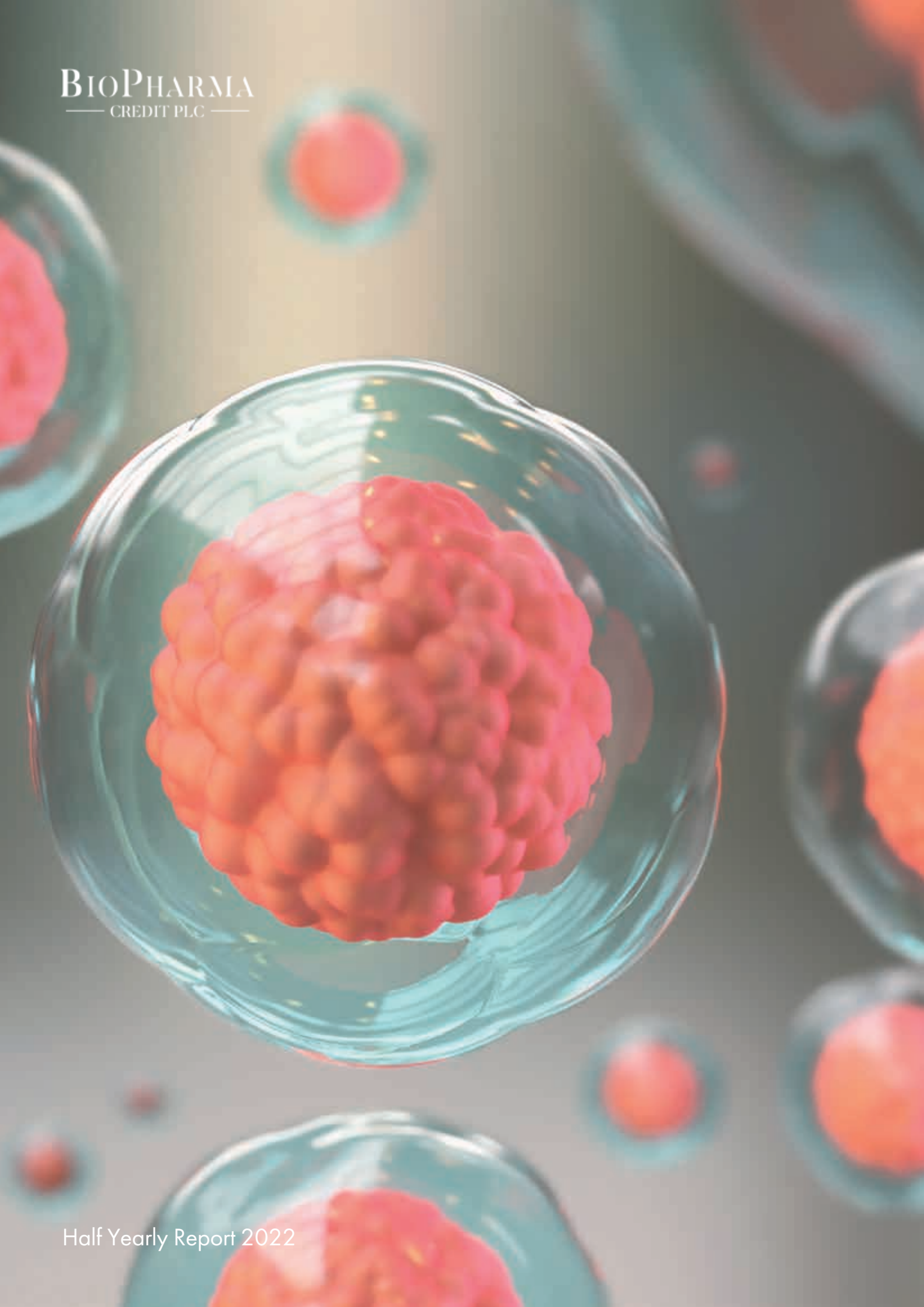
BioPharma
CREDIT PLC



# Half Yearly Report 2022

## Welcome to our Half-Yearly Report

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

Our diversified portfolio is primarily secured by corporate assets including cash and product rights (intellectual property, approvals, etc.) of approved life sciences products.



