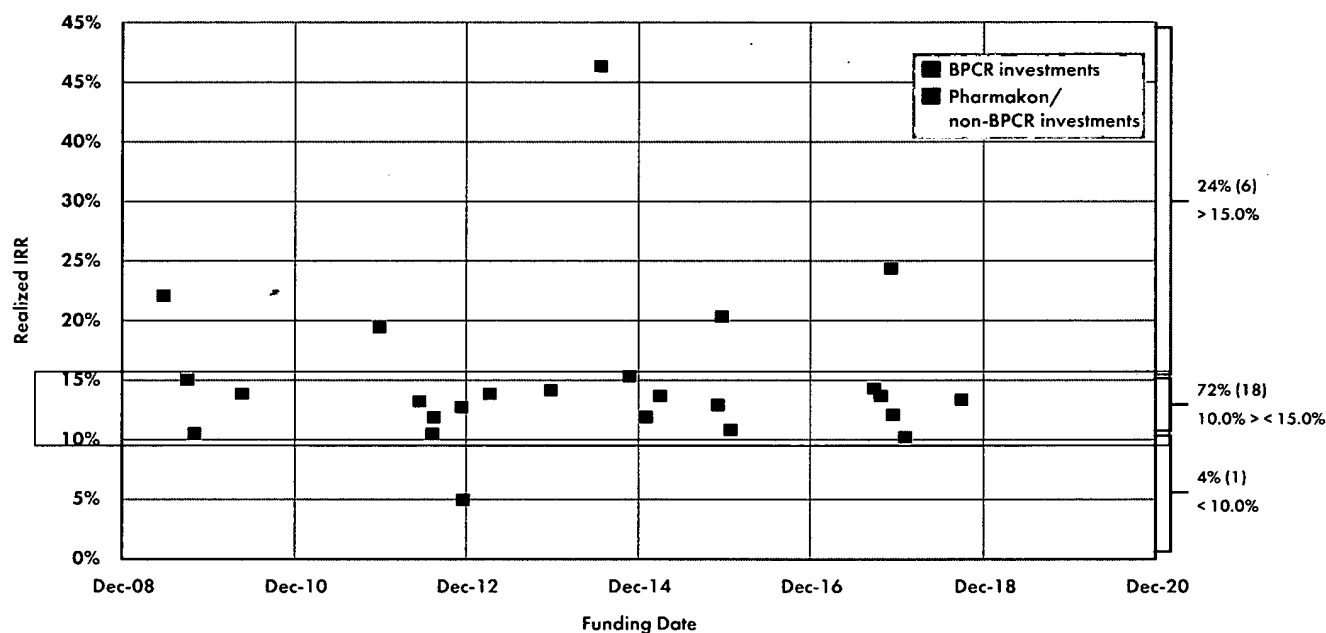
INTRODUCTION TO THE INVESTMENT MANAGER

Pharmakon Advisors, the Company's Investment Manager, was founded in 2009 and has invested \$4.6 billion in over 40 transactions on behalf of its clients. As at 31 December 2020, Pharmakon clients included four previous BioPharma Funds (I, II, III and IV), BioPharma V, a private fund also investing in life sciences debt managed by Pharmakon Advisors launched in June 2019, and seven managed co-investor accounts. The four previous BioPharma Funds have now reached the end of their investment period and have returned all capital to investors generating an average 10.4 per cent. IRR. BioPharma V has raised \$742 million in commitments and has invested \$521 million to date.

The Pharmakon team has extensive expertise investing in debt and other cash flows backed by life sciences products. Pharmakon prides itself on its ability to identify and structure investments that meet its target returns while minimising risk through its rigorous diligence process and industry expertise. As a result, Pharmakon has been able to generate consistent returns throughout its history as shown in the following chart of all past investments that have been fully realised:

96% OF PAST PHARMAKON TRANSACTIONS HAVE GENERATED RETURNS >10%

(25 Realised transactions)¹



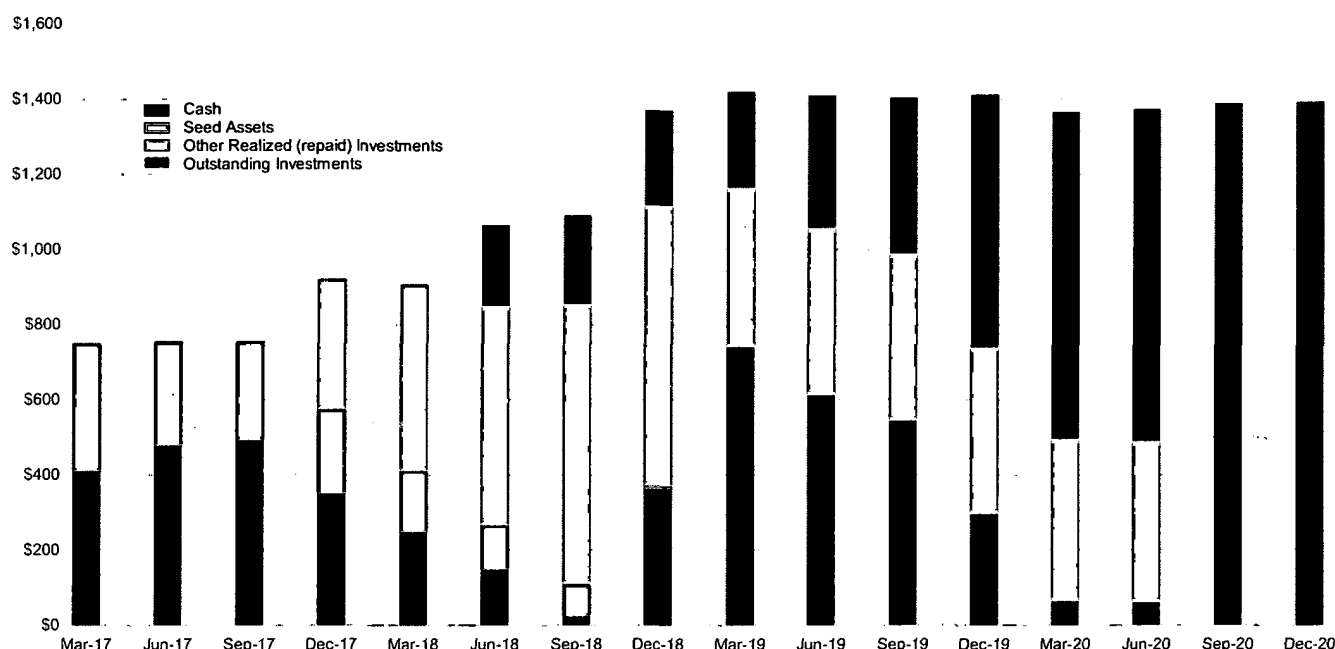
Through a shared services agreement with RP Management LLC, Pharmakon has access to the complementary expertise of the team behind the market-leading investor in pharmaceutical royalties. RP Management LLC, an affiliate of Pharmakon, was established in 1996 and acquires revenue-producing intellectual property as the investment manager of Royalty Pharma PLC which had its IPO on 16 June 2020 (Nasdaq: RPRX) and had a market capitalisation of \$25,820 million as of 5 March 2021.

1. Realised Internal Rate of Return to the Funds (Gross Returns). Excludes trading in convertible bonds. Past performance is not an indication of future performance.

INVESTMENTS

Pharmakon is pleased to present an update on the Company and its subsidiaries' portfolio and investment outlook. We are delighted with the results over the past year and look forward to a productive 2021 as we continue to solidify our position as the leading investor in life sciences debt. Since its IPO in March 2017 the Company and its subsidiaries have invested \$2,263 million using proceeds from capital raises and has reinvested \$1,227 million in amortisations, loan repayments and prepayments received by the Company and its subsidiaries:

EVOLUTION OF BPCR PORTFOLIO SINCE IPO (US\$M)



2020 started with the Company and its subsidiaries' \$165 million investment of the \$200 million loan to Collegium. Over the following months, the Company and its subsidiaries funded an additional \$308 million in previous commitments to GBT, BDSI, BMS and Akebia plus an additional \$75 million as part of an upsizing of the Epizyme loan. In total, the Company and its subsidiaries funded \$548 million during 2020 including \$322 million from its financing subsidiary, BPCR Limited Partnership. Three investments in the Company and its subsidiaries' portfolio were prepaid early during the third quarter of 2020 (Novocure, Amicus and Lexicon) generating \$444 million in cash (\$425 million in principal, \$5 million in accrued interest and \$14 million in fees). Also during 2020, the Company and its subsidiaries negotiated a \$200 million credit line with JPMorgan which the Company has not drawn upon. During the year the COVID-19 pandemic has impacted the global economy and has led to significant volatility in both the equity and debt capital markets. Pharmakon Advisors believes that the COVID-19 virus has not had a material impact on the credit quality of the loans. Pharmakon Advisors continues to monitor the situation and will inform shareholders of any material changes to this assessment. Below is an update on the Company and its subsidiaries portfolio.

INVESTMENT MANAGER'S REPORT (CONTINUED)

COLLEGIUM

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

The Company and its subsidiaries funded \$165 million of the \$200 million loan in February 2020. The loan will mature in February 2024 and will bear interest at three-month LIBOR plus 7.50 per cent. per annum subject to a 2.00 per cent. LIBOR floor with a one-time additional consideration of 2.50 per cent. of the loan amount payable upon funding. The loan amortises quarterly and had a remaining balance of \$134 million as of 31 December 2020.

Collegium currently markets Xtampza® ER, an abuse-deterrent, extended-release, oral formulation of oxycodone and Nucynta® (tapentadol), a centrally acting synthetic analgesic. Sales of the two drugs totalled \$310 million during 2020, up 4 per cent. from \$297 million during 2019. Collegium had a market capitalisation of approximately \$779 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	7 February 2020

Total loan amount

\$200m

Company commitment

\$165m

Maturity
February 2024

GBT

On 18 December 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to \$150 million with Global Blood Therapeutics (Nasdaq: GBT), a biopharmaceutical company focused on 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 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.

GBT manufactures and sells Oxbryta™ (voxelotor) for the treatment of sickle cell disease in adults and pediatric patients 12 years of age and older. Oxbryta was launched in early 2020 and generated total sales of \$124 million during its first year. GBT had a market capitalisation of approximately \$2,495 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	18 December 2019

Total loan amount

\$150m

Company commitment

\$83m

Maturity
December 2025

SAREPTA THERAPEUTICS

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 will bear 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 payable upon funding and an additional 2 per cent. payable upon the repayment of the loan.

Sarepta currently markets Exondys 51 (eteplirsen) and Vyondys 53 (golodirsen) in the US for the treatment of Duchenne muscular dystrophy (DMD). Sales of the two drugs totalled \$456 million during 2020, up 20 per cent. from \$381 million during 2019. Sarepta had a market capitalisation of approximately \$6,726 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	13 December 2019

Total loan amount

\$550m

Company commitment

\$350m

Maturity

1st Tranche December 2023
2nd Tranche 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 will bear 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. 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. Sales of Auryxia totalled \$129 million during 2020, up 16 per cent. from \$111 million during 2019. Akebia had a market capitalisation of approximately \$516 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	11 November 2019

Total loan amount

\$100m

Company commitment

\$50m

Maturity

November 2024

INVESTMENT MANAGER'S REPORT (CONTINUED)

EPIZYME

On 4 November 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to \$70 million with Epizyme (Nasdaq: EPZM), a late-stage biopharmaceutical company developing novel epigenetic therapies ("Epizyme"). 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 will bear 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. Epizyme's lead product, TAZVERIK (tazemetostat), is a first-in-class, oral EZH2 inhibitor that received FDA approval for epithelioid sarcoma on 23 January 2020 and follicular lymphoma on 18 June 2020. TAZVERIK was launched in early 2020 and generated total sales of \$16 million during its first year. Epizyme had a market capitalisation of approximately \$959 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	4 November 2019

Total loan amount

\$220m

Company commitment

\$110m

Maturity
November 2024

OPTINOSE

On 12 September 2019, the Company and BioPharma-V entered into a definitive senior secured note purchase agreement for the issuance and sale of senior secured notes in an aggregate original principal amount of up to US\$150 million by OptiNose US, a wholly-owned subsidiary of OptiNose (Nasdaq: OPTN), a commercial-stage specialty pharmaceutical company ("OptiNose"). 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 and BioPharma-V are 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 spray are not able to reach. Sales of XHANCE totalled \$48 million during 2020, up 60 per cent. from \$30 million during 2019. Optinose had a market capitalisation of approximately \$186 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	12 September 2019

Total loan amount

\$150m

Company commitment

\$82.5m

Maturity
September 2024

BIODELIVERY SCIENCES INTERNATIONAL

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. The Company sold 46% of its BDSI shares during 2019 at an average price of \$6.5. BDSI shares closed at \$4.08 on 10 March 2021.

BDSI's leading products include BELBUCA® (buprenorphine buccal film) and Symproic® (naldemedine). Sales of the two drugs totalled \$151 million during 2020, up 42 per cent. from \$106 million

during 2019. BDSI had a market capitalisation of approximately \$407 million as at 5 March 2021.

Investment type	Date Invested
Secured loan	28 May 2019
Total loan amount	Equity
\$80m	\$25m
Company commitment	
\$105m	
Maturity	
May 2025	

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 fully matures in December 2022. The loan bears interest at LIBOR (un-capped) plus a single-digit spread and includes additional consideration.

Sebela is a private specialty pharmaceutical company focused on gastrointestinal medicines, dermatology, and women's health.

As at 31 December 2020, the principal amount outstanding of the Company's investment was \$92 million.

BRISTOL-MYERS SQUIBB

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 31 December 2020, 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.

INVESTMENT MANAGER'S REPORT (CONTINUED)

REPAID INVESTMENTS

Since its IPO in March 2017, the Company and its subsidiaries have received \$1,200 million in proceeds from repayments and pre-payments of various investments. These investments generated attractive returns, particularly those that were repaid early and earned prepayment and make-whole fees:

Investment	Investment Date	Investment Amount	Maturity / Prepayment Date	Prepayment and Makewhole Fees	Gross IRR
BioPharma III	27 March 2017	\$154 million	31 January 2019	–	13.6%
RPS Note	27 March 2017	\$185 million	15 October 2018	–	12.9%
Tesaro	21 November 2017	\$322 million	23 January 2019	\$46 million	28.8%
Lexicon	18 December 2017	\$125 million	8 September 2020	\$6 million	12.1%
Novocure	7 February 2018	\$150 million	18 August 2020	\$3 million	10.2%
Amicus	28 September 2018	\$150 million	30 July 2020	\$5 million	13.4%

AMICUS THERAPEUTICS

On 20 September 2018, the Company entered into a senior secured loan agreement for \$150 million with Amicus Therapeutics, Inc, a commercial stage, rare metabolic disease-focused biopharmaceutical company ("Amicus").

The \$150 million loan had a five-year maturity with only interest to be repaid for the first four years. The loan bore interest at LIBOR plus 7.50 per cent. (subject to certain caps) and included a 2.00 per cent. additional consideration. Following the restructuring of this loan with another third party, Amicus repaid the \$150 million loan on 30 July 2020. The Company and its subsidiaries received a payment of \$156 million, including the make-whole and prepayment premium totalling \$5 million. The Company and its subsidiaries earned a 13.4 per cent. internal rate of return on its Amicus investment.

LEXICON PHARMACEUTICALS

On 4 December 2017, the Company and BioPharma IV entered into a definitive term loan agreement for up to \$200 million with Lexicon Pharmaceuticals ("Lexicon"), a fully integrated biopharmaceutical company.

The \$200 million loan was available in two tranches, each maturing in December 2022. The Company funded \$125 million of the \$200 million first tranche and Lexicon did not draw the second tranche. The loan had a fixed 9.0% coupon. Lexicon repaid the \$125 million loan on 8 September 2020. The Company and its subsidiaries received a payment of \$132 million including the make-whole and prepayment premium totalling \$6 million. The Company and its subsidiaries earned a 12.1 per cent. internal rate of return on its Lexicon investment.

NOVOCURE

On 7 February 2018, the Company entered into a senior secured loan agreement for \$150 million with Novocure Limited (NASDAQ: NVCR), a commercial stage oncology company ("Novocure").

The \$150 million loan was originally scheduled to mature in February 2023 and bear interest at 9.0 per cent. per annum. Novocure repaid the \$150 million loan on 18 August 2020. The Company and its subsidiaries received a payment of \$155 million, including a prepayment premium totalling \$3 million. The Company earned a 10.2 per cent. internal rate of return on its Novocure investment.

TESARO

On 21 November 2017, the Company and BioPharma Credit Investments IV, S.à.r.L. ("BioPharma IV") entered into a definitive loan agreement for up to \$500 million with Tesaro (NASDAQ: TSRO) ("Tesaro").