## Performance Highlights

As at 30 June 2022

# $0.9400

**Share Price:**
(31 December 2021: $0.9680)

# $0.0445

**Net Income per share:**
(30 June 2021: $0.0338)

# $1.0072

**NAV per share:**
(31 December 2021: $0.9926)

# 6.7%

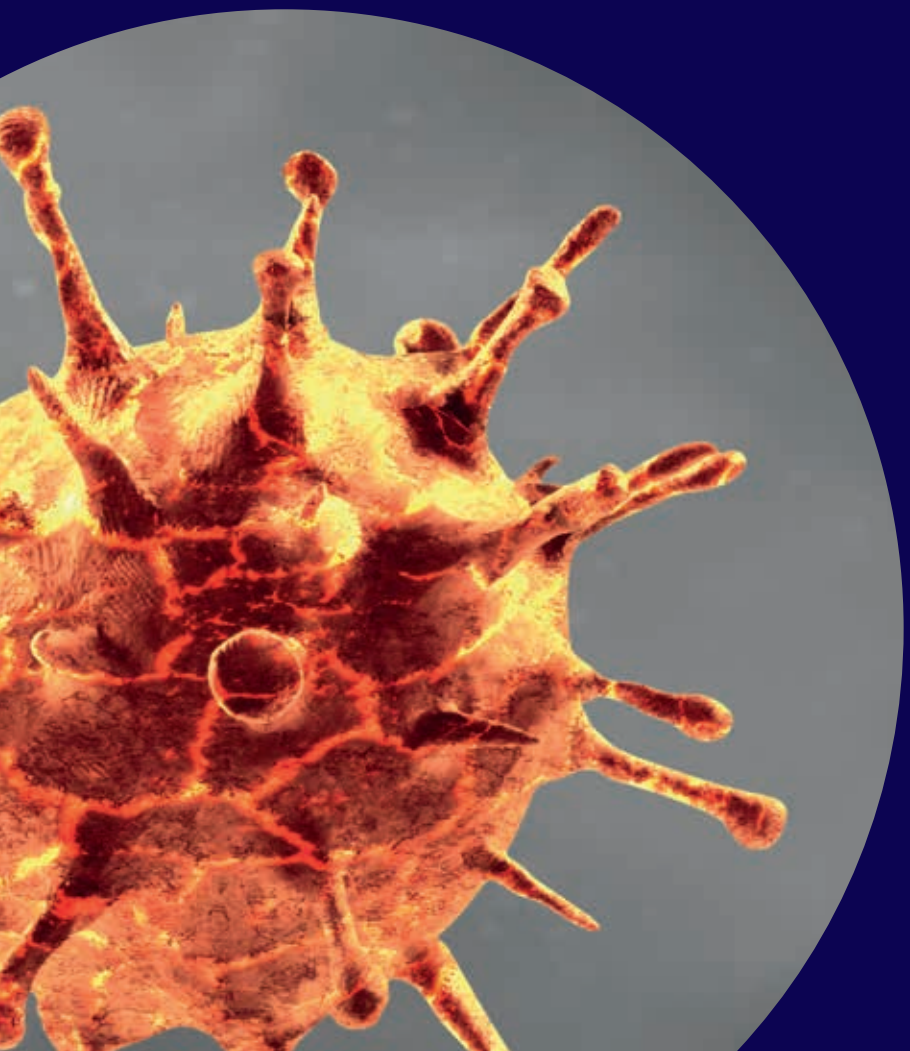
**Discount to NAV per share:**
(31 December 2021: 2.5%)

# 1,373.9m

**Shares in issue (m)**
(31 December 2021: 1,373.9)

# $1,383.8m

**Net assets (m):**
(31 December 2021: 1,363.7)



# Chairman's Statement

During the first half of 2022, the Company announced three new investments, totaling $526 million in fresh commitments.

## INTRODUCTION

I am pleased to present the half yearly report for the Company, which covers the period 1 January 2022 to 30 June 2022. In an environment where markets encountered significant volatility and strong economic headwinds, the Company's portfolio continued to perform well throughout the period and was able to grow through the execution on a strong pipeline of opportunities, with investment income increasing by 26 per cent. compared to the same period of 2021.

## INVESTMENTS

Over the first six months of 2022, the Company and its subsidiaries invested $463 million, comprised of $325 million for the new Collegium loan, $100 million for the Coherus loan and $38 million for the UroGen loan. These investments have additional unfunded commitments totaling $63 million that may be funded over the next twelve months. The portfolio diversification increased during 2021 and this continued into 2022, with eleven total investments as of 30 June 2022.

The Company, including assets and liabilities from its financing subsidiary, BPCR Limited Partnership, ended the period with total net assets of $1,384 million, comprising $1,478 million of investments, $62 million of cash less $138 million from its debt facility and $18 million of other net liabilities. .

The Company and its subsidiaries saw a $181 million increase in cash flow in the first six months of 2022 due to the early repayment of the 2020 Collegium loan, the early repayment of the BDSI loan and the cash consideration received related to the tender offer on the remaining BDSI shares and the scheduled amortization payments from the BMS purchased payments.

In subsequent events, Akebia made a $12.5 million pre-payment on 15 July 2022, reducing the outstanding balance to $37.5 million and generating a 2 per cent. prepayment fee, and Ipsen closed on its acquisition of Epizyme, triggering a $110 million prepayment on 12 August 2022 plus $9 million in prepayment and make whole fees realizing a gross IRR of 15.2 per cent. Furthermore, on 8 August 2022, Pfizer announced an agreement to purchase GBT which, upon closing, would trigger a $132.5 million prepayment to the company plus fees which will be dependent on the timing of the closing.

## DEBT FACILITY

On 10 September 2021, the Company renegotiated and amended the JPMorgan Chase Bank revolving credit facility that was originated with JPMorgan Chase Bank in 2020. On 21 March 2022, the Company through its subsidiary, BPCR Limited Partnerships, drew down $138 million on its credit facility with a remaining $162 million available under the accordion feature.

## SHAREHOLDER RETURNS

The Company and its subsidiaries combined cash balance decreased by $112 million during the first six months of 2022 from $174 million at 31 December 2021 to $62 million at 30 June 2022. On 30 June 2022, the Company's Ordinary Shares closed at $0.9400, below the closing price on 31 December 2021 of $0.9680. Net Asset Value ("NAV") per Ordinary Share increased over the same timeframe from $0.9926 to $1.0072.

The Company made two dividend payments over the period totaling $0.0350 per share, referencing net income for the quarters ending

31 December 2021 and 31 March 2022. The Company is currently paying and continues to target a 7 cent annual dividend per share.

The average discount to NAV over the 3 month period ending 30 June 2022 was 2.4 per cent. The Company announced on 1 July 2022 that it has the authority to repurchase up to 205,952,416 ordinary shares under its share buy-back programme. The Company repurchased 1,496,317 shares between 5 July 2022 and 8 July 2022 at an average price of $0.9392 and a total cost of $1,415,865.

**ESG**

The Board has supported the Investment Manager's Environmental, Social and Governance ("ESG") programme over the first six months of 2022, with progress made in embedding ESG as an integral part of the investment process. The key areas are described in more detail on page 16.

**OUTLOOK**

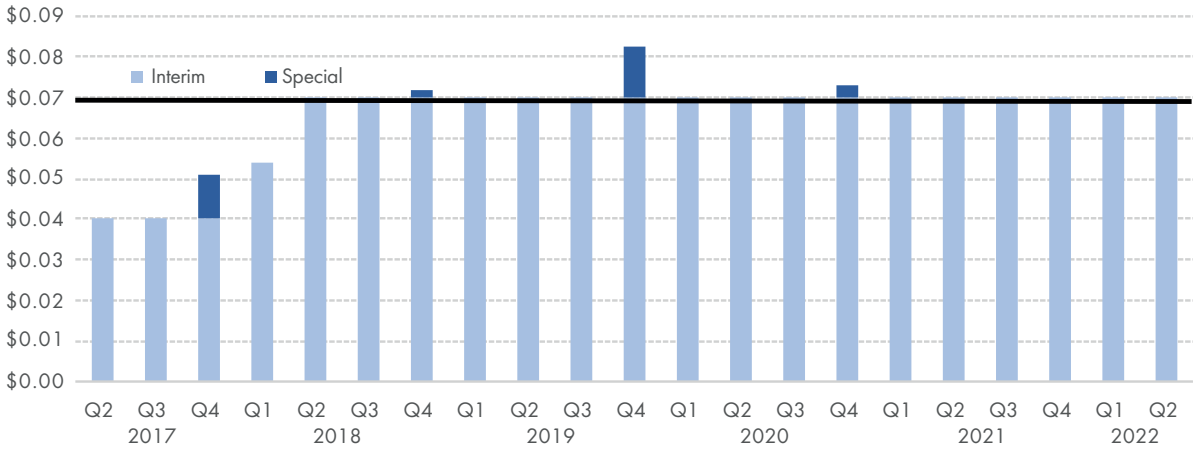
The COVID-19 pandemic is continuing to affect the movement of people and cause disruption to business operations. Pharmakon and the Company's third-party service providers have hybrid and well established virtual working arrangements that have not impacted operations. Our investment manager believes that, while the COVID-19 pandemic has temporarily affected the sales of some of the Company's borrowers, it has not had a material impact on the credit quality of the Company's loans. The effects of other geopolitical and social risks, including the invasion by Russia of Ukraine, may have economic consequences that extend beyond the short term. The Company does not have any direct investments with Russia. We will continue to monitor the situation and will inform shareholders of any material changes to this assessment.

The Company started 2022 strongly, having announced three transactions that represent $526 million in commitments to be funded this year, a greater than three fold increase from the $150,000,000 committed during the same period of 2021. In comparison, global equity issuance by life science companies decreased by 85 per cent. during the same time periods. 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, the Company's Investment Manager, for their continued achievements on behalf of the Company in 2022 and to our shareholders for their continued support.

**Harry Hyman**
**Chairman**

**13 September 2022**

## Annualized $0.07 target dividend met for four consecutive years



# Pharmakon is pleased to present an update on the Company's portfolio and investment outlook. The Company's existing portfolio investments continue to perform well.

Pharmakon's engagement with potential counterparties during the period resulted in $463 million of new investments for the Company out of the total $925 million executed. During the period, the Company announced the repayment of the BDSI loan, and the sale of its remaining BDSI shares, and the repayment of the Collegium 2020 loan as a part of Collegium's acquisition of BDSI. The Company and its subsidiaries earned an 11.9 per cent. internal rate of return on both its Collegium 2020 and BDSI loans. The Company earned an 11.6 per cent. internal rate of return on the BDSI equity investment.

## Collegium 2022

**On 14 February 2022, the Company along with BioPharma Credit Investments V, a private fund also investing in life sciences debt managed by Pharmakon Advisors ("BioPharma-V"), provided Collegium Pharmaceutical, Inc. (Nasdaq: COLL), a biopharmaceutical company focused on developing and commercialising new medicines for responsible pain management ("Collegium"), with a commitment to enter into a new senior secured term loan agreement for $650 million. On 22 March 2022, proceeds from the new loan were used to fund Collegium's acquisition of BDSI as well as repay the outstanding debt of Collegium and BDSI.**

At closing, the Company and its subsidiaries invested $325 million in a single drawing. The four-year loan will have $100 million in amortisation payments during the first year and the remaining $550 million balance will amortize in equal quarterly installments. The loan will mature in March 2026 and bears interest at 3-month LIBOR plus 7.50 per cent. per annum subject to a 1.20 per cent. floor along with a one-time additional consideration of 2.00 per cent. of the loan amount paid upon signing and a one-time additional consideration of 1.00 per cent. of the loan amount paid at funding.

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

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **22 March 2022** |
| Total loan amount: | **$650m** |
| Company commitment: | **$325m** |
| Maturity: | **March 2026** |

## UroGen

**On 7 March 2022, the Company and BioPharma-V entered into a definitive senior secured loan agreement for up to $100 million with Urogen Inc (Nasdaq: URGN), a biopharmaceutical company dedicated to creating novel solutions that treat urothelial and specialty cancers ("Urogen").**

The Company and its subsidiaries funded $37.5 million of the first tranche of $75 million on 16 March 2022. The remaining $25 million may be drawn by 31 December 2022. The Company's share of the final tranche is $12.5 million.