The Company funded \$222 million of the \$300 million first tranche on 6 December 2017 and \$100 million of the \$200 million second tranche on 29 June 2018 for a total investment of \$322 million.

The Tesaro loan had a term of seven years and was secured by Tesaro's US rights to ZEJULA®. The first \$300 million tranche bore interest at LIBOR plus 8 per cent. and the second tranche bore interest at LIBOR plus 7.5 per cent. The LIBOR rate was subject to a floor of 1 per cent. and certain caps. Each tranche of the loan was interest only for the first two years, amortises over the remaining term. Following its acquisition by GlaxoSmithKline, Tesaro repaid the \$500 million loan on 23 January 2019.

The Company received a payment of \$370 million on its \$322 million share of the loan, including the make-whole and prepayment premium totalling \$46 million, or 14.2 per cent., of the \$322 million investment, which is the equivalent of what the Company would have received had the loan remained outstanding for another approximately fifteen months. The Company earned a 29.0 per cent. internal rate of return on its Tesaro investment.

SEED ASSETS

The Company acquired \$339 million in seed assets at the time of the IPO in March 2017, consisting of a \$185 million investment in the RPS Note and a 46 per cent. limited partnership interest in BioPharma III, valued at \$154 million at the time of the IPO. On 15 October 2018, the Company received its final payment on the RPS Note of \$20 million, realising a 12.9 per cent. internal rate of return. On 29 January 2019, the Company received \$8 million as its final payment from BioPharma III, realising a 13.6 per cent. internal rate of return.

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"). 2020 was a volatile year, with the BTK index declining 12 per cent. during the first three months of the year followed by a quick recovery, rising 28 per cent. from March to December, ending 2020 with a 13 per cent. increase for the year. Companies in the industry took advantage of the increased volatility and sudden recovery in share prices to issue \$15.3 billion in convertible notes, a 129 per cent. increase from the previous year as well as \$130 billion in equity, a 110 per cent. increase from 2019. The strong equity market also allowed for a 50 per cent. increase in IPO proceeds compared to 2019.

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 2020 was negatively affected by the Covid pandemic, declining 40% from 2019 levels to \$118.8 billion.

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 pay a robust dividend yield for our investors.

Pedro Gonzalez de Cosio

Co-founder and CEO, Pharmakon

15 March 2021

STRATEGIC OVERVIEW

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.

INVESTMENT POLICY

The Company will seek to achieve its investment objective predominantly through direct or indirect exposure to Debt Assets.

THE COMPANY MAY ACQUIRE DEBT ASSETS:

- directly from the entity issuing the debt asset (a "Borrower"), which may be: (i) a company operating in the life sciences industry (a "LifeSci Company"); or (ii) an entity other than a LifeSci Company which directly or indirectly holds an interest in royalty rights to certain products, including any investment vehicle or special purpose vehicle ("Royalty Owner"); or
- in the secondary market.

The Company may also invest in equity issued by a LifeSci Company, acquired directly from the LifeSci Company or in the secondary market.

"Debt Assets" will typically comprise:

- Royalty debt instruments
Debt issued by a Royalty Owner where the Royalty Owner's obligations in relation to the Debt are secured as to repayment of principal and payment of interest by Royalty Collateral.
- Priority royalty tranches
Contract with a Borrower that provides the Company with the right to receive payment of all or a fixed percentage of the future royalty payments receivable in respect of a Product (or Products) that would otherwise belong to the Borrower up to a fixed monetary amount or a pre-set rate of return, with such royalty payment being secured by Royalty Collateral in respect of that Product (or Products).
- Senior secured debt
Debt issued by a LifeSci Company, and which is secured as to repayment of principal and payment of interest by a first priority charge over some or all of such LifeSci Company's assets, which may include: (i) Royalty Collateral; or (ii) other intellectual property and marketing rights to the Products of that LifeSci Company.
- Unsecured debt
Debt issued by a LifeSci Company which is not secured or is secured by a second lien on assets of the Borrower.
- Credit linked notes
Derivative instruments referencing Debt Assets, being a synthetic obligation between the Company and another party where the repayment of principal and/or the payment of interest is based on the performance of the obligations under the underlying Debt Assets.

"Royalty Collateral" means, with respect to a Debt Asset, (i) future payments receivable by the Borrower on a Product (or Products) in the form of royalty payments or other revenue sharing arrangements; or (ii) future distributions receivable by the Borrower based on royalty payments generated from a Product (or Products); or (iii) both limb (i) and limb (ii).

"Debt" includes loans, notes, bonds and other debt instruments and securities, including convertible debt, and Priority Royalty Tranches.

Borrowers will predominantly be domiciled in the US, Europe and Japan, though the Company may also acquire Debt Assets issued by Borrowers in other jurisdictions.

INVESTMENT RESTRICTIONS AND PORTFOLIO DIVERSIFICATION

The Company will seek to create a diversified portfolio of investments by investing across a range of different forms of Debt Assets issued by a variety of Borrowers. In particular, the Company will observe the following restrictions when making investments in accordance with its investment policy:

- no more than 30 per cent. of the Company's gross assets will be exposed to any single Borrower;
- no more than 35 per cent. of the Company's gross assets will be invested in Unsecured Debt; and
- no more than 15 per cent. of the Company's gross assets will be invested in equity securities issued by LifeSci Companies.

Each of these investment restrictions will be calculated at the time of each proposed investment. In the event that any of the above limits are breached at any point after the relevant investment has been made (for instance, as a result of any movements in the value of the Company's total assets), there will be no requirement to sell any investment (in whole or in part).

CASH MANAGEMENT

The Company's uninvested capital may be invested in cash instruments or bank deposits for cash management purposes.

HEDGING

The Company does not propose to enter into any hedging or other derivative arrangements other than as may from time to time be considered appropriate for the purposes of efficient portfolio management. The Company will not enter into such arrangements for investment purposes.

BUSINESS AND STATUS OF THE COMPANY

The Company is registered in England as a public limited company and is an investment company in accordance with the provisions of Section 833 of the Companies Act 2006.

The principal activity of the Company is to carry on business as an investment trust. The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Sections 1158/1159 of the Corporation Tax Act 2010 ("S1158/1159"). The Directors do not envisage any change in this activity in the foreseeable future.

The Company has been granted approval from HM Revenue & Customs ("HMRC") as an investment trust under S1158/1159 and will continue to be treated as an investment trust company, subject to there being no serious breaches of the conditions for approval. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2020 so as to be able to continue to qualify as an investment trust.

The Company has three wholly-owned subsidiaries, BPCR Ongdapa Limited, BPCR Limited Partnership and BPCR GP Limited, details of which can be found in Note 14 to the financial statements.

STRATEGIC OVERVIEW (CONTINUED)

STAKEHOLDER ENGAGEMENT – SECTION 172(1) STATEMENT

OVERVIEW

The Directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, having regard to the interests of its stakeholders, as set out in section 172(1) of the Companies Act 2006. The Directors have considered each aspect of this section of the Act and consider that the information set out below is particularly relevant in the context of the Company's business as an externally managed investment company which does not have any employees or suppliers.

The importance of stakeholders is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders.

STAKEHOLDERS

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Board believes that the Company's key stakeholders comprise its shareholders, clients and service providers. The section below discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account. The Company recognises the importance of maintaining high standards of business conduct and seeks to ensure that these are applied in all of its business dealings and in its engagement with stakeholders. Further information on the impact of the Company's operations on the community and the environment is set out on page 26.

The Company's mechanisms for engaging with its stakeholders are set out below. These are kept under review by the Directors and are discussed on a regular basis at Board meetings to ensure that they remain effective.

For more information on the purpose, culture and values of the Company, and the processes which the Board has put in place to ensure these, see the Corporate Governance Statement on pages 33 to 39.

SHAREHOLDERS

Importance

Continued shareholder support and engagement are critical to the existence of the Company and the delivery of its long-term strategy and engagement with shareholders is given a high priority by both the Board and the Investment Manager.

How the Company engages

The Chairman ensures that the Board as a whole has a clear understanding of the views of shareholders by receiving regular updates from the Brokers and Investment Manager. The Investment Manager and the Company's Brokers are in regular contact with major shareholders and report the results of all meetings and the views of those shareholders to the Board on a regular basis. The Chairman and the other Directors are available to attend these meetings with shareholders if required. Relations with shareholders are also considered as part of the annual Board evaluation process. For further details regarding this process see page 37.

All shareholders are encouraged to attend and vote at annual general meetings, during which the Board and the Investment Manager will be available to discuss issues affecting the Company and answer any questions. Further information regarding the AGM is detailed on page 32. Shareholders wishing to raise questions or concerns directly with the Chairman, Senior Independent Director or Company Secretary, outside of the AGM, should do so using the contact details provided on page 93.

While the ongoing Covid-19 pandemic and resulting prohibition on public gatherings meant that shareholders were not be permitted to attend the AGM in June 2020, Shareholders were able to provide questions to the Company Secretary in advance of the AGM and a separate shareholder call was scheduled for any such questions to be answered by the Board and Investment Manager.

Although the Company has been established with an indefinite life, the Articles provide that a continuation vote be put to shareholders at the first AGM of the Company to be held following the fifth anniversary of Initial Admission i.e. in 2022 and, if passed, at the annual general meeting of the Company held every third year thereafter; and within two months of the expiration of any 12-month rolling period where the Shares have, on average, traded at a discount in excess of 10 per cent. to the Net Asset Value per Share (calculated by comparing the middle market quotation of the Shares at the end of each month in the relevant period to the prevailing published NAV per Ordinary Share (exclusive of any dividend declared) as at such month end and averaging this comparative figure over the relevant period).

CLIENTS

Importance

The investments made by the Company support the large capital needs of its portfolio companies, supporting their research and development budgets for life sciences products and enable it to achieve its investment objective.

How the Company engages

The Company's clients are pharmaceutical and biotechnology companies within the life sciences industry to which it provides debt capital. The Investment Manager is highly experienced in this area with a strong track record of meeting the capital needs of its clients. The Investment Manager meets regularly with the management teams of current and prospective investee companies to enhance relationships and to understand their views and capital requirements.

The Directors receive updates from the Investment Manager on the companies within its investment portfolio at all Board meetings, and outside of meetings as appropriate.

Further information on the Company's engagement with investee companies during the year, including case studies regarding their products, is set out on pages 7 to 13.

SERVICE PROVIDERS

Importance

In order to function as an investment trust on the Specialist Fund Segment of the London Stock Exchange, the Company relies on a number of reputable advisers for support in complying with all relevant legal and regulatory obligations.

How the Company engages

The Company's day-to-day operational functions are delegated to a number of third-party service providers, each engaged under separate contracts. The Company's principal service providers include the Investment Manager, Company Secretary, Joint Brokers, Administrator, Legal Adviser, Auditor and the Registrar.

The Board keeps the ongoing performance of the Investment Manager under continual review and conducts an annual appraisal of the Investment Manager, along with the performance of all other third-party service providers. The Investment Manager has executed the investment strategy according to the Board's expectations and it is the opinion of the Directors that the continuing appointment of Pharmakon is in the interests of shareholders as a whole.

The Audit and Risk Committee reviews and evaluates the control environments in place at each service provider. Further details regarding the role of the Audit and Risk Committee are set out on pages 40 to 42. Further information about the review of service providers and the culture of the Investment Manager is set out on page 34.

STRATEGIC OVERVIEW (CONTINUED)

KEY PERFORMANCE INDICATORS

The Company assesses its performance in meeting its investment objectives using the following Key Performance Indicators ("KPIs"):

NAV PERFORMANCE

The NAV at 31 December 2020 was \$1.0037 per Share, compared to \$1.0217 per Share at 31 December 2019.

A full description of the Company's performance for the year ended 31 December 2020 is included in the Investment Manager's Report on page 6 to 13.

SHARE PRICE RETURN

The Company's Share price at 31 December 2020 was \$0.996, giving a return since 31 December 2019 of (2.4) per cent.

SHARE PRICE DISCOUNT/PREMIUM TO NAV PER SHARE

The Company's Share price was at a discount to the NAV per Share at 31 December 2020 of 0.77 per cent. The daily closing price of the Company's Shares ranged from \$0.86 – \$1.03 throughout the year.

In accordance with the Company's Articles of Association, if the Share price declines to a point where the Shares trade on average at a discount to NAV per Share in excess of 5 per cent. in any three-month rolling period, the Company has certain discount control mechanisms in place, one of which requires the Company to repurchase Shares until such time as the Share price discount to NAV per Share moves below 1 per cent.

On 22 June 2020, the Company announced that it was required to purchase shares in the market as a result of the shares trading in excess of a 5% discount to its NAV per Ordinary Share over a 3 month rolling period. At 16 July 2020, the Company's shares traded at an average discount of 1% or less to the NAV per Ordinary Share over the most recent two week rolling period, the Company therefore ceased to repurchase its shares in the market. During the period from 22 June 2020 to 16 July 2020 the Company repurchased a total of 59,694 shares.

As of 31 December 2020, the Investment Manager invested \$5.2 million from the performance fee paid related to the year ended 31 December 2019 acquiring 5.6 million shares. Refer to section 4 (B) in the Notes to the Financial Statements.

ONGOING CHARGES

The Company's ongoing charges ratio is shown in the table below.

	Year ended 31 December 2020 %	Year ended 31 December 2019 %
Ongoing charges excluding performance fee*	1.2	1.0
Performance fee	0.4	1.0
Ongoing charges including performance fee	1.6	2.0

*Ongoing charges are the Company's expenses (excluding performance fees) expressed as a percentage of its average monthly net assets and follow the AIC recommended methodology.

DIVIDENDS

Dividends totaling 8.29 cents per Ordinary Share, including including two special dividends of 1.28 cents and 0.01 cents, have been paid during the year ended 31 December 2020.

RISK MANAGEMENT AND THE INTERNAL CONTROL ENVIRONMENT

The role of the Board

A formal risk identification and assessment process has been adopted by the Company resulting in a risk framework document which summarises the key risks and their mitigation.

The Board undertakes a formal risk review with the assistance of the Audit and Risk Committee at least twice a year in order to robustly assess the effectiveness of the Company's risk management and internal control systems. During the course of its review in respect of the year ended 31 December 2020, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be of a material nature. The principal risks and uncertainties which the Company faces are set out below.

Principal risks and uncertainties

The Board of Directors has overall responsibility for risk management and internal control of the Company. The Board recognises that risk is inherent in the operation of the Company and that effective risk management is key to the success of the organisation. The Board has delegated responsibility for the assurance of the risk management process and the review of mitigating controls to the Audit and Risk Committee.

The principal risks and the Company's policies for managing these risks are set out below and the policy and practice with regard to financial instruments are summarised in Note 16 to the financial statements.

There were no changes to these risks in the current year or at the date of this report.

Risk	Description and mitigation
Failure to achieve target returns	The target returns are targets only and are based on financial projections that are themselves based on assumptions regarding market conditions, economic environment, availability of investment opportunities and investment-specific assumptions that may not be consistent with conditions in the future. The Company seeks to achieve its investment objective predominantly through direct or indirect exposure to debt assets. Debt assets typically comprise royalty debt instruments, priority royalty tranches, senior secured debt, unsecured debt and credit-linked notes. A variety of factors, including lack of attractive investment opportunities, defaults and prepayments under debt assets, inability of the Company to obtain debt at an appropriate rate, changes in the life sciences industry, exchange rates, government regulations, the non-performance (or underperformance) of any life sciences product (or any life sciences company) could adversely impact the Company's ability to achieve its investment objective and deliver the target returns. A failure by the Company to achieve its target returns could adversely impact the value of the Shares and lead to a loss of investment. The Company has an investment policy to achieve a balanced investment with a diversified asset base and has investment restrictions in place to limit exposure to potential risk factors. These factors enable the Company to build a diversified portfolio that should deliver returns that are in line with its stated target return.

STRATEGIC OVERVIEW (CONTINUED)

The success of the Company depends on the ability and expertise of the Investment Manager

In accordance with the Investment Management Agreement, the Investment Manager is responsible for the investment management of the Company's assets. The Company does not have its own employees and all of its Directors are appointed on a non-executive basis. All investment and asset management decisions are made by the Investment Manager (or any delegates thereof) and not by the Company or the Directors and, accordingly, the Company is completely reliant upon, and its success depends on, the Investment Manager and its personnel, services and resources. The Investment Manager is required, under the terms of the Investment Management Agreement, to perform in accordance with the Service Standard. The Investment Manager does not submit individual investment decisions to the Board for approval and the Board does not supervise the due diligence performed by the Investment Manager. As part of its asset management decisions, the Investment Manager may from time to time make commitments for future investments for which the Company may need to raise funds in the future by issuing equity and/or debt or by selling all or part of other investments to raise liquidity.