The loan will mature in March 2027 and bears interest at 3-month LIBOR plus 8.25 per cent. per annum subject to a 1.25 per cent. floor along with a one-time additional consideration of 1.75 per cent. of the total loan amount payable upon funding of the first tranche.

UroGen markets JELMYTO (mitomycin), a prescription medicine used to treat adults with a type of cancer of the lining of the upper urinary tract including the kidney called low-grade Upper Tract Urothelial Cancer (LG-UTUC).

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **16 March 2022** |
| Total loan amount: | **$100m** |
| Company commitment: | **$50m** |
| Maturity: | **March 2027** |

## Coherus

**On 5 January 2022, the Company and BioPharma-V entered into a definitive senior secured loan agreement for up to $300 million with Coherus BioSciences, Inc. (Nasdaq: CHRS), a biopharmaceutical company building a leading immuno-oncology franchise funded with cash generated by its commercial biosimilars business ("Coherus").**

Coherus drew down $100 million at closing and an additional $100 million on 31 March 2022. The remaining $100 million may be drawn by 17 March 2023 subject to regulatory approval of two additional pharmaceutical products.

The Company and its subsidiaries funded $100 million across the first two tranches. The loan will mature in January 2027 and bears interest at 3-month LIBOR plus 8.25 per cent. per annum subject to a 1.00 per cent. floor along with a one-time additional consideration of 2.00 per cent. of the total loan amount payable upon funding of the first tranche.

Coherus markets UDENYCA® (pegfilgrastim-cbqv), a biosimilar of Neulasta in the United States, and expects to launch the FDA-approved Humira biosimilar YUSIMRY (adalimumab-aqvh) in the United States in 2023.

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **5 January 2022** |
| Total loan amount: | **$300m** |
| Company commitment: | **$150m** |
| Maturity: | **January 2027** |

## Evolus

**On 14 December 2021, the Company and BioPharma-V entered into a definitive senior secured loan agreement for up to $125 million with Evolus Inc (Nasdaq: EOLS), a biopharmaceutical company that develops, produces, and markets clinical neurotoxins for aesthetic treatments ("Evolus").**

The Company and its subsidiaries funded $37.5 million of the first tranche of $75 million on 29 December 2021. The remaining $50 million may be drawn by 31 December 2022. The Company's share of the final tranche is $25 million.

The loan will mature in December 2027 and bears interest at 3-month LIBOR plus 8.50 per cent. per annum subject to a 1.00 per cent. floor along with a one-time additional consideration of 2.25 per cent. of the total loan amount payable upon funding of the first tranche.

Evolus currently markets Jeuveau (prabotulinumtoxinA-xvfs), the first and only neurotoxin dedicated exclusively to aesthetics.

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **14 December 2021** |
| Total loan amount: | **$125m** |
| Company commitment: | **$63m** |
| Maturity: | **December 2027** |

## LumiraDx

**On 23 March 2021, the Company and BioPharma-V entered into a definitive senior secured loan agreement for $300 million with LumiraDx Investment Limited and LumiraDx Group Limited (collectively "LumiraDx").**

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

The loan will mature in March 2024 and bears interest at 8.00 per cent. per annum along with an additional consideration of 2.50 per cent. of the loan amount paid upon funding and an additional 1.50 per cent. of the loan payable at maturity. On 28 September 2021, LumiraDx became public via a SPAC transaction with CA Healthcare Acquisition Corp. and began trading on NASDAQ under the ticker LMDX. The Company and BioPharma-V both received 742,924 warrants exercisable into common stock of LumiraDx under the terms of the transaction.

On 25 July 2022, LumiraDx raised $100 million in a follow-on offering at a price of $1.75. As part of the financing, Pharmakon re-tiered its sales covenants, received a facility fee, and was issued new five-year warrants at the offering price of $1.75, with the original warrants being canceled.

LumiraDx is a UK based, next-generation Point of Care, or POC, diagnostic company addressing the current limitations of legacy POC systems by bringing performance comparable to a central lab to the POC in minutes, on a single instrument for a broad menu of tests with a low cost of ownership. To date, LumiraDx has developed and launched twelve diagnostic tests for use with its platform, three of which have been approved in the United States under an Emergency Use Authorization and in the EU under a CE mark: a SARS-CoV-2 ("COVID-19") antigen test, a COVID-19 antibody test, and a COVID-19 Surveillance test. The nine other tests are currently approved only in the EU under a CE mark.

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

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **23 March 2021** |
| Total loan amount: | **$300m** |
| Company commitment: | **$150m** |
| Maturity: | **March 2024** |

## GBT

**On 17 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. On 14 December 2021 the loan agreement was amended and restated. The amendment increased the aggregate principal amount of the loan to $250 million through a $100 million third tranche, which was drawn on 22 December 2021.

The Company and its subsidiaries funded $133 million across all three tranches. The loan will mature in December 2027 and bears interest at three-month LIBOR plus 7.00 per cent. per annum subject to a 2.00 per cent. floor along with a one-time additional consideration of 1.50 per cent. of the total loan amount paid upon funding and an additional 2.00 per cent. payable upon the repayment of the loan. The third tranche also incurred additional consideration of 1.50 per cent. at the time of funding. As a part of the amendment in 2021, the Company and its subsidiaries received a one-time fee equal to 1.25 per cent. of the first two tranches and the three-year make-whole period was reset to December 2021. On 8 August 2022, Pfizer announced a definitive agreement pursuant to which Pfizer will acquire GBT. Upon closing, GBT will be required to repay its $250 million senior secured loan, of which the Company holds a $132.5 million balance. Assuming the prepayment occurs on 1 October 2022, the Company would be expected to receive approximately $38 million in paydown, prepayment and make-whole fees.

GBT manufactures and sells Oxbryta (voxelotor) for the treatment of sickle cell disease in adults and pediatric patients 4 years of age and older.

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **17 December 2019** |
| Total loan amount: | **$250m** |
| Company commitment: | **$132.5m** |
| Maturity: | **December 2027** |

## Sarepta

**On 13 December 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $500 million with Sarepta Therapeutics (Nasdaq: SRPT), a fully integrated biopharmaceutical company focused on precision genetic medicine ("Sarepta").**

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

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

Sarepta currently markets Exondys 51 (eteplirsen), Vyondys 53 (golodirsen) and Amondys 45 (casimersen) in the US for the treatment of Duchenne muscular dystrophy (DMD).

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **13 December 2019** |
| Total loan amount: | **$550m** |
| Company commitment: | **$350m** |
| Maturity: | **December 2024** |

## Akebia

**On 11 November 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $100 million with Akebia (Nasdaq: AKBA), a fully integrated biopharmaceutical company focused on the development and commercialisation of therapeutics for people living with kidney disease ("Akebia").**

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

The Company and its subsidiaries funded $50 million across both tranches.

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

On 20 July 2022, the Akebia loan agreement was amended and as a result, Akebia made a $25 million pre-payment, of which $12.5 million went to the Company, as well as a 2 per cent. prepayment fee. The Company's outstanding balance as of 30 June 2022 is $37.5 million. The amendment provided Akebia certain waivers including 1) Allowing Akebia to make certain payments under its Second Amended and Restated Vifor License Agreement with Vifor (International) Ltd., 2) waive the requirement that the Company's Quarterly Reports on Form 10-Q for the fiscal quarters ending 30 June 2022 and 30 September 2022 not be subject to any qualification as to going concern, and (3) waive certain payments payable under the Loan Agreement, other than prepayment fees.

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.

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **25 November 2019** |
| Total loan amount: | **$100m** |
| Company commitment: | **$50m** |
| Maturity: | **November 2024** |

## Epizyme

**On 4 November 2019, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for up to $70 million with Epizyme (Nasdaq: EPZM), a late-stage biopharmaceutical company developing novel epigenetic therapies for cancer.**

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

The Company and its subsidiaries funded a total of $110 million of the Epizyme loan. The loan was originally due to mature in November 2024 and bore interest at LIBOR plus 7.75 per cent. per annum along with a one-time additional consideration of 2 per cent. of the total loan amount paid upon funding.

Epizyme's lead product, TAZVERIK (tazemetostat), is a first-in- class, oral inhibitor that received FDA approval for epithelioid sarcoma on 23 January 2020 and follicular lymphoma on 18 June 2020.

On 27 June 2022, Ipsen announced a definitive agreement pursuant to which Ipsen will acquire Epizyme. On 12 August 2022, Epizyme repaid its $220 million senior secured loan. The Company received its $110 million of principal and $9 million in prepayment and makewhole fees.

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **18 November 2019** |
| Total loan amount: | **$220m** |
| Company commitment: | **$110m** |
| Maturity: | **November 2026** |

## Optinose

**On 12 September 2019, the Company and BioPharma-V entered into a definitive senior secured note purchase agreement for the issuance and sale of senior secured notes in an aggregate original principal amount of up to US$150 million by OptiNose US, a wholly-owned subsidiary of OptiNose (Nasdaq: OPTN), a commercial-stage specialty pharmaceutical company.**

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

The Company and its subsidiaries funded a total $72 million across all tranches. The notes mature in September 2024 and bear interest at 10.75 per cent. per annum along with a one-time additional consideration of 0.75 per cent. of the aggregate original principal amount of senior secured notes which the Company was committed to purchase under the facility and 445,696 warrants exercisable into common stock of OptiNose at a strike price of $6.72.

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.

On 18 November 2021, OptiNose raised $46M in a follow-on offering at a price of $1.60. As part of the financing, Pharmakon re-tiered its sales covenants, amended the amortisation and make-whole provisions, and were issued new three-year warrants at the offering price of $1.60, with the original warrants being canceled.

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

| | |
|---|---|
| Investment type: | **Secured loan** |
| Date invested: | **12 September 2019** |
| Total loan amount: | **$130m** |
| Company commitment: | **$72m** |
| Maturity: | **September 2024** |

## Bristol-Myers Squibb, Inc.

**On 8 December 2017, the Company's wholly-owned subsidiary entered into a purchase, sale and assignment agreement with a wholly-owned subsidiary of Royalty Pharma Investments ("RPI"), an affiliate of the Investment Manager, for the purchase of a 50 per cent. Interest in a stream of payments (the "Purchased Payments") acquired by RPI's subsidiary from Bristol-Myers Squibb (NYSE: BMY) through a purchase agreement dated 14 November 2017.**

As a result of the arrangements, RPI's subsidiary and the Company's subsidiary are each entitled to the benefit of 50 per cent. of the Purchased Payments under identical economic terms. The Purchased Payments are linked to tiered worldwide sales of Onglyza and Farxiga, diabetes agents marketed by AstraZeneca, and related products. The Company was expected to fund $140 million to $165 million during 2018 and 2019, determined by product sales over that period, and will receive payments from 2020 through 2025. The Purchased Payments are expected to generate attractive risk-adjusted returns in the high single digits per annum. 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.