The Company is entitled to terminate the Investment Management Agreement if the Investment Manager has (i) committed fraud, gross negligence or wilful misconduct in the performance of its obligations under the Investment Management Agreement, or (ii) breached its obligations under the Investment Management Agreement, and the Company is reasonably likely to suffer a loss arising directly or indirectly out of or in connection with such breach of an amount equal to or greater than 10 per cent. of the NAV as at the date of the breach. The Investment Management Agreement may also be terminated at the Company's discretion on not less than six months' notice to the Investment Manager.

Under the terms of the Investment Management Agreement, the Investment Manager is only liable to the Company (and will only lose its indemnity) if it has committed fraud, gross negligence or wilful misconduct or acted in bad faith, or knowingly violated applicable securities' laws. The performance of the Company is dependent on the diligence, skill and judgement of certain key individuals at the Investment Manager, including Pedro Gonzalez de Cosio and other senior investment professionals and the information and investments' pipeline generated through their business development efforts. On the occurrence of a Key Person Event (as defined in the Investment Management Agreement), the Company may be entitled to terminate the Investment Management Agreement with immediate effect (subject to the Investment Manager's right to find an appropriate replacement to be approved by the Board (such approval not to be unreasonably withheld or delayed) within 180 days)). However, if the Company elects to exercise this right, it would be required to pay the Investment Manager a termination fee equal to either 1 per cent. or 2 per cent. of the invested NAV (depending on the reason for the Key Person Event), as at the date of such termination. If the Company elects not to exercise this right, the precise impact of a Key Person Event on the ability of the Company to achieve its investment objective and target returns cannot be determined and would depend inter alia on the ability of the Investment Manager to recruit individuals of similar experience, expertise and calibre. There can be no guarantee that the Investment Manager would be able to do so and this could adversely affect the ability of the Company to meet its investment objective and target returns and may adversely affect the NAV and Shareholder returns and result in a substantial loss of a Shareholder's investment.

Pharmakon Advisors, the Investment Manager, has extensive expertise and a track record of successfully investing in debt and other cash flows backed by life sciences products. The Investment Management Agreement provides attractive incentives for the Investment Manager to perform prudently and in the best interests of the Company. In addition, the Investment Manager and its affiliates own approximately 6 per cent. of the Company as at 31 December 2020, creating a strong alignment of interests between the Investment Manager and its affiliates and Shareholders of the Company.

The Company may from time to time commit to make future investments that exceed its current liquidity

From time to time, the Company may commit to make future investments for which the Company will need to raise funds by issuing equity and/or debt, or by selling all or part of other investments. Investment opportunities may require the Company to fund transactions in two or more tranches, with the later tranches to be funded six or more months in the future. Refusing to offer such later tranches would decrease the attractiveness of the Company's investment proposals and harm the Company's ability to successfully deploy its capital. Requiring the Company to maintain low-yielding cash balances sufficient to fund all such later tranches at the time of the initial commitment would decrease the average yield on the Company's assets, adversely impacting the returns to investors, and may also result in missed investment opportunities. However, in order to fund all such later tranches, the Company could be forced to issue debt, sell assets or renegotiate with the party to which it has committed the funding on unattractive terms. Furthermore, there can be no assurance that the Company will always be able to raise sufficient liquidity (by issuing equity and/or debt, or by selling investments) to meet its funding commitments. If the Company were to fail to meet its funding commitments, the Company could be in breach of its contractual obligations, which could adversely affect the Company's reputation, could result in the Company facing legal action from its counterparty, and could adversely affect the Company's financial results.

Pharmakon Advisors, the Investment Manager, together with its affiliate RP Management LLC, believes that the risks associated with such unfunded commitment is manageable without undue risk. Pharmakon Advisors has extensive expertise in raising debt secured by cash flows from life sciences products and has extensive relationships with banks and other financial institutions who can be called on to provide debt financing to the Company in order to raise liquidity. In addition, Pharmakon Advisors has expertise purchasing and selling life sciences debt assets in the secondary market and has extensive relationships with the major participants in the life-sciences debt market who would be the likely purchasers of any assets offered for sale by the Company in order to raise liquidity.

The Investment Manager's ability to source and advise appropriately on investments

Returns on the shareholders' investments will depend upon the Investment Manager's ability to source and make successful investments on behalf of the Company. There can be no assurance that the Investment Manager will be able to do so on an ongoing basis. Many investment decisions of the Investment Manager will depend upon the ability of its employees and agents to obtain relevant information. There can be no guarantee that such information will be available or, if available, can be obtained by the Investment Manager and its employees and agents. Furthermore, the Investment Manager will often be required to make investment decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. For example, the Investment Manager may not have access to records regarding the complaints received regarding a given life science product or the results of research and development related to products. Furthermore, the Company may have to compete for attractive investments with other public or private entities, or persons, some or all of which may have more capital and resources than the Company. These entities may invest in potential investments before the Company is able to do so or their offers may drive up the prices of potential investments, thereby potentially lowering returns and, in some cases, rendering them unsuitable for the Company. An inability to source investments would have a material adverse effect on the Company's profitability, its ability to achieve its target returns and the value of the Shares.

The Investment Manager believes that sourcing investments is one of its competitive advantages. The Investment Manager's professionals, together with those at its affiliate RP Management LLC, accessible through the Shared Services Agreement, have complementary scientific, medical, licensing, operating, structuring and financial backgrounds which the Investment Manager believes provide a competitive advantage in sourcing, evaluating, executing and managing credit investments in the life sciences industry.

STRATEGIC OVERVIEW (CONTINUED)

There can be no assurance that the Board will be able to find a replacement investment manager if the Investment Manager resigns

Under the terms of the Investment Management Agreement, the Investment Management Agreement may be terminated by: (A) the Investment Manager on not less than six months' notice to the Company, such notice not to expire earlier than 18 months following Admission; or (B) the Company on not less than six months' notice to the Investment Manager, such notice not to expire earlier than: (i) 36 months following Admission, unless approved by Shareholders by ordinary resolution; and (ii) 18 months following Admission, in any event. The Board would, in these circumstances, have to find a replacement investment manager for the Company and there can be no assurance that a replacement with the necessary skills and experience would be available and/or could be appointed on terms acceptable to the Company. In this event, the Board may have to formulate and put forward to Shareholders proposals for the future of the Company which may include its merger with another investment company, reconstruction or winding up. It is possible that, following the termination of the Investment Manager's appointment, the Investment Manager will continue to have a role in the investment management of certain assets, where a debt asset is shared with one or more other entity managed by the Investment Manager that continue to retain the Investment Manager's services.

In the event the Investment Manager resigns, the Board will put forward to Shareholders proposals for the future of the Company which may include its merger with another investment company, reconstruction or winding up. Entities affiliated with the Investment Manager own approximately 6 per cent. of the Company as at 31 December 2020. This affiliate ownership level, coupled with the fact that the Investment Manager is fairly compensated, provide further incentive for them to remain as Investment Manager to the Company.

Concentration in the Company's portfolio may affect the Company's ability to achieve its investment objective

The Company's published investment policy allows the Company to invest up to 30 per cent. of the Company's assets in a single debt asset or in debt assets issued to a single borrower. While the investment limits in the investment policy have been set keeping in mind the debt capital requirements of the life sciences industry and the investment opportunities available to the Investment Manager, it is possible that the Company's portfolio may be significantly concentrated at any given point in time.

Concentration in the Company's portfolio may increase certain risks to which the Company is subject, some or all of which may be related to events outside the Company's control. These would include risks around the creditworthiness of the relevant borrower, the nature of the debt asset and of any life sciences product(s) in question. The occurrence of these situations may result in greater volatility in the Company's investments and, consequently, its NAV, and may materially and adversely affect the performance of the Company and the Company's returns to shareholders. Such increased concentration of the Company's assets could also result in greater losses to the Company in adverse market conditions than would have been the case with a less concentrated portfolio, and have a material adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Company's NAV and/or the market price of the Shares.

Life sciences products are subject to intense competition and various other risks

The biopharmaceutical and pharmaceutical industries are highly competitive and rapidly evolving. The length of any life sciences product's commercial life cannot be predicted. There can be no assurance that the life sciences products will not be rendered obsolete or non-competitive by new products or improvements made to existing products, either by the current marketer of the life sciences products or by another marketer. Adverse competition, obsolescence or governmental and regulatory life sciences policy changes could significantly impact royalty revenues of life sciences products which serve as the collateral or other security for the repayment of obligations outstanding under the Company's investments. If a life sciences product is rendered obsolete or non-competitive by new products or improvements on existing products or governmental or regulatory action, such developments could have a material adverse effect on the ability of the borrower under the relevant debt asset to make payment of interest on, and repayments of the principal of, that debt asset, and consequently could adversely affect the Company's performance. If additional side effects or complications are discovered with respect to a life sciences product, and such life sciences product's market acceptance is impacted or it is withdrawn from the market, continuing payments of interest on, and repayment of the principal of, that debt asset may not be made on time or at all. It is possible that over time side effects or complications from one or more of the life sciences products could be discovered, and, if such a side effect or complication posed a serious safety concern, a life sciences product could be withdrawn from the market, which could adversely affect the ability of the borrower under the relevant debt asset to make continuing payments of interest on, and repayment of the principal of, that debt asset, in which case the Company's ability to make distributions to investors may be materially and adversely affected.

Furthermore, if an additional side effect or complication is discovered that does not pose a serious safety concern, it could nevertheless negatively impact market acceptance and therefore result in decreased net sales of one or more of the life sciences products, which could adversely affect the ability of borrowers under the relevant debt asset(s) to make continuing payments of interest on, and repayment of the principal of, that debt asset(s), in which case the Company's ability to make distributions to investors may be materially and adversely affected.

The Investment Manager engages in a thorough diligence process before entering into any debt instrument with the counterparty and interacts with each counterparty as needed to evaluate the status of its investment on an ongoing basis.

STRATEGIC OVERVIEW (CONTINUED)

Investments in debt obligations are subject to credit and interest rate risks	Debt instruments are subject to credit and interest rate risks. Credit risk refers to the likelihood that the borrower will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of a borrower are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt asset may affect its credit risk. Credit risk may change over the life of an instrument. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt asset indirectly (especially in the case of fixed rate debt assets) and directly (especially in the case of debt assets whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt asset and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. In addition, interest rate increases generally will increase the interest carrying costs to the Company (or any entity through which the Company invests) of leveraged investments. The Company will often seek to be a secured lender for each Debt Asset. However, there is no guarantee that the relevant borrower will repay the loan or that the collateral will be sufficient to satisfy the amount owed under the relevant Debt Asset. Credit risk will be assessed on an ongoing basis along with interest rate risk, and is further mitigated by the Company's investment policy permitting up to 30 per cent. of the Company's assets to be invested in a single Debt Asset or in Debt Assets issued to a single borrower. Interest rate risk can be managed in a variety of ways, including with the use of derivatives.
Counterparty risk	The Company intends to hold debt assets that will generate an interest payment. There is no guarantee that any borrower will honour their obligations. The default or insolvency of such borrowers may substantially affect the Company's business, financial condition, results of operations, the NAV and Shareholder returns. The Company will often seek to be a secured lender for each Debt Asset. However, there is no guarantee that the relevant borrower will repay the loan or that the collateral will be sufficient to satisfy the amount owed under the relevant Debt Asset.
Sales of life sciences products are subject to regulatory actions that could harm the Company's ability to make distributions to investors	There can be no assurance that any regulatory approvals for indications granted to one or more life sciences products will not be subsequently revoked or restricted. Such revocation or restriction may have a material adverse effect on the sales of such products and on the ability of borrowers under the relevant Debt Asset to make continuing payments of interest on, and repayment of the principal of, that Debt Asset, in which case the Company's ability to make distributions to investors may be materially and adversely affected. Changes in legislation are monitored with the use of third-party legal advisers and the Investment Manager will maintain awareness of new approvals or revoked approvals.
Net asset values published will be estimates only and may differ materially from actual results	Generally, there will be no readily available market for a significant number of the Company's investments and hence, the majority of the Company's investments are not valued based on market-observable inputs. The valuations used to calculate the NAV on a monthly basis will be based on the Investment Manager's unaudited estimated fair market values of the Company's investments. It should be noted any such estimates may vary (in some cases materially) from the results published in the Company's financial statements (as the figures are published at different times) and that they, and any NAV figure published, may vary (in some cases materially) from realised or realisable values. The Investment Manager sends valuations on a monthly basis to the administrator for calculation of the NAV. The NAV is prepared by the administrator on the basis of information received from the Investment Manager and, once finalised, is reviewed and approved by a representative of the Investment Manager. Once approved, the Investment Manager notifies the Board and the NAV is released to the market.

Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company

Any change in the Company's tax status, or in taxation legislation or practice in the UK, US or elsewhere, could affect the value of the Company's investments and the Company's ability to achieve its investment objective, or alter the post-tax returns to Shareholders. 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. However, although the approval has been obtained, neither the Investment Manager nor the Directors can guarantee that this approval will be maintained at all times. The Company has been granted approval from HMRC as an investment trust and will continue to have investment trust status in each subsequent accounting period, unless the Company fails to meet the requirements to maintain investment trust status, pursuant to the regulations. For example, it is not possible to guarantee that the Company will remain a non-close company, which is a requirement to maintain investment trust status, as the Shares are freely transferable. Failure to maintain investment trust status could, as a result, (inter alia) lead to the Company being subject to UK tax on its chargeable gains. Existing and potential investors should consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company.

COVID-19 may affect the Company's ability to continue operations

The global economic disruption caused by COVID-19 may affect the Company's ability to continue in operation due to the impact on the market valuations of its senior secured loans or the ability of key service providers (including the Custodian, the Fund Accountant and the Brokers) to maintain business continuity and continue to provide appropriate service levels. The Investment Manager has reviewed the impact of recent market volatility related to the COVID-19 pandemic on the Company's portfolio and have received regular updates on portfolio performance from the underlying counterparties and considers that the Company's business model remains viable and that the Company has sufficient resources to continue in operation and to meet all liabilities as they fall due. The Investment Manager has received updates from key service providers in respect of their business continuity plans to address the issues posed by COVID-19 and are confident that they will be able to continue to provide a good level of service for the foreseeable future.

GOING CONCERN

The Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Directors have considered the liquidity of the portfolio and the Company's ability to meet obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved.

VIABILITY STATEMENT

The Board has assessed the principal risks facing the Company over a five-year period, including those that would threaten its business model, future performance, solvency or liquidity. The five-year period was selected to align with the average duration of the Company's existing investments. The Board has developed a matrix of risks facing the Company and has put in place certain investment restrictions which are in line with the Company's investment objective and policy in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to mitigate these risks, are presented on pages 19 to 25.

The Company believes its borrowing capabilities provide further flexibility and help ensure it is in a position to finance its funding obligations in the event that internally generated cash flow in the period is insufficient to finance the unfunded portion of a lending commitment. The Board reviews the Company's financing arrangements quarterly to ensure that the Company is in a strong position to fund all outstanding commitments on existing investments as well as being able to finance new investments. In addition, the Board regularly reviews

STRATEGIC OVERVIEW (CONTINUED)

the prospects for the Company's portfolio and the pipeline of potential investment opportunities which provide comfort that the Company is able to continue to finance its activities for the medium-term future.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five-year period.

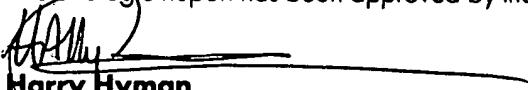
ENVIRONMENTAL, HUMAN RIGHTS, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

The Board recognises the requirement under the Companies Act 2006 to detail information about employees, human rights, environmental and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements do not apply directly to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third-party service providers. The Company has therefore not reported further in respect of these provisions.