### REALIZED INVESTMENTS

#### COLLEGIUM 2020

On 7 February 2020, the Company and BioPharma-V entered into a definitive senior secured term loan agreement for $200 million with Collegium Pharmaceutical, Inc. (Nasdaq: COLL), a biopharmaceutical company focused on developing and commercialising new medicines for responsible pain management ("Collegium 2020").

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

The secured loan began amortising immediately and was due to fully mature in February 2024. The loan bore interest at three-month LIBOR plus 7.50 per cent. per annum subject to a 2.00 per cent. LIBOR floor with a one-time additional consideration of 2.50 per cent. of the loan amount paid upon funding. The loan was repaid in its entirety on 22 March 2022. The Company and its subsidiaries earned a 11.9 per cent. internal rate of return on its Collegium 2020 investment.

#### BIODELIVERY SCIENCES

On 23 May 2019, the Company entered into a senior secured loan agreement for up to $80 million with BioDelivery Sciences International (Nasdaq: BDSI), a commercial-stage specialty pharmaceutical company ("BDSI"). 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 was due to mature in May 2025 and bore interest at LIBOR plus 7.50 per cent., along with 2.00 per cent. additional consideration paid at closing. On 23 September 2021, BDSI made an early prepayment of $20 million, and made its final payment for the remainder of the loan on 22 March 2022. The Company earned a 11.9 per cent. internal rate of return on the BDSI loan. The Company sold 46 per cent of its BDSI shares during 2019 at an average price of $6.50 and received $5.60 per remaining shares on the date of the M&A Transaction. The Company earned a 11.6 per cent. internal rate of return on the BDSI equity investment.

### MARKET ANALYSIS

The life sciences industry is expected to continue to have substantial capital needs during the coming years as the number of products undergoing clinical trials continues to grow. All else being equal, companies seeking to raise capital are generally more receptive to straight debt financing alternatives at times when equity markets are soft, increasing the number and size of fixed-income investment opportunities for the Company, and will be more inclined to issue equity or convertible bonds at times when equity markets are strong. A good indicator of the life sciences equity market is the New York Stock Exchange Biotechnology Index ("BTK Index"). While there was substantial volatility during the period, the BTK index decreased 16 per cent. during the first six months of 2022, compared to a 3 per cent. increase during the same period in 2021. Global equity issuance by life sciences companies during the first six months of 2022 was $11 billion, an 85 per cent. decrease from the $73 billion issued during the same period in 2021. This dynamic contributed to additional deal flow for the Company during the recent period from 4Q 2021 through 2Q 2022, as we deployed $463 million across four new investments. We anticipate a continued slowdown in equity issuance coupled with greater appetite for fixed income as a source of capital during the remainder of 2022.

Acquisition financing is an important driver of capital needs in the life sciences industry in general and a source of investment opportunities. An active M&A market helps drive opportunities for investors such as the Company, as acquiring companies need capital to fund acquisitions. Global life sciences M&A volume during the first six months of 2022 was $26 billion, a 72 per cent. decrease from the $93 billion witnessed during the same period in 2021, driven mainly by the impact of global inflation post Covid-19. We anticipate M&A opportunities to eventually ramp up once the economy stabilizes.

**USD LIBOR**

On 5 March 2021, the Financial Conduct Authority ("FCA"), the regulatory supervisor of USD LIBOR's administrator ("IBA") announced in a public statement the future cessation of the 3-month USD LIBOR tenor setting. As of 30 June 2023, all available Tenor of USD LIBOR must have either permanently or indefinitely ceased to be provided by IBA or have been announced by or on behalf of the FCA pursuant to public statement or publication of information to be no longer representative, a replacement benchmark will be used in the absence of USD LIBOR. If the benchmark replacement is daily simple Secured Overnight Financing Rate ("SOFR"), all interest payments will be calculated with SOFR beginning on the effective date on a quarterly basis. The Company has seven loans with coupons that reference 3-month USD LIBOR and three have a 2.00 per cent. floor and four have a floor ranging from 1.00 per cent. to 1.25 per cent. As of 30 June 2022, the 3-month LIBOR rate was 2.29 per cent, slightly above the floors in the seven loans. The Investment Manager will continue to monitor the news on the replacement benchmark and will take steps to update its interest payments as of the effective date.

**COVID-19**

The easing of Covid-19 restrictions during the beginning of 2022 following the deployment of vaccination campaigns has resulted in the adoption of hybrid schedules for both the Company's operations and its service providers, which has not affected any technical or operational functions during the pandemic. Covid-19 continues to cause major disruptions across the globe however we have confidence in the performance of our loans and there has not been a material impact on the credit quality of the Company's investments. We will continue to monitor the pandemic and will inform investors of any material changes to this assessment.

**INVESTMENT OUTLOOK**

We expect our investment pipeline to grow as new products and companies enter the market during the remainder of 2022 and beyond. Pharmakon's extensive network and thorough approach will continue to identify strong investment opportunities. We remain focused on our mission of creating the premier dedicated provider of debt capital to the life sciences industry while generating attractive returns and sustainable income to investors. Furthermore, Pharmakon remains confident of our ability to deliver its target dividend yield to its investors.