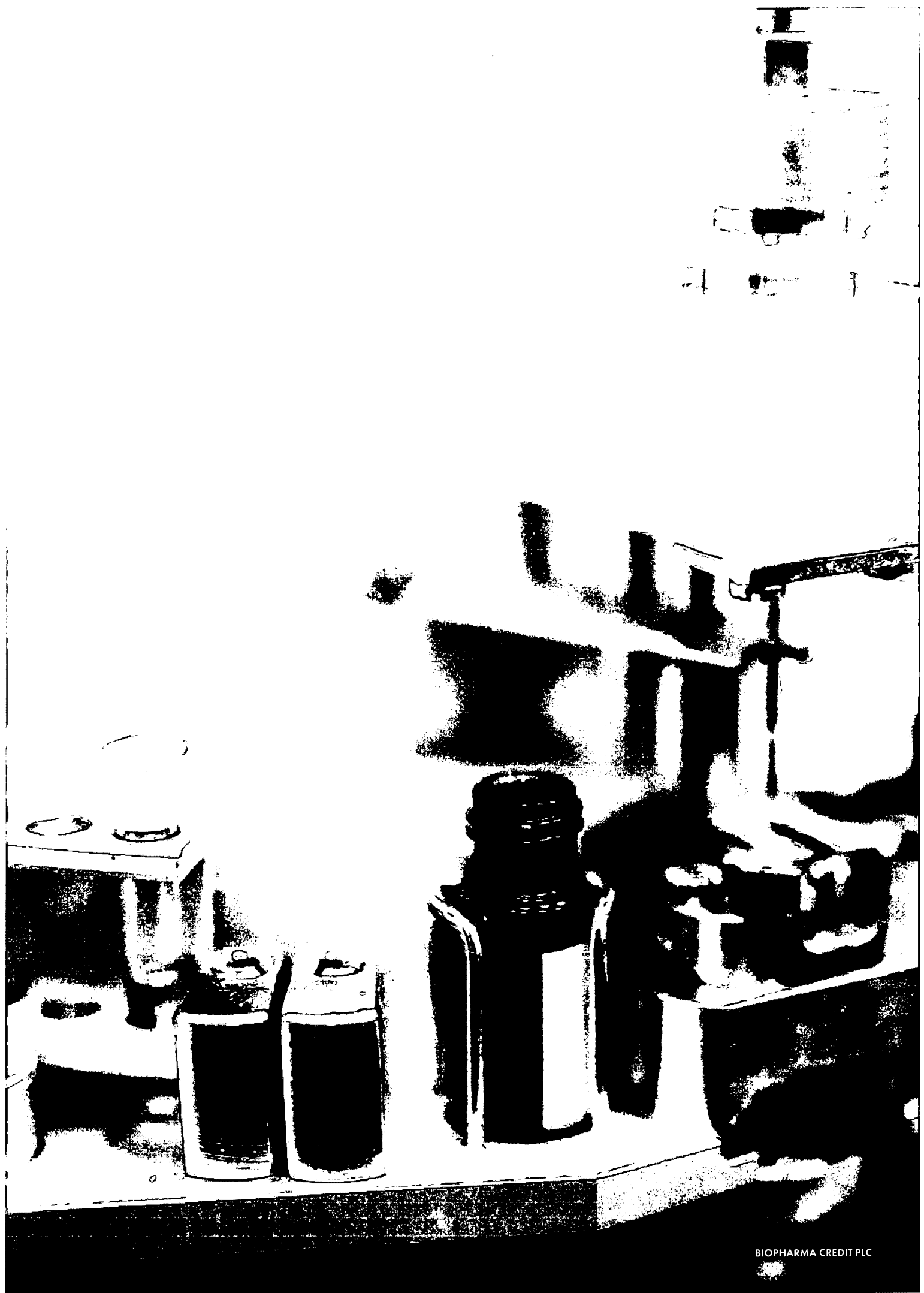
While the Company is not within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement, the Company considers its supply chains to be of low risk as its principal service providers are the professional advisers set out in the Corporate Information section on page 93. Further information on the Company's anti-bribery and corruption policy is set out on page 32.

There are five Directors, four male and one female. Further information on the composition and operation of the Board is detailed on pages 28 and 29.

This Strategic Report has been approved by the Board and signed on its behalf by



Harry Hyman
Chairman
15 March 2021



BOARD OF DIRECTORS

All Directors in office at the date of this report are non-executive and independent of the Investment Manager.



HARRY HYMAN
Chairman

Harry Hyman is the founder and CEO of Primary Health Properties PLC ("PHP"), a FTSE 250 Index company that specialises in the ownership of property leased on a long-term basis to healthcare providers. After graduating from Christ's College Cambridge, Mr Hyman qualified as a chartered accountant with Price Waterhouse. In 1983 he joined Baltic PLC where he was deputy managing director, finance director and company secretary. He left to establish PHP and Nexus in February 1994. Mr Hyman is the founder of The International Opera Awards. He has been a non-executive director of a number of listed investment trusts.

Mr Hyman was appointed as a Director of the Company on 27 February 2017 and as Chairman of the Company on 16 September 2020.



COLIN BOND
Chairman of the Audit and Risk Committee

Colin Bond has been chief financial officer of the pharmaceutical company Vifor Pharma based in Zürich since 2016. He is a non-executive director of Siegfried AG. From 2010 to 2016, he was the chief financial officer of Evotec AG, the early drug discovery company listed on the Frankfurt Stock Exchange as part of the MDAX. Prior to that, he held CFO positions at several companies including Ecolab and Novartis. During his early career, he worked as a pharmacist, auditor, and management consultant for Procter & Gamble, Arthur Andersen, and PricewaterhouseCoopers LLP, respectively. He holds a university degree in Pharmacy from the University of Aston (Birmingham) and an M.B.A. degree from London Business School. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Royal Pharmaceutical Society. Mr Bond is a citizen of Great Britain and Switzerland.

Mr Bond was appointed as a Director of the Company on 15 November 2016.



DUNCAN BUDGE
Senior Independent Director

Duncan Budge is chairman of Dunedin Enterprise Investment Trust plc and Artemis Alpha Trust plc, and a non-executive director of Lowland Investment Company plc, Menhaden Capital plc and Asset Value Investors Limited. He was previously a director of J. Rothschild Capital Management from 1988 to 2012 and a director and chief operating officer of RIT Capital Partners plc from 1995 to 2011. After graduating from the University of Oxford, he spent six years with Lazard Brothers.

Mr Budge was appointed as a Director of the Company on 24 October 2016 and as Senior Independent Director on 16 September 2020.



STEPHANIE LÉOUZON
Director

Stephanie Léouzon is a partner and head of Torrey Europe. She has worked on over 100 strategic and financing transactions in the biopharmaceutical industry, with an aggregate value of over \$75 billion. Mrs Léouzon joined Torrey in 2011. Previously, she was a managing director and senior adviser at Credit Suisse in London. She has also worked at Salomon Brothers, as a director of healthcare investment banking, and as a vice president in the investment banking divisions of JP Morgan and Lehman Brothers in New York. She was previously a non-executive director of Endotis Pharma SA and Immunovaccine Inc.

Mrs Léouzon was appointed as a Director of the Company on 5 December 2018.



ROLF SODERSTROM

Director

Rolf Soderstrom has over 30 years' strategic and operational experience in finance including M&A, fundraisings and disposals and is currently Senior Independent Director of Ergomed plc and Chair of its Audit and

Risk Committee and External Independent Director of Sosei Group Corporation, which is listed on the Tokyo Stock Exchange, both of which are companies in the life sciences sector. From 2008 to 2018, Mr Soderstrom was CFO of BTG plc and helped drive the successful transformation of the company into a fully integrated global manufacturing and sales organisation focused on specialist healthcare. He was previously Divisional Finance Director at Cobham Plc and Director of Corporate Finance at Cable & Wireless Plc and qualified as a chartered accountant at PricewaterhouseCoopers LLP. He received a BA honours degree in History from University College London and is a member of the Institute of Chartered Accountants of England and Wales. Mr Soderstrom is a citizen of Great Britain and Finland.

Mr Soderstrom was appointed as a Director of the Company on 16 September 2020.



JEREMY SILLEM

Director

Jeremy Sillem is the managing partner of Spencer House Partners LLP, a London-based firm focused on providing financial advice and capital to the asset and wealth management industry. Prior to founding Spencer

House Partners in 2005, he was, from 2000 to 2004, chairman of Bear Stearns International in London. Before that, he spent a 28-year career with Lazard LLC and its predecessor entities in London and New York. Mr Sillem is a non-executive director of RIT Capital Partners plc and an advisory director of Partners Capital LLC. He is the former chairman of The World Trust Fund, and a former board member of CDC Group, Martin Currie, RHJ International, Kleinwort Benson Group, Harbourmaster Holdings and WP Stewart. He is a trustee of Reform, the public policy think tank, a member of the investment committee of the National Portrait Gallery and a former member of the investment advisory committee of Brasenose College, Oxford. He received an M.A. (Honours) in Politics, Philosophy and Economics from the University of Oxford.

Mr Sillem retired as a Director and Chairman of the Company on 16 September 2020.

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report and audited financial statements for the year ended 31 December 2020.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on pages 28 and 29.

SHARE CAPITAL

At the general meeting held on 28 February 2017, the Company was granted authority to allot Ordinary Shares or C Shares up to an aggregate nominal amount of \$20 million on a non-pre-emptive basis for a period of five years from the date of the resolution. No Ordinary Shares or C Shares have been allotted under this authority during the year. As at the date of this report, the Company may allot further Ordinary Shares or C Shares up to an aggregate nominal amount of \$6,244,038.87 under its existing authority. Further information on the Company's share capital is set out in Note 13 to the financial statements.

As a result of volatile equity market conditions and in accordance with Section 9 of its prospectus published on 14 March 2018, the Company was required to purchase shares in the market during the year as a result of the shares trading in excess of a 5% discount to its NAV per ordinary share over a 3 month rolling period using the methodology described in the prospectus. At the annual general meeting held on 25 June 2020, the Company was granted authority to purchase up to 14.99 per cent. of the Company's Ordinary

Share capital in issue at that date, amounting to 205,952,416 Ordinary Shares. As set out in the Chairman's Statement on page 4, 59,694 Ordinary Shares of \$0.01 were bought back under this authority during the year, at a total cost of \$60,009, and are held in treasury. This represented 0.004% of the issued share capital at 31 December 2020. No shares were purchased during the year for cancellation. At 31 December 2020, and as at the date of this report, the Company has the authority to buy back 205,892,722 Ordinary Shares under this authority. This authority will expire at the conclusion of, and renewal will be sought at, the annual general meeting to be held in June 2021.

At 31 December 2020, and as at the date of this report, there are 1,373,932,067 Ordinary Shares in issue, of which 59,694 Ordinary Shares are held in treasury. At

general meetings of the Company, shareholders are entitled to one vote on a show of hands and on a poll, to one vote for every Share held. Shares held in treasury do not carry voting rights. The total voting rights of the Company at 31 December 2020, and as at the date of this report, were 1,373,872,373.

SUBSTANTIAL SHAREHOLDINGS

The Directors have been informed of the following notifiable interests in the Company's voting rights as at 31 December 2020:

	Number of Ordinary Shares	% of voting rights
Newton Investment Management Limited	137,600,609	10.02
M&G plc	137,026,976	9.97
Adage Capital Partners GP LLC	130,851,379	9.52
Pablo Legorreta	76,742,548	5.59
Interseguro Compañía de Seguros S.A.	72,791,326	5.30
Inteligo Bank Limited	66,593,210	4.85

The Company has not been informed of any changes to the notifiable interests between 31 December 2020 and the date of this report.

INFORMATION ABOUT SECURITIES CARRYING VOTING RIGHTS

The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules:

- the Company's capital structure and voting rights and details of the substantial shareholders in the Company are set in Note 13 to the financial statements and above;
- the giving of powers to issue or buy back the Company's Shares requires an appropriate resolution to be passed by shareholders; and
- there are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities and no agreements between holders of securities regarding their transfer known to the Company.

SIGNIFICANT AGREEMENTS

The Company's facility agreement is considered significant in terms of its potential impact on the business of the Company.

The Company has entered into a \$200 million secured revolving term loan facility with JPMorgan Chase Bank expiring on 22 May 2023, with a floating rate interest of LIBOR plus 4.00 per cent. (the "Facilities Agreement"). The Facilities Agreement could alter or terminate on the change of control of the Company.

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 is expecting further clarification from the Alternative Reference Rates Committee (ARRC) following its July 2021 meeting. In anticipation of a future transition, most new instruments that reference USD LIBOR include language that describes how a new reference rate will be used in the absence of USD LIBOR. The Company has six loans with coupons that reference 3 Month USD LIBOR and they all include similar language. Of these six loans, one is subject to a floor of 1.00 per cent. and the other five have a 2.00 per cent. floor. As of 18 February 2021 the 3 Month USD LIBOR rate is 0.18238 per cent., significantly below the floors in the six loans. The Investment Manager will continue to monitor news on the transition and will take steps in accordance with industry standards.

DIVIDENDS

Dividends paid in respect of the year ended 31 December 2020 are set out on in Note 6 to the financial statements.

DIVIDEND POLICY

The Company pays dividends in US dollars or GBP Sterling, if requested by a specific shareholder, on a quarterly basis. The Company may, where the Directors consider it appropriate, use the special distributable reserve created by the cancellation of its Share premium account to pay dividends.

The Company targets an annual dividend yield of 7 per cent. on the Ordinary Shares (calculated by reference to the issue price at IPO), together with a net total return on NAV of 8-9 per cent. per annum on the Ordinary Shares in the medium term.

FINANCIAL RISK MANAGEMENT

The principal risks and the Company's policies for managing these risks are set out in the Strategic Overview on pages 19 to 25 and Note 16 to the financial statements.

CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 33 to 39 forms part of the Directors' Report.

STAKEHOLDER ENGAGEMENT

While the Company has no employees, suppliers or customers, the Directors give regular consideration to the need to foster the Company's business relationships with its stakeholders, in particular with clients, shareholders and service providers. The effect of this consideration upon the principal decisions taken by the Company during the financial year is set out in further detail in the Strategic Report on pages 16 to 17.

STREAMLINED ENERGY AND CARBON REPORTING

The Company is an investment trust, with neither employees nor premises. It has no greenhouse gas emissions to report from its operations nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within the Company's underlying investment portfolio. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

REQUIREMENTS OF THE LISTING RULES

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotments of shares is set out on page 30. The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

MANAGEMENT ARRANGEMENTS

The Company has appointed Pharmakon Advisors L.P., a limited partnership established under the laws of the State of Delaware, USA as its Investment Manager and Alternative Investment Fund Manager ("AIFM"). The Investment Manager is a registered investment adviser under the Advisers Act and is regulated by the SEC.

The Company and the Investment Manager have entered into an Investment Management Agreement dated 1 March 2017, as amended on 14 March 2018, 24 May 2018 and 19 September 2018, pursuant to which the Investment Manager has been given responsibility, subject to the overall supervision of the Board, for the active

DIRECTORS' REPORT

investment management of the Debt Assets and all other investments of the Company from time to time, including sourcing and advising on investment opportunities and proposals which are in accordance with the Company's investment objective and policy. The Investment Management Agreement may be terminated by: (a) the Investment Manager on not less than six months' notice to the Company; or (b) the Company on not less than six months' notice to the Investment Manager, such notice not to expire earlier than: (i) 36 months following Admission, unless approved by Shareholders by ordinary resolution.

Details about the management and performance fee can be found in Note 4 to the financial statements.

The Investment Manager consists of three principals: Pedro Gonzalez de Cosio, Pablo Legorreta and Martin Friedman. In addition, the Investment Manager may draw on the expertise of certain employees of its affiliate, RP Management LLC. For these purposes, the Investment Manager and RP Management LLC entered into a Shared Services Agreement on 30 November 2016, whereby RP Management LLC provides the services of its research, legal and compliance, and finance teams to the Investment Manager.

The Investment Manager is responsible for the acts of RP Management LLC personnel pursuant to the Shared Services Agreement. Under the Shared Services Agreement, each of RP Management LLC and the Investment Manager has agreed to reimburse the other for reasonable internal and third-party expenses incurred by the other on its behalf, or for its benefit, as a result of rendering such services. Such expenses include (without limitation) business development, due diligence, legal, consulting, compliance, research and similar expenses.

Under the Shared Services Agreement, subject to each party's fiduciary duties to its clients, each of RP Management LLC and the Investment Manager has agreed to refer to the other any business opportunities that fit the other's investment objectives. To the extent that a business opportunity involves both equity and debt-like financing transactions, each of RP Management LLC and the Investment Manager shall be free to negotiate an offer aligning with its own investment objectives and is under no obligation to take the other party's investment objectives into consideration during such a negotiation.

The Shared Services Agreement is governed by the laws of the State of New York and may be terminated by either RP Management LLC or the Investment Manager upon 30 days' written notice.

ANTI-BRIBERY AND CORRUPTION POLICY

The Company has reviewed the statements regarding compliance with the Bribery Act 2010 by the Company's Investment Manager and service providers. These statements are reviewed regularly by the Audit and Risk Committee.

FUTURE DEVELOPMENTS

Looking ahead, there are likely to be challenges during 2021 as the UK deals with the uncertainty arising from the end of the transition period from leaving the European Union. The long-term impact on the portfolio from Brexit has been considered. Whilst it is difficult to quantify the impact of such a change, it is not believed to fundamentally impact the business of the Company or to make the sector any less attractive as an investment.

The effects of Covid-19 may have economic consequences that extend beyond the short term. The restrictions put in place to limit the further spread of Covid-19 while the vaccine is distributed may have a large impact on a wide range of economic indicators. The Investment Manager conducted a review of the Company's investments and believes that the Covid-19 virus has not had a material impact on the credit quality of the loans. The Investment Manager continues to monitor the portfolio and will inform investors of any material changes to this assessment.

Further details on the outlook of the Company are set out in the Chairman's Statement on page 5.