**Pedro Gonzalez de Cosio**
**Co-founder and CEO, Pharmakon**

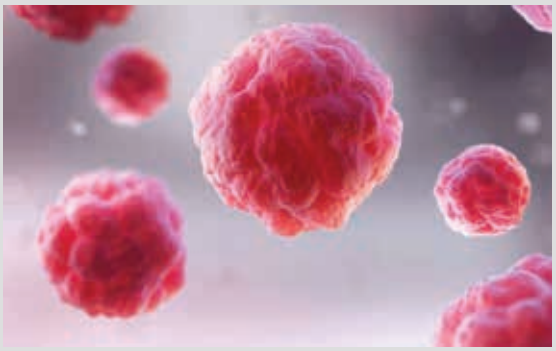
**13 September 2022**

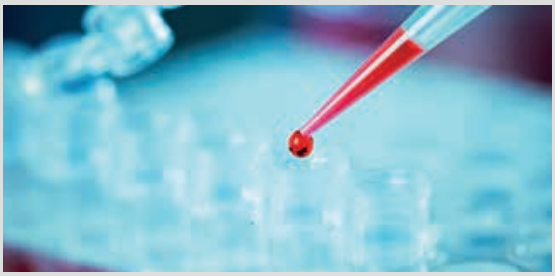
# Case Study – Coherus

## COHERUS

**DEDICATED TO IMPROVING THE AVAILABILITY OF HIGH-VALUE, HIGH-QUALITY THERAPEUTICS. COHERUS' PIPELINE SPANS MULTIPLE THERAPEUTIC AREAS INCLUDING ONCOLOGY, IMMUNOLOGY, AND OPHTHALMOLOGY.**

The Company's first FDA-approved and commercial product, UDENYCA® (pegfilgrastim-cbqv), is a biosimilar to Amgen's product Neulasta which supports white blood cell growth in cancer patients and had peak US commercial sales of ~$4bn. In December 2021, the company received FDA approval for its second product, YUSIMRY™ (adalimumab-aqvh), a biosimilar to Abbvie's auto-immune product Humira which had US sales of ~$17bn in 2021. Coherus anticipates launching YUSIMRY in July 2023. Most recently, in August 2022, the company received FDA approval for its third product, CIMERLI™ (ranibizumab-eqrn), a biosimilar to Roche/Genentech's product Lucentis for macular degeneration and other ophthalmic indications that is anticipated to launch later this year. In 2021, the company expanded into novel immuno-oncology therapeutics with its collaboration agreement with Junshi Biosciences. Its lead product, toripalimab, is a PD-1 antibody that is currently on file with the FDA for nasopharyngeal carcinoma. Toripalimab is being studied across multiple tumor types including cancers of the lung, esophagus, bladder, stomach, breast, liver, and skin. Coherus' strategy is to invest cash flows from their commercial biosimilar business to build an immuno-oncology franchise that will be synergistic with their proven commercial capabilities.





## BIOSIMILARS

**DEVELOPING COMPLEX BIOSIMILARS REQUIRES A HIGHLY-TRAINED TEAM AND STATE-OF-THE-ART PROCESSES.**

In order to meet the challenges of biosimilar development, the Company developed a scientific platform that incorporates cutting-edge analytics, clinical and regulatory expertise, and process and manufacturing quality. Coherus believes its platform has been essential in its success in developing and commercializing biosimilars, and that key aspects of the platform will translate to its immuno-oncology program.

The FDA approval process for biosimilars is rigorous and requires a team of individuals with a diverse set of competencies to optimize outcomes. For a biosimilar to be approved by the FDA, the product needs to be highly similar to the reference product regarding purity, molecular structure, bioactivity, safety, and efficacy.

Strong interactions with the agency are required throughout the drug approval process to ensure success. To date, the Company has efficiently designed and conducted clinical studies in line with the latest regulatory guidance meeting all FDA requirements as seen with the approval of UDENYCA®, YUSIMRY™ and CIMERLI™.

In addition to the clinical and regulatory expertise, Coherus prides itself on its commercial operations that can meet market demand while also balancing reimbursement and patient access.

## Expansion into Immuno-oncology

**IMMUNO-ONCOLOGY HAS REVOLUTIONIZED CANCER TREATMENT.**

The successful development of immuno-oncology medicines, such as anti-PD-1 monoclonal antibodies, has significantly improved the prognosis for many patients with cancer.

Focused on broadening its business, in February 2021, Coherus entered into a collaboration agreement with Junshi Biosciences for the development and commercialization of toripalimab in the United States and Canada. This collaboration provides Coherus with a late-stage anti-PD-1 antibody, as well as options on other novel immuno-oncology molecules.

Toripalimab, approved in China for the second-line treatment of melanoma, urothelial cancer and nasopharyngeal carcinoma, has been evaluated in more than 2,500 patients across 29 completed or ongoing clinical trials in various tumor types including cancers of the lung, nasopharynx, esophagus, bladder, stomach, breast, liver, and skin.

In addition to the US rights to toripalimab, Coherus has also acquired options and first negotiation rights to four of Junshi's novel oncology molecules, including an option to an antibody targeting TIGIT, a clinically validated immune inhibitory checkpoint, and an option to a next-generation engineered IL-2 cytokine. The Company may develop toripalimab in combination with one or more of these compounds, or potentially with other cancer drugs. The Company opted to exercise its option for the TIGIT targeted antibody in January 2022.