INDEPENDENT AUDITOR

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AGM

The Company's annual general meeting will be held in June 2021. The notice of this meeting will be circulated to shareholders in due course. The notice will also be uploaded to the Company's website www.bpcruk.com.

By order of the Board

Link Company Matters Limited

Company Secretary
15 March 2021

For and on behalf of Link Company Matters Limited



CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement forms part of the Directors' Report.

INTRODUCTION FROM THE CHAIRMAN

I am pleased to introduce this year's Corporate Governance Statement. In this statement, the Company reports on its compliance with the 2019 AIC Code of Corporate Governance (the "AIC Code") and sets out how the Board has operated during the past year. The Board is accountable to shareholders for the governance of the Company and is committed to maintaining the highest standard of corporate governance for the long-term sustainable success of the Company.

COMPLIANCE WITH THE AIC CODE

The Company reviews its standards of governance against the principles and recommendations of the AIC Code. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders as it addresses all the principles set out in the 2018 UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts, and is endorsed by the Financial Reporting Council (the "FRC"). The terms of the FRC's endorsement mean that AIC members who report against the AIC Code meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules of the Financial Conduct Authority. A copy of the AIC Code can be found at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company.

The UK Code includes provisions relating to:

- the role of the chief executive; and
- executive directors' remuneration.

For the reasons explained in the AIC Code, the Board considers that these provisions are not relevant to the

Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board has reviewed the principles and recommendations of the AIC Code and considers that it has complied throughout the year, except as disclosed below:

- Directors are not appointed for a specific term as all Directors are non-executive and the Company has adopted a policy of all Directors, including the Chairman, standing for annual re-election. The Board has determined that no further policy on tenure is required.
- Given the structure and size of the Board, the Board does not consider it necessary to appoint separate nomination, management engagement or remuneration committees. The roles and responsibilities normally reserved for these committees are matters for the full Board.

BOARD OF DIRECTORS

Under the leadership of the Chairman, the Board of Directors is collectively responsible for the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Directors are responsible for the determination of the Company's investment policy and investment strategy and have overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of the Investment Manager.

The Board consists of five non-executive Directors. It seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience of investment trusts and financial and public company management. The Chairman of the Audit and Risk Committee, Mr Bond, has recent and relevant financial experience as set out in his biography on page 28.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

As detailed in the Chairman's Statement on page 5, a number of Board changes have taken place during the year. Mr Sillem retired as a Director and Chairman of the Company and was replaced as Chairman by Mr Hyman. The Board also appointed Mr Soderstrom as a Director of the Company, with all three changes taking effect from 16 September 2020. The Company engaged Nurole, an independent external search consultancy with no connection to the Company and the Directors, to assist it with this appointment.

The terms and conditions of the appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection from the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year. Directors are not entitled to any compensation for loss of office.

CULTURE

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He demonstrates objective judgement, promotes a culture of openness and debate and facilitates constructive Board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. The Directors are required to act with integrity, lead by example and promote this culture within the Company.

The Board seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager. The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director and the culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as a whole during the annual review of the performance and continuing appointment of all service providers. The Board holds monthly update meetings with the Investment Manager and seeks to hold one Board meeting a year at Pharmakon's offices in New York, though this was not possible in 2020 due to the ongoing impact of the COVID-19 pandemic. Such meetings enable the Directors to understand better the culture of the Investment Manager and of RP Management LLC, with whom the Investment Manager has a shared service agreement.

Further information on the Company's engagement with its stakeholders is set out on pages 16 to 17.

CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR

Following the resignation of Mr Sillem as a Director, Mr Hyman was appointed as Chairman of the Company on 16 September 2020. Mr Hyman is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Company. Mr Hyman has no significant commitments other than those disclosed in his biography on page 28.

Mr Budge was appointed as Senior Independent Director of the Company following the appointment of Mr Hyman as Chairman. As Senior Independent Director, Mr Budge acts as a sounding board for the Chairman, meets with major shareholders as appropriate, provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors. In the event of a period of stress, the Senior Independent Director would work with the Chairman, the other Directors, and/or shareholders to resolve any issues.

BOARD OPERATION

The Directors have adopted a formal schedule of matters specifically reserved for their approval. These include the following:

- approval of the Company's investment policy, long-term objectives and commercial strategy;
- approval of the gearing policy of the Company;
- approval of Annual and Half-yearly Reports and financial statements and accounting policies, prospectuses, circulars and other shareholder communications;
- raising new capital;
- approval of dividends;
- Board appointments and removals;
- appointment and removal of the Investment Manager, Auditor and the Company's other service providers; and
- approval of the Company's annual expenditure budget.

BOARD MEETINGS

The Company has four scheduled Board meetings a year, with additional meetings arranged as necessary.

At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Secretary. The Secretary, the Administrator and the Investment Manager regularly provide the Board with financial information, including an annual expenses budget, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. A description of the Company's risk management and internal control systems is set out in the Strategic Report on page 19.

At each Board meeting, representatives from the Investment Manager are in attendance to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period. The Board and the Investment Manager operate in a fully supportive, co-operative and open environment and ongoing communication with the Board is maintained between formal meetings.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

AUDIT AND RISK COMMITTEE

The Board has established an Audit and Risk Committee to assist its operations. The Committee's delegated responsibilities are clearly defined in formal terms of reference, which are available on the Company's website.

The Committee comprises all Directors and is chaired by Mr Bond. Given the size and nature of the Board it is felt appropriate that all Directors are members of the Audit and Risk Committee. Its responsibilities are detailed in the Audit and Risk Committee Report on pages 40 and 42. The Committee has direct access to the Company's Auditor, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend quarterly meetings of the Committee.

Further details about the Audit and Risk Committee and its activities during the year under review are set out on pages 40 and 42.

MEETING ATTENDANCE

The number of scheduled Board and Audit and Risk Committee meetings held during the year ended 31 December 2020 and the attendance of the individual Directors is shown below:

	Board meetings		Audit and Risk Committee meetings	
	Number of meetings	Number attended	Number of meetings	Number attended
Jeremy Sillem ¹	3	3	2	2
Colin Bond	4	4	3	3
Duncan Budge	4	4	3	3
Harry Hyman	4	4	3	3
Stephanie Léouzon	4	4	3	3
Rolf Soderstrom ²	1	1	1	1

1. Mr Sillem resigned as a Director of the Company on 16 September 2020

2. Mr Soderstrom was appointed as a Director of the Company on 16 September 2020

A number of additional Board meetings were held by the Company during the year ended 31 December 2020. These meetings were held in respect of planning the year end audit and obtaining updates on the interim review.

INDEPENDENCE OF DIRECTORS

The independence of the Directors is reviewed as part of the annual evaluation process. Each Director is considered to be independent in character and judgement and entirely independent of the Investment Manager. None of the Directors sit on the boards of any other companies managed by the Investment Manager.

INDUCTION OF NEW DIRECTORS

A procedure for the induction of new Directors has been established, including the provision of an induction pack containing relevant information about the Company, its processes and procedures. New appointees have the opportunity of meeting with the Chairman, relevant persons at the Investment Manager and the Secretary. During the year under review, this induction process was undertaken following the appointment of Mr Soderstrom as a Director of the Company.

ELECTION/RE-ELECTION AND RETIREMENT OF DIRECTORS

Under the Company's Articles and in accordance with the AIC Code, Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, at each AGM any Director who has not stood for re-election at either of the two preceding AGMs shall retire. In addition, one-third of the Directors eligible to retire by rotation shall retire from office at each AGM. Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's Annual General Meetings.

In accordance with the above policy, following his appointment as a Director during the year, Mr Soderstrom will be standing for election at the forthcoming AGM. All other Directors will be seeking re-election.

Following formal performance evaluation as detailed below, the Board strongly recommends the election/re-election of each of the Directors on the basis of their experience and expertise in investment matters, their independence and continuing effectiveness and commitment to the Company.

DIVERSITY POLICY

In accordance with the AIC Code, the Board is comprised of a mixture of individuals who have an appropriate balance of skills and experience to meet the future opportunities and challenges facing the Company. Appointments are made first and foremost on the basis of merit and taking into account the recognised benefits of all types of diversity. The Board ensures that diversity is an important consideration and part of the selection criteria used to assess candidates to achieve a balanced Board. This policy was taken into account for the Director appointment process undertaken during the year.

CONFLICTS OF INTEREST

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. The Director must request authorisation from the Board as soon as they become aware of the possibility of an interest that conflicts, or might possibly conflict, with the interests of the Company ("situational conflicts"). The Company's Articles authorise the Board to approve such situations, where deemed appropriate.

A register of conflicts is maintained by the Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include: whether the situational conflict could prevent the Director from properly performing their duties; whether it has, or could have, any impact on the Company; and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

PERFORMANCE EVALUATION OF THE BOARD

The Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness. The Directors have therefore opted to undertake an internal performance evaluation by way of questionnaires specifically designed to assess the strengths and independence of the Board and the Chairman, individual Directors and the performance of the Audit and Risk Committee. The evaluation of the Chairman is carried out by the other Directors of the Company, led by the Senior Independent Director. The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. The Chairman acts on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board as appropriate. The results of the Board evaluation process are reviewed and discussed by the Board as a whole. This evaluation process is carried out annually.

The composition of the Board and, in particular, succession planning are kept under review by the Board and are considered on an annual basis as part of the evaluation process in order to ensure an orderly refreshment of the Board and to develop a diverse pipeline.

Following the evaluation process conducted during the year under review, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company. The Board has satisfied itself that the Directors have enough time to devote to the Company's affairs.

INSURANCE AND INDEMNITY PROVISIONS

The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties. The Company has Directors' and Officers' liability insurance and professional indemnity insurance to cover legal defence costs and public offering of securities insurance in place in respect of both the IPO and the

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Placing Programme. Under the Company's Articles, the Directors are provided, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. This indemnity was in force during the year and remains in force as at the date of this report. Apart from this, there are no third-party indemnity provisions in place for the Directors.

COMPANY SECRETARY

The Board has direct access to the advice and services of the Secretary, Link Company Matters Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of the information and reports which the Directors require and that the statutory obligations of the Company are met.

INTERNAL CONTROL REVIEW

The Board is responsible for the systems of internal controls relating to the Company, including the reliability of the financial reporting process and for reviewing the systems' effectiveness. The Directors have reviewed and considered the guidance supplied by the FRC on risk management; internal control and related finance and business reporting and an ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Company. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of this report.

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only

provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the year and up to the date of approval of the report and financial statements. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

INTERNAL CONTROL ASSESSMENT PROCESS

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective:

In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in light of the following factors:

- The nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Company and benefits related to the review of risk and associated controls of the Company; and
- the extent to which third parties operate the relevant controls.

A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. This risk matrix is reviewed twice a year by the Audit and Risk Committee and at other times as necessary.

The principal risks that have been identified by the Board are set out on pages 19 to 25.

The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis.

Most functions for the day-to-day management of the Company are subcontracted, and the Directors therefore obtain regular assurances and information from key third-party suppliers regarding the internal systems and controls operated in their organisations. In addition, each third party is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit and Risk Committee.

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Audit and Risk Committee Report for the year ended 31 December 2020.

RESPONSIBILITIES OF THE COMMITTEE

The primary responsibilities of the Committee are as follows:

- to monitor the integrity of the financial statements of the Company, the financial reporting process and the accounting policies of the Company;
 - to review the content of the Annual Report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
 - to keep under review the effectiveness of the Company's internal control environment and risk management systems;
 - to review the scope and effectiveness of the audit process undertaken by the Auditor;
 - to make recommendations to the Board in relation to the appointment, reappointment or removal of the external Auditor and to approve its remuneration and terms of engagement;
 - to review and monitor the Auditor's independence, objectivity and effectiveness; and
 - to approve any non-audit services to be provided by the Auditor and monitor the level of fees payable in that respect.
- received and discussed with the Auditor its report on the results of the review of the half-yearly financial statements and the year-end audit;
 - reviewed the Company's half-yearly and annual financial statements and recommended these to the Board for approval;
 - examined in detail the methodology and assumptions applied in revaluing the assets of the Company; and
 - reviewed the valuation of the Company's assets on a quarterly basis.

ACTIVITIES IN THE YEAR

During the year, the Committee has:

- conducted a review of the internal controls and risk management systems of the Company and its third-party service providers;
- agreed the audit plan and fees with the Auditor in respect of the interim review of the Half-yearly Report for the period ended 30 June 2020 and the statutory audit of the Annual Report for the year ended 31 December 2020, including the principal areas of focus;

MEETINGS

The Audit and Risk Committee (the "Committee") met three times during the year under review and once following the year end.

Details of the composition of the Committee are set out in the Corporate Governance Statement on page 36.

SIGNIFICANT ISSUES

The Committee considered the following key issues in relation to the Company's financial statements during the year. A more detailed explanation of the consideration of the issues set out below, and the steps taken to manage them, is set out in the Principal Risks and Uncertainties on pages 19 to 25.

VALUATION OF UNLISTED INVESTMENTS

In the year under review, the Committee reviewed the valuation process of the Company's unlisted investments and the systems in place to ensure the accuracy of these valuations, particularly in view of the fact that the unlisted investments represent the principal element of the NAV. During the year, the Committee conducted quarterly reviews of the investments held by the Company.

INTERNAL CONTROLS

The Committee carefully considers the internal control systems by continually monitoring the services and controls of its third-party service providers.

The Committee reviewed, and where appropriate, updated the risk matrix during the year under review. This is done on a biannual basis. The Committee received a report on internal control and compliance

from the Administrator and Registrar and no significant matters of concern were identified.

The Company does not have an internal audit function. During the year, the Committee reviewed whether an internal audit function would be of value and concluded that this would provide minimal additional comfort at considerable extra cost to the Company. While the Committee believes that the existing system of monitoring and reporting by third parties remains appropriate and adequate, it will continue, on an annual basis, to actively consider possible areas within the Company's controls environment which may need to be reviewed in detail.

GOING CONCERN AND LONG-TERM VIABILITY OF THE COMPANY

The Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the Annual Report for the year ended 31 December 2020, covering a five-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 25.

AUDIT FEES AND NON-AUDIT SERVICES PROVIDED BY THE AUDITOR

The Committee reviewed the audit plan and fees presented by the Auditor and considered its report on the financial statements. Total fees for the year payable to the Auditor amounted to \$522,000. This figure includes \$81,000 in respect of the half year interim review and agreed-upon procedures. In accordance with the Company's policy on the provision of non-audit services, all non-audit services provided by the Auditor during the year were approved in advance by the Committee. Further information on the fees paid to the Auditor is set out in Note 4 to the financial statements.

The non-audit services provided by the Auditor during the year under review were assurance related, and the Committee firmly believes that PricewaterhouseCoopers LLP have been best placed to provide them on a timely and cost-effective basis to the benefit of shareholders.

EFFECTIVENESS OF THE EXTERNAL AUDIT

The Committee reviews the effectiveness of the external audit carried out by the Auditor on an annual basis. The Chairman of the Committee maintained regular contact with the Company's Audit Partner throughout the year and also met with them prior to the finalisation of the audit of the Annual Report and financial statements for the year ended 31 December 2020, without the Investment Manager being present, to discuss how the external audit was carried out, the findings from such audit and whether any issues had arisen from the Auditor's interaction with the Company's various service providers.

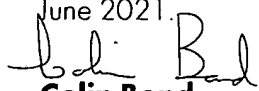
INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

The Committee has considered the independence and objectivity of the Auditor and has conducted a review of non-audit services which the Auditor has provided during the year under review. The Committee receives an annual confirmation from the Auditor that its independence is not compromised by the provision of such non-audit services. Jessica Miller is the Audit Partner allocated to the Company by PricewaterhouseCoopers LLP. The audit of the financial statements for the year ended 31 December 2020 is her third as signing Audit Partner. Scott Berryman was the Senior Statutory Auditor for the year ended 31 December 2019 whilst Ms Miller was on parental leave. The Committee is satisfied that the Auditor's objectivity and independence is not impaired by the performance of these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders. PricewaterhouseCoopers LLP was appointed as Auditor to the Company in 2017. The Committee reviews the continuing appointment of the Auditor on an annual basis and gives regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

AUDIT TENDER

A tender process will be undertaken by the Company in relation to the statutory audit for the year ending 31 December 2021. It is expected that this process will be completed in the first half of 2021. Further information regarding the outcome of the tender process will be included in the notice of AGM that will be published separately ahead of the AGM in June 2021.



Colin Bond

Audit and Risk Committee Chairman
15 March 2021

REMUNERATION REPORT

STATEMENT FROM THE CHAIRMAN

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

As set out in the Corporate Governance Statement on page 33, the Directors' remuneration is determined by the Board as a whole. The Board reviews Directors' fees on an annual basis. During the year ended 31 December 2020, the annual fees were set at the rate of \$100,000 for the Chairman, \$85,000 for the Chairman of the Audit and Risk Committee and \$70,000 for a Director. These fees were unchanged from the prior year. No changes to these fee levels are proposed for the year ending 31 December 2021.

The Directors' remuneration report is put to a shareholder vote on an annual basis. The Directors'

remuneration policy is put to a shareholder vote in the first year of a company or in any year where there is to be a change to the policy and, in any event, at least once every three years.

The Directors' remuneration policy was last approved by shareholders in 2018. Accordingly, an ordinary resolution will be put to shareholders at the forthcoming annual general meeting to be held in June 2021, to receive and approve the Directors' remuneration policy, in addition to the ordinary resolution to receive and approve the Directors' remuneration report. The proposed Directors' remuneration policy is substantially unchanged from that previously approved by shareholders.

VOTING AT AGM

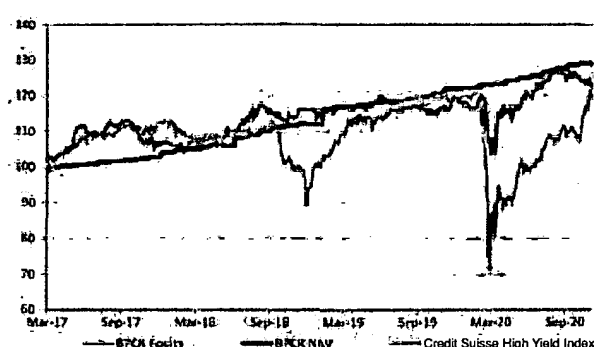
The Directors' Remuneration Report for the year ended 31 December 2019 and the Directors' Remuneration Policy were approved by shareholders at the AGMs held on 25 June 2020 and 29 June 2018 respectively. The votes cast by proxy were as follows:

	Directors' remuneration report		Directors' remuneration policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	695,907,982	99.97	736,752,867	98.46
Against	227,208	0.03	–	–
At Chairman's discretion	–	–	11,540,322	1.54
Total votes cast	696,135,190	100.00	748,293,189	100.00
Number of votes withheld	11,185	–	–	–

PERFORMANCE OF THE COMPANY

The graph below compares the total return to Ordinary Shareholders compared to the Credit Suisse High Yield Index. The performance of the Credit Suisse High Yield Index (USD) is shown as a market reference for investors.

Price and NAV TR performance¹ since IPO



1. Net asset value total return is computed by taking the change in monthly net asset value, reinvesting all income and capital distributions during that month and dividing by the starting net asset value. Reinvestments are made on the reinvestment date. The total returns do account for management, administrative and other costs automatically taken out of Company assets.

REMUNERATION REPORT (CONTINUED)

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2020 (AUDITED)

The remuneration paid to the Directors during the year ended 31 December 2020 is set out in the table below:

	Fees		Expenses		Total	
	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Harry Hyman ¹	78,769	70,000	–	2,837	78,769	72,837
Colin Bond	85,000	85,000	3,185	–	88,185	85,000
Duncan Budge	70,000	70,000	–	–	70,000	70,000
Stephanie Léouzon	70,000	70,000	115	9,778	70,115	79,778
Jeremy Sillem ²	71,154	100,000	545	10,657	71,699	110,657
Rolf Soderstrom ³	20,462	–	–	–	20,462	–
	395,385	395,000	3,845	23,272	399,230	418,272

1. Appointed as Chairman of the Company on 16 September 2020.

2. Retired as a Director of the Company on 16 September 2020.

3. Appointed as a Director of the Company on 16 September 2020.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out in respect of the year ended 31 December 2020:

- a) the remuneration paid to the Directors;
- b) the Investment management fee; and
- c) the distributions made to shareholders by way of dividend.

	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$	Change %
Directors' remuneration	395,385	395,000	0.1
Investment management fee	13,745,161	14,023,375	-2.0
Investment Manager's performance fee	4,909,000	13,570,000	-63.8
Dividends paid to shareholders	113,896,873	98,613,163	15.5

DIRECTORS' INTERESTS (AUDITED)

There is no requirement under the Company's Articles for Directors to hold Shares in the Company.

As at 31 December 2020, the interests of the Directors and any connected persons in the Ordinary Shares of the Company are set out below:

	Year ended 31 December 2020 Number of Shares	Year ended 31 December 2019 Number of Shares
Harry Hyman	102,506 ¹	102,278 ²
Colin Bond	100,000	100,000
Duncan Budge ³	100,000	100,000
Stephanie Léouzon	–	–
Jeremy Sillem ⁴	300,000 ⁴	300,000
Rolf Soderstrom ⁵	100,000	–

1. 2,506 of these shares are held by Anita Hyman, a connected person of Mr Hyman.

2. 2,278 of these shares were held by Anita Hyman, a connected person of Mr Hyman.

3. The legal and beneficial interest in 50% of Mr Budge's shares is held by Mrs Budge.

4. Number of shares held at date of retirement as a Director on 16 September 2020.

5. Appointed as a Director of the Company on 16 September 2020. 50,000 of these shares are held by Linda Davey, a connected person of Mr Soderstrom.

There have been no changes to any of the above holdings between 31 December 2020 and the date of this report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

REMUNERATION POLICY

INTRODUCTION

The Directors' remuneration policy is put to a shareholder vote in the first year of a company or in any year where there is to be a change to the policy and, in any event, at least once every three years. As the current remuneration policy was approved by shareholders in 2018, the policy will be put to shareholders at the 2021 annual general meeting. The Company's proposed remuneration policy, as set out below, is substantially the same as the existing policy.

POLICY

The Company follows the recommendation of the AIC Code that Non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of Non-executive Directors should reflect the experience of the Board as a whole, and be determined with reference to comparable organisations and appointments.

All Directors are Non-executive, appointed under the terms of letters of appointment. There are no service

contracts in place. The Company has no employees. In line with the majority of investment trusts, there are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for Non-executive Directors.

The Board has set three levels of fees: for a Director, for the Chairman of the Audit and Risk Committee and for the Chairman of the Board. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed to the Board will be determined on the same basis.

The approval of shareholders would be required to increase the aggregate limit of \$750,000, as set out in the Company's Articles. The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

DIRECTORS' FEE LEVELS

	Expected annual fees for the year ending 31 December 2021	Annual fees for the year ended 31 December 2020
Chairman	\$100,000	\$100,000
Chairman of the Audit and Risk Committee	\$85,000	\$85,000
Director	\$70,000	\$70,000

APPROVAL

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:


Harry Hyman
 Chairman
 15 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

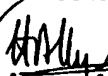
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

Each of the directors, whose names and functions are listed in the Board of Directors section on pages 28 and 29 confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board


Harry Hyman
 Chairman
 15 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOPHARMA CREDIT PLC

Report on the audit of the financial statements

OPINION

In our opinion, BioPharma Credit Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and

we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in the Audit and Risk Committee Report and Note 4 – Fees and Expenses, we have provided no non-audit services to the group in the period under audit.

OUR AUDIT APPROACH

OVERVIEW

Audit scope

- BioPharma Credit Plc is an Investment Trust Company and engages Pharmakon Advisors L.P. (the "Manager") to manage its assets
- We conducted our audit of the financial statements using information from Link Alternative Fund Administrators Limited (the "Administrator") to whom the Investment Manager has, with the consent of the Directors, delegated the provision of certain administrative functions
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.
- We obtained an understanding of the control environment in place at both the Investment Manager and the Administrator, and adopted a substantive testing approach.

Key audit matters

- Valuation of unlisted investments
- Accuracy, occurrence and completeness of performance fees
- Transfer of assets to BPCR Limited Partnership
- COVID-19

Materiality

- Overall materiality: US\$13.80 million dollars (2019: US\$14.00 million dollars) based on 1% of net assets.
- Performance materiality: US\$10.30 million dollars.

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, the Companies Act 2006, the AIC Code of Corporate Governance and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 the AIC Code of Corporate Governance and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve performance and management bias in estimating the fair value of unlisted investments. Audit procedures performed by the engagement team included:

- Discussions with management, the administrator and the Board, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of their unlisted investments (see related key audit matter below).
- Performed testing on a sample of journals based on identified potential fraud characteristics.
- Performed testing over Interest Income through recalculation and agreement to payments received.
- Designed audit procedures to incorporate unpredictability within our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Transfer of assets to BPCR Limited Partnership and COVID-19 are new key audit matters this year. Otherwise, the key audit matters below are consistent with prior year.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of unlisted investments</i> Refer to pages 72 to 79 of Note 7 – Investments at fair value through profit and loss. The investment portfolio at the period end comprised of level three unlisted investments valued at \$1,183 million, as disclosed on the statement of financial position in the financial statements. We focused on the valuation of unlisted investments because they represent the principal element of the net asset value as disclosed on the statement of financial position in the financial statements and require estimates and significant judgements to be applied by the Investment Manager in determining their fair value. Changes to the estimates and/or judgements can result, either on an individual or aggregate basis, in a material change to the valuation of unlisted investments. When assessing the fair valuation of these unlisted investments, we also examined the compliance with the requirements of International Private Equity and Venture ("IPEV") Capital Valuation Guidelines. We focused on the existence of unlisted investments as they are, individually and in aggregate, material to the financial statements.	We assessed the appropriateness of the valuation methodology used to estimate the fair value of unlisted investments, including whether it was in accordance with IFRS and IPEV guidelines. We understood and assessed the analysis performed by the Investment Manager to estimate the key assumptions used in estimating fair value, specifically the discount rates used to discount the cash flows of the unlisted investments. We assessed the information used by the Investment Manager in making their assessment, such as cash flow forecasts, collateral valuations and their interactions with management of the investee companies. We performed backtesting of the Investment Manager's cash flow projections against actuals for investee companies to assess the reasonableness of their forecasts. We independently obtained analyst reports for investee companies where available, and used them to assess the reasonableness of the Investment Manager's assumptions. We engaged our valuation experts to assess the reasonableness of the discount rates used to discount cash flows for certain unlisted investments, giving consideration to both the investee companies themselves and the broader interest rate market. We tested the existence of the investment portfolio by circulating investment confirmations to all investee companies. For new investments, we agreed the key terms to the original signed contracts with the investee companies.

<i>Accuracy, occurrence and completeness of performance fees</i> Refer to page 62 (Accounting Policies) and pages 68 to 70 (Note 4 – Fees and Expenses). A performance fee of \$4.9 million has been charged for the year with a liability at the year end of \$5.4 million. We focused on this area because the performance fee is calculated using a complex methodology, as set out in the Investment Management Agreement between the company and the Investment Manager.	We recalculated the performance fee to validate compliance with the methodology as set out in the Investment Management Agreement. We agreed the inputs to the calculation, including the net asset value and benchmark data, to appropriate sources, where applicable. We validated that the conditions for the payment of the performance fee have been met, and that the accounting treatment of the performance fee as a liability is appropriate.
<i>Transfer of assets to BPCR Limited Partnership</i> Refer to page 72 (Investments at fair value through profit or loss). During the year, the company transferred unlisted investments valued at \$1,049 million on 22 May 2020 to the newly formed and wholly-owned subsidiary, BPCR Limited Partnership. The company accounts for the investment in BPCR Limited Partnership at fair value, in line with an IFRS 10 exemption for investment entities.	We validated the transfer of assets by agreeing the new contracts entered between both parties. Assets transferred were agreed to management accounts which include the transfer of accrued income relating to the investments of \$21 million. We assessed the appropriateness of fair value recognition of the investment in BPCR Limited Partnership by agreeing it to the requirements of IFRS 10.
<i>COVID-19</i> Refer to page 4 (Chairman's Statement), page 7 (Investment Manager's Report), page 25 (Strategic Report) and page 32 (Directors' Report), page 34 (Corporate Governance Statement), which disclose the impact of the Covid-19 pandemic. The Covid-19 outbreak has been declared a pandemic by the World Health Organisation. Since the first quarter of 2020, it has caused significant economic uncertainty globally and disruption to supply chain and travel, slowed global growth and caused volatility in global markets.	We evaluated the Directors' assessment of the impact of the Covid-19 pandemic on the Company by: - Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by Covid-19. - Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. - Considered the impact of Covid-19 on the valuation of the investment portfolio.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment, notwithstanding the significant market uncertainties, they satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company, the Manager and the Administrator have in place appropriate business continuity plans and will be able to maintain service levels throughout the Covid-19 pandemic.	We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by obtaining evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of the service providers. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by reading the other information, including the principal risk and uncertainty statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below.
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HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	US\$13.80 million dollars (2019: US\$14.00 million dollars).
How we determined it	1% of net assets
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US\$10.30 million dollars for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US\$ 0.69 million dollars (2019: US\$ 0.70 million dollars) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a look-back assessment of management's prior year going concern assessment and forecast cash flows;
- Assessed management forecast of future cash flows;
- Considered the company's future commitments;
- Considered the company's statement of financial position and cash position; and
- Considered additional resources available to the company including a \$200 million revolving credit facility.

Based on the work we have performed, we have not identified any material uncertainties relating to events

or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement

INDEPENDENT AUDITORS' REPORT (CONTINUED)

of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

DIRECTORS' REMUNERATION

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as

other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding

of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

INDEPENDENT AUDITORS' REPORT

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 2 November 2016 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2017 to 31 December 2020.



Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 March 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

	Note	Year ended 31 December 2020			Year ended 31 December 2019		
		Revenue	Capital	Total	Revenue	Capital	Total
Income							
Investment income	3	99,473	–	99,473	128,935	–	128,935
Other income	3	1,072	–	1,072	13,403	–	13,403
Net gains on investments at fair value	7	–	9,474	9,474	–	8,567	8,567
Net currency exchange losses		–	(12)	(12)	–	(12)	(12)
Total income		100,545	9,462	110,007	142,338	8,555	150,893
Expenses							
Management fee	4	(13,745)	–	(13,745)	(14,023)	–	(14,023)
Performance fee	4	(4,909)	–	(4,909)	(13,570)	–	(13,570)
Directors' fees	4	(395)	–	(395)	(395)	–	(395)
Other expenses	4	(1,822)	–	(1,822)	(529)	(48)	(577)
Total expenses		(20,871)	–	(20,871)	(28,517)	(48)	(28,565)
Return on ordinary activities after finance costs and before taxation		79,674	9,462	89,136	113,821	8,507	122,328
Taxation on ordinary activities	5	–	–	–	–	–	–
Return on ordinary activities after finance costs and taxation		79,674	9,462	89,136	113,821	8,507	122,328
Net revenue and capital return per ordinary share (basic and diluted)	11	\$0.0580	\$ 0.0069	\$0.0649	\$0.0828	\$0.0062	\$0.0890

The total column of this statement is the Company's 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 62 to 90 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(In \$000s)

For the year ended 31 December 2020

	Note	Share capital	Share premium account	Special distributable reserve*	Capital reserve**	Revenue reserve*	Total equity attributable to shareholders of the Company
Net assets attributable to shareholders at 1 January 2020		13,739	607,125	730,631	10,552	41,689	1,403,736
Return on ordinary activities after finance costs and taxation		–	–	–	9,462	79,674	89,136
Dividends paid to Ordinary Shareholders	6	–	–	(79)	–	(113,818)	(113,897)
Cost of shares bought back for treasury		–	–	(60)	–	–	(60)
Net assets attributable to shareholders at 31 December 2020		13,739	607,125	730,492	20,014	7,545	1,378,915

For the year ended 31 December 2019

	Note	Share capital	Share premium account	Special distributable reserve*	Capital reserve	Revenue reserve*	Total equity attributable to shareholders of the Company
Net assets attributable to shareholders at 1 January 2019		13,739	607,125	734,309	2,045	22,804	1,380,022
Return on ordinary activities after finance costs and taxation		–	–	–	8,507	113,821	122,328
Dividends paid to Ordinary Shareholders	6	–	–	(3,678)	–	(94,936)	(98,614)
Net assets attributable to shareholders at 31 December 2019		13,739	607,125	730,631	10,552	41,689	1,403,736

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

** The capital reserve can be used to repurchase treasury shares. It cannot be used for distributions.

The notes on pages 62 to 90 form part of these financial statements.

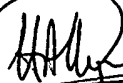
STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(In \$000s except per share amounts)

	Note	31 December 2020	31 December 2019
Non-current assets			
Investments at fair value through profit or loss	7	1,194,831	1,116,127
		1,194,831	1,116,127
Current assets			
Trade and other receivables	8	208	16,206
Cash and cash equivalents	9	193,269	296,638
		193,477	312,844
Total assets		1,388,308	1,428,971
Current liabilities			
Trade and other payables	10	9,393	24,504
Total current liabilities		9,393	24,504
Total assets less current liabilities		1,378,915	1,404,467
Non-current liabilities			
Deferred performance fee	10	–	731
Net assets		1,378,915	1,403,736
Represented by:			
Share capital	13	13,739	13,739
Share premium account		607,125	607,125
Special distributable reserve		730,492	730,631
Capital reserve		20,014	10,552
Revenue reserve		7,545	41,689
Total equity attributable to shareholders of the Company		1,378,915	1,403,736
Net asset value per ordinary share (basic and diluted)	12	\$1.0037	\$1.0217

The financial statements of BioPharma Credit PLC registered number 10443190 on pages 59 to 62 were approved and authorised for issue by the Board of Directors on 15 March 2021 and signed on its behalf by:



Harry Hyman
Chairman
15 March 2021

The notes on pages 63 to 91 form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2020

(In \$000s)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Investment income received		94,514	134,424
Other income received		1,498	13,668
Investment management fee paid		(34,610)	(13,721)
Finance costs paid		-	(3)
Amounts paid on behalf of BPCR Limited Partnership		(1,357)	-
Other expenses paid		(1,973)	(2,848)
Cash generated from operations	15	58,072	131,520
Net cash flow generated from operating activities		58,072	131,520
Cash flow from investing activities			
Purchase of investments*		(225,736)	(508,506)
Redemptions of investments*		162,500	387,169
Sales of investments*		15,764	21,042
Net cash flow used in investing activities		(47,472)	(100,295)
Cash flow from financing activities			
Dividends paid to Ordinary shareholders	6	(113,897)	(98,614)
Share buybacks		(60)	-
Gross proceeds of C Share Issue		-	467
Net cash flow used in financing activities		(113,957)	(98,147)
Decrease in cash and cash equivalents for the year		(103,357)	(66,922)
Cash and cash equivalents at start of year	9	296,638	363,572
Revaluation of foreign currency balances		(12)	(12)
Cash and cash equivalents at end of year	9	193,269	296,638

* Purchases of investments includes Collegium, Optinose Tranche B, Q4 2019 BMS purchased payment, 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.

The notes on pages 62 to 90 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

BioPharma Credit PLC is a closed-ended investment company incorporated and domiciled in the United Kingdom on 24 October 2016 with registered number 10443190. The registered office of the Company is 51 New North Road, Exeter, United Kingdom, 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 annual financial statements covers the year from 1 January 2020 to 31 December 2020 and have been prepared in conformity with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the Disclosure Guidance Transparency Rules sourcebook of the Financial Conduct Authority (FCA) and the AIC SORP (issued in October 2019) for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS. The financial

statements have been prepared in accordance with the Companies Act 2006, as applicable to companies using 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 2019, with the exception of the change explained in note 2 (F).

The financial statements are presented in US dollars, being the functional currency of the Company. The 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.

ASSESSMENT AS AN INVESTMENT ENTITY

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

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

The Directors have concluded that the Company meets the characteristics of an investment entity, in that it has more than one investor and its investors are not related parties; holds a portfolio of investments, predominantly in the form of loans which generates 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.

2. ACCOUNTING POLICIES (CONTINUED)

B) PRESENTATION OF 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. ACCOUNTING POLICIES (CONTINUED)

E) FOREIGN CURRENCY (CONTINUED)

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 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 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 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 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 is received. The impact of this change is immaterial to both the current and prior period. These fees are allocated to revenue within the 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.

2. ACCOUNTING POLICIES (CONTINUED)

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 Statement of Comprehensive Income. Where a performance fee is payable within the next twelve months, it is treated as a current liability in the 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 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.

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 year comprises current and deferred tax. Corporation tax is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. ACCOUNTING POLICIES (CONTINUED)

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.

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 2020

Amendment to IFRS 3 'Business Combinations'

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

P) ACCOUNTING STANDARDS NOT YET EFFECTIVE

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued and endorsed the following standards and interpretations, applicable to the Company, which are not yet effective for the year ended 31 December 2020 and have therefore not been applied in preparing these financial statements.

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

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

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

3. INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
	\$000	\$000
Income from investments		
US unfranked investment income from BPCR LP	40,844	-
US unfranked investment income from BioPharma III	-	844
US unfranked investment income from BPCR Ongdapa	3,440	7,429
US fixed interest investment income	21,856	27,148
US floating interest investment income	26,682	38,696
US make-whole interest investment income *	3,082	36,102
Paydown fee	427	-
Prepayment premium **	2,675	9,660
Additional consideration received ***	467	9,056
	99,473	128,935
Other income		
Interest income from liquidity/money market funds	1,072	10,525
Interest income from US treasury bonds	-	2,856
Other interest	-	22
	1,072	13,403
Total income	100,545	142,338

* In 2020 the Company's senior secured term loan to Lexicon included make whole interest investment income of \$3,082,000, which was paid upon the loan repayment and recognised as income in the year. In 2019 the Company's senior secured term loan to Tesaro included make whole interest investment income of \$36,102,000, which was paid upon the loan repayment and recognised as income in the year.

** In 2020 the Company's senior secured term loans to Lexicon and Sebela included a prepayment premium of \$2,675,000, which was paid upon the loan repayment and recognised as income in the year. In 2019 the Company's senior secured term loan to Tesaro included a prepayment premium of \$9,660,000, which was paid upon the loan repayment and recognised as income in the year.

*** In 2020 the Company's senior secured term loan to Collegium included additional consideration in the form of structuring fees of \$4,125,000 which was paid upon the completion of the transaction and \$467,000 of this amount recognised as income in the year. In 2019 the Company's senior secured term loan to Biodelivery Services, and the tranche A notes to OptiNose US, Epizyme, Akebia, Global Blood Therapeutics and Serepta Therapeutics included additional consideration in the form of structuring fees of \$1,200,000, \$1,856,000, \$700,000, \$1,000,000, \$1,237,500 and \$3,062,500 respectively, which was paid upon the completion of the transaction and recognised as income in the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. FEES AND EXPENSES

EXPENSES

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Management fee (Note 4a)	13,745	-	13,745	14,023	-	14,023
Performance fee (Note 4b)	4,909	-	4,909	13,570	-	13,570
Directors' fees (Note 4c)	395	-	395	395	-	395
Other operating expenses						
Company Secretarial fee	85	-	85	88	-	88
Administration fee	118	-	118	126	-	126
Legal & professional fees	368	-	368	(867)	48	(819)
Public relations fees	202	-	202	204	-	204
Director's and Officer's liability insurance	114	-	114	84	-	84
Auditor's remuneration - Statutory audit	441	-	441	339	-	339
Auditor's remuneration - Other audit related services and Half year review	81	-	81	50	-	50
Auditor's remuneration - reporting accounting work	-	-	-	129	-	129
VAT	102	-	102	3	-	3
Other expenses	311	-	311	373	-	373
	1,822	-	1,822	529	48	577
Total expenses	20,871	-	20,871	28,517	48	28,565

For the year ended 31 December 2019, the Auditor was also paid \$129,000 for services performed in connection with reporting accounting work. There were no similar costs incurred in 2020.

For the year ended 31 December 2019, the negative balance of legal fees in the prior year relates to the reversal of an accrual for legal work carried out in relation to a potential revolving credit facility. Following a negotiation of the fee subsequent to the year end, the amount paid in respect of the services was revised down from \$1,658,000 to \$500,000.

A) INVESTMENT MANAGEMENT FEE

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

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

4. FEES AND EXPENSES (CONTINUED)

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

Where the Investment Manager is not entitled to a performance fee solely because condition (i) has not been satisfied, such fee will be deferred and paid in a subsequent performance period in which such condition is satisfied. Where condition (i) is satisfied in a performance period but the payment of a performance fee (or any deferred performance fee from previous performance periods) in full would result in that condition failing, the Investment Manager shall be entitled to such 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 a discount of less than 1 per cent. to the NAV per Share over a period of five business days (calculated by comparing the middle market quotation of the Shares at the end of each such business day to the prevailing published NAV per Share (exclusive of any dividend declared) and averaging this comparative figure over the period of five business days). The Investment Manager's obligation:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. FEES AND EXPENSES (CONTINUED)

The below table shows the accrued and payable performance fee.

	As at 31 December 2020	As at 31 December 2019
	\$000	\$000
Accrued performance fee	4,909	13,570
Performance fee payable	5,473	21,364
Performance fee deferred	-	731

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

C) DIRECTORS

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

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

5. TAXATION ON ORDINARY ACTIVITIES

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

The current taxation charge for the year 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.

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Total return on ordinary activities before taxation	79,674	9,462	89,136	113,821	8,507	122,328
Theoretical tax at UK Corporation tax rate of 19.00% (2019: 19.00%)*	15,138	1,798	16,936	21,626	1,616	23,242
Effects of:						
Capital items that are not taxable	-	(1,798)	(1,798)	-	(1,616)	(1,616)
Tax deductible interest distributions	(15,138)	-	(15,138)	(21,626)	-	(21,626)
Total tax charge	-	-	-	-	-	-

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

5. TAXATION ON ORDINARY ACTIVITIES (CONTINUED)

At 31 December 2020, the Company had no deferred tax liabilities.

At that date, based on current estimates and including the accumulation of net allowable losses, the Company had no 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

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000	\$000	\$000	\$000	\$000	\$000
In respect of the current year:						
First interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,044	-	24,044	24,044	-	24,044
Second interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,043	-	24,043	24,044	-	24,044
Third interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,042	-	24,042	24,044	-	24,044
In respect of the previous year ended 31 December 2019:						
Special dividend of \$0.0128 per Ordinary share (2019: \$nil per Ordinary share)	17,586	-	17,586	-	-	-
Fourth interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,044	-	24,044	-	-	-
Special dividend of \$0.0001 per Ordinary share (2019: \$nil per Ordinary share)	59	79	138	-	-	-
In respect of the previous year ended 31 December 2018:						
Fourth interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	-	-	-	22,804	1,240	24,044
Second special dividend of \$0.0018 per Ordinary share	-	-	-	-	2,438	2,438
	113,818	79	113,897	94,936	3,678	98,614

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6. DIVIDENDS (CONTINUED)

Set out below are the interim dividends paid or proposed on Ordinary Shares in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered.

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$000	\$000	\$000	\$000	\$000	\$000
First interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,044	-	24,044	24,044	-	24,044
Second interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,043	-	24,043	24,044	-	24,044
Third interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	24,042	-	24,042	24,044	-	24,044
Special dividend of \$0.0128 per Ordinary share (2019: \$nil per Ordinary share)	-	-	-	17,586	-	17,586
Fourth interim dividend of \$0.0175 per Ordinary share (2019: \$0.0175 per Ordinary share)	-	-	-	24,044	-	24,044
Special dividend of \$0.0001 per Ordinary share (2019: \$nil per Ordinary share)	-	-	-	59	79	138
	72,129	-	72,129	113,821	79	113,900

On 11 March 2021, the Board approved a fourth interim dividend, for the year ended 31 December 2020, of \$0.0175 per Ordinary Share and a special dividend of \$0.00290119 per Ordinary Share, both payable on 16 April 2021. In accordance with IFRS, these dividends have not been included as a liability in these financial statements.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020	As at 31 December 2019
	\$000	\$000
Investment portfolio summary		
Listed investments at fair value through profit or loss	11,320	16,980
Listed fixed interest investments at fair value through profit or loss	-	19,656
Unlisted investments in subsidiaries measured at fair value through profit or loss	1,090,887	-
Unlisted fixed interest investments at fair value through profit or loss	303	495,525
Unlisted floating interest investments at fair value through profit or loss	92,321	583,966
	1,194,831	1,116,127

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

	Year ended 31 December 2020					Total
	Listed investments	Listed fixed interest investments	Unlisted investments in subsidiaries	Unlisted fixed interest investments	Unlisted floating interest investments	
	\$000	\$000	\$000	\$000	\$000	\$000
Investment portfolio summary						
Opening cost at beginning of year	13,544	19,950	-	494,738	584,366	1,112,598
Opening unrealised appreciation/(depreciation) at beginning of year	3,436	(294)	-	787	(400)	3,529
Opening fair value at beginning of year	16,980	19,656	-	495,525	583,966	1,116,127
Movements in the year:						
Purchases at cost	-	-	-	16,500	209,636	226,136
Redemption and sales proceeds	-	(15,764)	-	(124,500)	(38,000)	(178,264)
Transfer of assets to subsidiary*	-	-	1,070,139	(385,500)	(663,281)	21,358
Realised loss on sale of investments	-	(4,186)	-	-	(400)	(4,586)
Change in unrealised (depreciation)/appreciation	(5,660)	294	20,748	(1,722)	400	14,060
Closing fair value at the end of the year	11,320	-	1,090,887	303	92,321	1,194,831
Closing cost at end of year	13,544	-	1,070,139	1,238	92,321	1,177,242
Closing unrealised (depreciation)/appreciation at end of year	(2,224)	-	20,748	(935)	-	17,589
Closing fair value at the end of the year	11,320	-	1,090,887	303	92,321	1,194,831

* 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 million. The balance on the transfer line of \$21.358 million relates to accrued income which is subsequently reflected in the fair value of BPCR LP, previously disclosed as part of trade and other receivables in the Company and expenses paid on the behalf of BPCR LP.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Year ended 31 December 2019						
	Listed investments	Listed fixed interest investments	Unlisted investments	Unlisted fixed interest investments	Unlisted floating interest investments	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Investment portfolio summary						
Opening cost at beginning of year	-	-	6,805	274,500	725,320	1,006,625
Opening unrealised appreciation/(depreciation) at beginning of year	-	-	840	-	(200)	640
Opening fair value at beginning of year	-	-	7,645	274,500	725,120	1,007,265
Movements in the year:						
Purchases at cost	25,490	43,292	-	220,238	239,436	528,456
Redemption and sales proceeds	(15,696)	(25,270)	(6,805)	-	(380,390)	(428,161)
Realised gain on sale of investments	3,750	1,928	-	-	-	5,678
Change in unrealised (depreciation)/appreciation	3,436	(294)	(840)	787	(200)	2,889
Closing fair value at the end of the year	16,980	19,656	-	495,525	583,966	1,116,127
Closing cost at end of year	13,544	19,950	-	494,738	584,366	1,112,598
Closing unrealised (depreciation)/appreciation at end of year	3,436	(294)	-	787	(400)	3,529
Closing fair value at the end of the year	16,980	19,656	-	495,525	583,966	1,116,127

	Year ended 31 December 2020	Year ended 31 December 2019
	\$000	\$000
Realised (losses)/gains on sale of investments	(4,586)	5,678
Unrealised appreciation	14,060	2,889
	9,474	8,567

Transaction costs, (incurred at the point of the transaction) incidental to the acquisition of investments totalled \$nil (2019: \$nil) and to the disposals of investments totalled \$nil (2019: \$nil) for the year. In addition, legal fees incidental to the acquisition of investments totalled \$nil (2019: \$48,000) as disclosed in Note 4, have been taken to the capital column in the Statement of Comprehensive Income since they are capital in nature.

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).

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

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 31 December 2020			
	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Financial assets				
Investment portfolio summary				
Listed investments at fair value through profit or loss	11,320	-	-	11,320
Listed fixed interest at fair value through profit or loss	-	-	-	-
Unlisted investments in subsidiaries measured 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
Total	192,852	303	1,183,208	1,376,363

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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

LEVEL 3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2020			
	Unlisted investments in subsidiaries	Unlisted fixed interest investments	Unlisted floating interest investments	Total
	\$000	\$000	\$000	\$000
Opening balance	-	493,500	583,966	1,077,466
Purchases	-	16,500	209,636	226,136
Redemptions*	-	(124,500)	(38,000)	(162,500)
Transfer of assets**	1,070,139	(385,500)	(663,281)	21,358
Realised loss on sale of investments	-	-	(400)	(400)
Change in unrealised appreciation	20,748	-	400	21,148
Closing balance at 31 December 2020	1,090,887	-	92,321	1,183,208

	Year ended 31 December 2019			
	Unlisted investments	Unlisted fixed interest investments	Unlisted floating interest investments	Total
	\$000	\$000	\$000	\$000
Opening balance	7,645	274,500	725,120	1,007,265
Purchases	-	219,000	239,436	458,436
Redemptions*	(6,805)	-	(380,390)	(387,195)
Change in unrealised appreciation	(840)	-	(200)	(1,040)
Closing balance at 31 December 2019	-	493,500	583,966	1,077,466

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

** On 22 May 2020, the Company transferred the full carrying amount of several investments to its newly incorporated, wholly-owned subsidiary BPCR LP in return for an investment in BPCR LP of the same amount \$1,048 million. The balance on the transfer line of \$21.358 million relates to accrued income which is subsequently reflected in the fair value of BPCR LP, previously disclosed as part of trade and other receivables in the Company and expenses paid on the behalf of BPCR LP.

There were no transfers between levels during the year.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR 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 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 Statement of Comprehensive Income. Level 2 and Level 3 financial instruments are fair valued using inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date. Consideration is given to the risk inherent in the valuation techniques and the risk inherent in the inputs of the model.

Level 3 financial instruments are fair valued using a discounted cash flow methodology. For capped royalty investments, discount rates are applied to the consensus forecasts or the manager's forecast for sales of the underlying products to determine fair value. The significant unobservable input used in the fair value measurement of the Company's Level 3 investments is the discount rate used to discount future cash flows from borrowers.

Significant increases (decreases) in the discount rate would result in a significantly lower (higher) fair value measurement. The Investment Manager believes 10 per cent. is an appropriate threshold for determining a reasonably possible change in fair value.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR 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:

Assets	As at 31 December 2020					
	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
Assets held by BPCR LP**						
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
	1,183,208				1,154,713	1,101,277

** 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 OR LOSS (CONTINUED)

As at 31 December 2019						
Assets	Fair value at Level 3 financial assets at fair value through profit or loss	Valuation technique	Unobservable input	Discount rate	Fair value sensitivity to a 100bps decrease in the discount rate	Fair value sensitivity to a 100bps increase in the discount rate
	\$000				\$000	\$000
Akebia	40,000	Discounted cash flow	Discount rate	10.9%	41,103	38,941
Amicus	150,000	Discounted cash flow	Discount rate	11.3%	153,937	146,211
BDSI	60,000	Discounted cash flow	Discount rate	11.5%	61,670	58,398
BMS	149,896	Discounted cash flow	Discount rate	10.4%	154,172	145,803
BPCR LP	-	-	-	-	-	-
Collegium	-	-	-	-	-	-
Epizyme	12,500	Discounted cash flow	Discount rate	10.7%	12,888	12,129
Global Blood Therapeutics	41,250	Discounted cash flow	Discount rate	9.9%	42,705	39,865
Lexicon Pharmaceuticals	124,500	Discounted cash flow	Discount rate	10.4%	127,451	121,649
Novocure	150,000	Discounted cash flow	Discount rate	10.4%	153,433	146,681
OptiNose US	44,000	Discounted cash flow	Discount rate	12.4%	45,174	42,871
Sarepta Therapeutics	175,000	Discounted cash flow	Discount rate	10.1%	180,112	170,094
Sebel	130,320	Discounted cash flow	Discount rate	12.6%	131,630	128,728
	1,077,446				1,104,275	1,051,370

8. TRADE AND OTHER RECEIVABLES¹

	As at 31 December 2020	As at 31 December 2019
	\$000	\$000
Listed fixed interest income receivable	-	26
Unlisted fixed interest income receivable	-	3,061
Unlisted floating interest income receivable	-	3,938
Interest accrued on liquidity/money market funds	3	429
US floating interest income receivable from BPCR Ongdapa	-	8,417
Other debtors	205	335
	208	16,206

1. A portion of trade and other receivables relating to accrued interest were transferred to BPCR LP on 22 May 2020 and is now reflected in the fair value of BPCR LP. Refer to note 7, investments at fair value through profit and loss, on page 72 for further information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9. CASH AND CASH EQUIVALENTS

	As at 31 December 2020	As at 31 December 2019
	\$000	\$000
Cash at bank	11,737	5,613
Liquidity/money market funds	181,532	291,025
	193,269	296,638

10. TRADE AND OTHER PAYABLES

	As at 31 December 2020	As at 31 December 2019
	\$000	\$000
Current liabilities		
Performance fee payable	5,473	20,633
Management fees accrual	3,431	3,496
Accruals	489	375
	9,393	24,504
Non-current liabilities		
Deferred performance fee	-	731
	9,393	25,235

11. RETURN PER ORDINARY SHARE

Revenue return per ordinary share is based on the net revenue after taxation of \$79,674,000 (2019: \$113,821,000) and 1,373,904,204 (2019: 1,373,932,067) ordinary shares, being the weighted average number of ordinary shares for the year, excluding treasury shares.

Capital return per ordinary share is based on net capital gain for the year of \$9,462,000 (2019: gain \$8,507,000) and on 1,373,904,204 (2019: 1,373,932,067) ordinary shares, being the weighted average number of ordinary shares for the year.

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 31 December 2020 of \$1,378,915,000 (31 December 2019: \$1,403,736,000) and the number of ordinary shares in issue at 31 December 2020 of 1,373,872,373 (2019: 1,373,932,067).

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

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

Total voting rights at 31 December 2020 were 1,373,872,373 (31 December 2019: 1,373,932,067). During the year 59,694 shares were bought back for treasury. The balance of treasury shares on 31 December 2020 was 59,694 (31 December 2019: nil).

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 31 December 2020 is \$1 (2019: \$1) and a return for the year ended 31 December 2020 is \$445,582 (2019: \$nil).

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

The General Partner for BPCR LP is BPCR GP Limited, incorporated in England and Wales on 11 March 2020 and is wholly-owned by the Company. 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 CA, 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 31 December 2020 is \$nil (2019: \$nil) and a return for the year to 31 December 2020 is \$nil (2019: \$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 (CONTINUED)

For the year ended 31 December 2020

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

	Year ended 31 December 2020	Year ended 31 December 2019
	\$000	\$000
Total return for the year before taxation	89,136	122,328
Capital gains	(9,462)	(8,555)
Decrease in trade receivables	15,998	5,764
(Decrease)/increase in trade payables	(15,842)	11,983
Non-cash movement for additional consideration**	(400)	-
Other assets transferred to BPCR LP*	(21,358)	-
Cash generated from operations	58,072	131,520

* 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 million. The balance on the transfer line of \$21,358 million relates to accrued income which is subsequently reflected in the fair value of BPCR LP, previously disclosed as part of trade and other receivables in the Company and expenses paid on the behalf of BPCR LP.

** 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.

ANALYSIS OF NET CASH AND NET DEBT

Net cash

	At 1 January 2020	Cash flow	Exchange movement	At 31 December 2020
	\$000	\$000	\$000	\$000
Cash and cash equivalents	296,638	(103,357)	(12)	193,269

Net cash

	At 1 January 2019	Cash flow	Exchange movement	At 31 December 2019
	\$000	\$000	\$000	\$000
Cash and cash equivalents	363,572	(66,922)	(12)	296,638

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 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 25.

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

- i) market risk, including price risk, currency risk and interest rate risk;
- ii) liquidity risk; and
- iii) credit risk.

(I) MARKET RISK

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16. FINANCIAL INSTRUMENTS (CONTINUED)

The table below analyses the effect of a 10 per cent. change in the fair value of investments. The Investment Manager believes 10 per cent. is the appropriate threshold for determining whether a material change in market value has occurred.

	As at 31 December 2020		At 31 December 2019	
	Fair value	10 per cent. Increase/ decrease in market value	Fair value	10 per cent. Increase/ decrease in market value
	\$000	\$000	\$000	\$000
Biodelivery Sciences International Equity	11,320	1,132	16,979	1,698
Convertible bonds	-	-	19,656	1,966
Lexicon Senior Secured Loan	-	-	124,500	12,450
OptiNose US warrants	303	30	2,026	203
Sebela Senior Secured Loan	92,321	9,232	130,320	13,032
Assets held by BPCR LP				
Akebia	50,000	5,000	40,000	4,000
Amicus Senior Secured Loan	-	-	150,000	15,000
Biodelivery Sciences International Loan	80,000	8,000	60,000	6,000
BMS Purchased Payments (BPCR Ongdapa)	160,180	16,018	149,896	14,990
Collegium	134,063	13,407	-	-
Epizyme	110,000	11,000	12,500	1,250
Global Blood Therapeutics	82,500	8,250	41,250	4,125
OptiNose US Note	71,500	7,150	44,000	4,400
OptiNose US Equity	101	10	-	-
Other Assets of BPCR LP	52,543	5,254	-	-
Novocure Senior Secured Loan	-	-	150,000	15,000
Sarepta Therapeutics	350,000	35,000	175,000	17,500
	1,194,831	119,483	1,116,127	111,614

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

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 31 December 2020, the Company held cash balances in GBP Sterling of £72,000 (\$99,000) (2019: £Nil (\$nil)) and in Euro of €10,000 (\$12,000) (2019: €3,000 (\$4,000)).

16. FINANCIAL INSTRUMENTS (CONTINUED)

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
	193,269	1,194,831	(9,185)	1,378,915

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

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

A 10 per cent. increase in the Sterling exchange rate would have increased net assets by \$20,000 (2019: \$nil)

A 10 per cent. increase in the Euro exchange rate would have increased net assets by \$1,000 (2019: \$nil).

A 10 per cent. decrease would have decreased net assets by the same amount (2019: same).

Interest rate risk

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

- investments in 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 31 December 2020	As at 31 December 2019
	% of Company Net Assets	% of Company Net Assets
Sarepta Therapeutics	25.38	12.47
Novocure Senior Secured Loan	-	10.69
Lexicon Senior Secured Loan	-	8.87
OptiNose US	5.19	3.13
Convertible bonds	-	1.40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16. FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at 31 December 2020	As at 31 December 2019
	% of Company Net Assets	% of Company Net Assets
BMS Purchased Payments (BPCR Ongdapa)	11.62	10.68
Collegium	9.72	-
Amicus Senior Secured Loan	-	10.69
Sebela Senior Secured Loan	6.70	9.28
Biodelivery Sciences International Loan	5.80	4.27
Global Blood Therapeutics	5.98	2.94
Akebia	3.63	2.85
Epizyme	7.98	0.89
Cash and cash equivalents*	14.02	21.13

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

A 100 basis point increase in LIBOR would have increased net assets by \$198,000 (2019: \$11,711,000).

A 100 basis point decrease in LIBOR would have decreased net assets by \$nil (2019: \$7,427,000).

A 300 basis point increase in LIBOR would have increased net assets by \$16,122,000 (2019: \$38,600,000).

(ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At 31 December 2020, the Company had cash and cash equivalents, including investments in liquidity/money market funds with balances of \$193,269,000 (2019: \$296,638,000) and maximum unfunded commitments of \$nil (2019: \$319,386,000).

The Company maintains sufficient liquid investments through its cash and cash equivalents to pay accounts payable, accrued expenses and ongoing expenses of the Company. Liquidity risk is manageable through a number of options, including the Company's ability to issue debt and/or equity and by selling all or a portion of an investment in the secondary market. On 22 May 2020, the Company entered into a \$200 million revolving credit facility with JPMorgan Chase Bank. This facility will increase the Company's flexibility in relation to funding new lending opportunities and provide liquidity for funding outstanding obligations. As of 31 December 2020, the outstanding balance on the credit facility was \$nil.

(iii) Credit risk

This is the risk the Company's trade and other receivables will not meet their obligations to the Company.

While the Company will often seek to be a secured lender for each debt asset, there is no guarantee that the relevant borrower will repay the loan or that the collateral will be sufficient to satisfy the amount owed. All of the Company's investments are senior secured investments as detailed in the Investment Manager's Report on pages 6 to 13.

16. FINANCIAL INSTRUMENTS (CONTINUED)

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 31 December 2020, the Company's maximum exposure to credit risk was \$1,194,831,000 (2019: \$1,116,127,000). The Company's concentration of credit risk by counterparty can be found in the Investment Manager's Report on pages 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.

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 year.

17. RELATED PARTY TRANSACTIONS

The amount incurred in respect of management fees during the year to 31 December 2020 was \$13,745,000 (2019: \$14,023,000), of which \$3,431,000 (2019: \$3,496,000) was outstanding at 31 December 2020. The amount due to the Investment Manager for performance fees at 31 December 2020 was \$5,473,000 (2019: \$21,364,000).

The amount incurred in respect of Directors' fees during the year to 31 December 2020 was \$395,000 (2019: \$395,000) of which \$nil was outstanding at 31 December 2020 (2019: \$nil).

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

BPCR Limited Partnership and its General Partner, BPCR GP Limited, are related entities of the Company, as they are wholly-owned subsidiaries and formed for the purpose of entering into a new credit facility. On 22 May 2020, several investments totaling \$1,070,139,000 were transferred to BPCR LP from the Company, in the year to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17. RELATED PARTY TRANSACTIONS (CONTINUED)

31 December 2020, the Company recorded income of \$61,952,000 (2019: \$nil) and the outstanding balance on 31 December 2020 was \$20,748,000 (2019: \$nil). BPCR GP Limited had an outstanding balance as at 31 December 2020 of \$nil (2019: \$nil).

On 7 February 2020, 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 \$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 2020, the Company recorded interest income of \$4,354,000 (2019: \$nil) and a further \$8,959,000 was recorded within BPCR LP (2019: \$nil). The outstanding balance as at 31 December 2020 was \$134,063,000 (2019: \$nil).

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 2020, the Company recorded interest income of \$1,475,000 (2019: \$113,000) and a further \$2,743,000 was recorded within BPCR LP (2019: \$nil). The outstanding balance as at 31 December 2020 was \$82,500,000 (2019: \$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 2020, the Company recorded interest income of \$5,909,000 (2019: \$495,833) and a further \$11,693,000 was recorded within BPCR LP (2019: \$nil). The outstanding balance as at 31 December 2020 was \$350,000,000 (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 2020, the Company recorded interest income of \$1,509,000 (2019: \$390,556) and a further \$2,412,000 was recorded within BPCR LP (2019: \$nil). The outstanding balance as at 31 December 2020 was \$60,000,000 (2019: \$40,000,000).

17. RELATED PARTY TRANSACTIONS (CONTINUED)

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 2020, the Company recorded interest income of \$677,000 (2019: \$148,958) and a further \$2,905,000 was recorded within BPCR LP (2019: \$nil). The outstanding balance as at 31 December 2020 was \$110,000,000 (2019: \$12,500,000).

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 2020, the Company recorded interest income of \$2,372,000 (2019: \$nil) and a further \$4,131,000 was recorded within BPCR LP (2019: \$nil). The outstanding balance as at 31 December 2020 was \$71,500,000 (2019: \$44,000,000).

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 2020, the Company recorded interest of \$5,363,000 (2019: \$13,688,000) and a further \$3,300,000 was recorded within BPCR LP (2019: \$nil). 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 31 December 2020 was \$nil (2019: \$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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company was expected to fund \$140,000,000 to \$165,000,000 between 2018 and 2020, determined by product sales and will receive payments from 2020 through 2025 estimated to yield a return in the high single-digits per annum. The Company advanced \$12,136,000 to RPI Acquisitions in the year to 31 December 2020 (2019: \$85,687,000) for the Purchased Payments. In the year to 31 December 2020 the Company recorded interest of \$3,440,000 (2019: \$8,417,000) and a further \$10,843,000 was recorded within BPCR LP (2019: \$nil).

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: LXR), 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 year to 31 December 2020, the Company recorded interest of \$7,844,000 (2019: \$11,361,000). 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 totaling \$5,600,000. The outstanding balance as at 31 December 2020 was \$nil (2019: \$124,500,000).

On 21 November 2017, the Company and BioPharma IV entered into a definitive loan agreement for up to \$500,000,000 with Tesaro (NASDAQ: TSRO), an oncology-focused biopharmaceutical company ("Tesaro"). Under the terms of the transaction, the Company funded \$222,000,000 of the \$300,000,000 first tranche on 6 December 2017 and committed to invest up to \$148,000,000 of the \$200,000,000 second tranche by 20 December 2018 at Tesaro's option with BioPharma IV committing to invest up to \$130,000,000 in parallel with the Company acting as collateral agent. The Company funded \$100,000,000 of the second tranche on 29 June 2018 and assigned its remaining \$48,000,000 commitment to other investors. The loan had a term of seven years and was secured by Tesaro's US rights to ZEJULA® and VARUBI®. The first \$300,000,000 tranche bore interest at LIBOR plus 8 per cent. and the second tranche bore interest at LIBOR plus 7.5 per cent. The LIBOR rate was subject to a floor of 1 per cent. and certain caps. Each tranche of the loan was interest-only for the first two periods, amortised over the remaining term, and can be prepaid at Tesaro's discretion, at any time, subject to prepayment fees. In the year to 31 December 2020, the Company recorded interest of \$nil (2019: \$2,191,000). Following its acquisition by GlaxoSmithKline, Tesaro repaid the \$500,000,000 loan on 23 January 2019. The Company received a payment of \$369,953,000 on its \$322,000,000 share of the loan, including the make-whole and prepayment premium totaling \$45,762,000. The outstanding balance as at 31 December 2020 was \$nil (2019: \$nil).

BioPharma IV, BioPharma V, 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

As at 31 December 2020, there were no outstanding commitments (31 December 2019: \$319,386,000) in respect of investments (see Note 17 for further details).

19. SUBSEQUENT EVENTS

No additional subsequent events requiring recognition or disclosure in the financial statements have been determined.

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

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Duncan Budge
Stephanie Léouzon
Rolf Soderstrom

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SHAREHOLDER INFORMATION

KEY DATES

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

FREQUENCY OF NAV PUBLICATION

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

ANNUAL AND HALF-YEARLY REPORT

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

IDENTIFICATION CODES

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

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

Chairman – chairman@bpcruk.com

Senior Independent Director – sid@bpcruk.com

BioPharma Credit plc



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