Coherus believes that toripalimab, if approved in the United States and Canada, will be synergistic with its core competencies in oncology commercialization.

## What is a biosimilar?

A biosimilar product is a biologic product that is approved based on demonstrating that it is highly similar to an FDA-approved biologic product, known as a reference product, and has no clinically meaningful differences in terms of safety and effectiveness from the reference product. Only minor differences in clinically inactive components are allowable in biosimilar products.

## How are biosimilars different from generic medicines?

While identical generic versions of small molecules can be chemically synthesized, it is not possible to create identical versions of reference biologic medicines, due to the fact that they are derived from living organisms. As a result, the processes used to develop generic medicines is not applicable to the development of biosimilars.

Biosimilars are different from generics due to their molecular size and structure, and the complexity and cost of their development. Biosimilars are significantly more costly and complex to manufacture than a traditional tablet generic medicine. Biosimilar development may take five to nine years and cost more than $100 million. A generic, however, costs $1-2 million and takes approximately two years to develop. (Source: Pfizer - https://www.pfizer.com/sites/default/files/investors/financial_reports/annual_reports/2018/our-innovation/progressing-our-science/biosimilars-vs-generics/index.html)

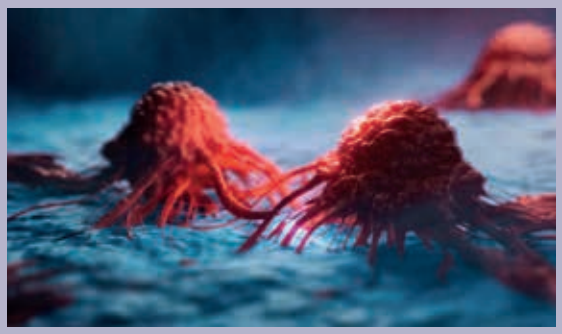
# Case Study – UroGen

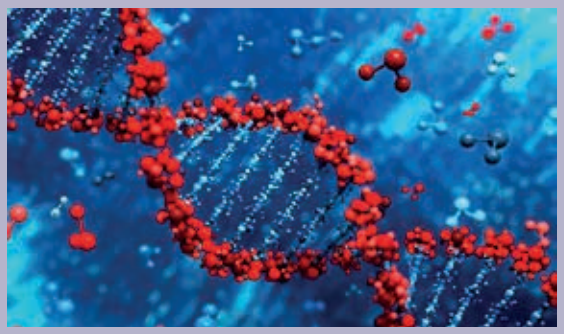
## UROGEN

**UROGEN IS A BIOTECH COMPANY DEDICATED TO DEVELOPING AND COMMERCIALIZING INNOVATIVE SOLUTIONS TO TREAT UROTHELIAL AND SPECIALTY CANCERS.**

The Company's approved breakthrough therapy and innovative clinical pipeline aims to maximize the potential benefit of local delivery. Its novel RTGel™ technology provides a transformative, nonsurgical treatment for challenging urothelial and bladder cancers.

JELMYTO® (mitomycin) for pyelocalyceal solution, is the first and only FDA-approved nonsurgical therapeutic of its kind. JELMYTO uses Urogen's RTGel™ reverse-thermal hydrogel technology to increase the effectiveness of mitomycin, a well-known chemotherapeutic agent. Now, UroGen is building upon its novel delivery technology by exploring ways to harness the immune system to fight solid tumors in urothelial and bladder cancers.





**RTGEL™ REVERSE-THERMAL HYDROGEL TECHNOLOGY IS TRANSFORMING MEDICINE DELIVERY IN UROLOGY.**

RTGel, unlike most forms of matter, is liquid at lower temperatures and converts into gel form when warmed to body temperature. This technology promotes ease of delivery and retention of drug in body cavities, including the bladder and upper urinary tract, forming a transient reservoir of drug that disintegrates over time while preventing rapid excretion. The gel leverages the physiologic flow of urine to provide a natural exit from the body.

**THERAPEUTIC POSSIBILITIES**

The RTGel platform has the potential to advance the treatment of urological conditions by:

- Increasing dwell time and exposure of active drugs, potentially improving the therapeutic effects of existing products
- Potentially increasing the viability of organ-sparing techniques and providing alternatives to radical surgery

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# Pharmakon Advisors' ESG Policy

The purpose of this policy is to set out Pharmakon Advisors' ("Pharmakon's") approach to integrating the consideration of environmental, social, and governance ("ESG") risks and value creation opportunities into investments made through our credit facility and within our own business operations.

## INTRODUCTION

As an investment trust, the Company does not have any employees and most of its activities are performed by its service providers. The Company utilises the services of Pharmakon Advisors as the Investment Manager to take appropriate ESG principles into account in its investment decisions and in the ongoing management of the portfolio.

Founded in 2009, Pharmakon Advisors is the investment manager of the BioPharma Credit funds, investment funds that provide debt capital to companies in the life sciences. We are proud that a large portion of our investments help to fund clinical trials and research that benefit patients suffering from a wide variety of serious diseases, including various forms of cancer and orphan diseases including but not limited to Pompe, Fabry, Cushings, Duchene Muscular Dystrophy, and Sickle Cell. We help increase the number of life sciences products available to patients globally.

Based in New York, Pharmakon has a small but diverse and highly specialized team of nine professionals focused on responsibly investing and safeguarding the capital of our clients. As debt investors we believe that consideration of the material ESG factors applicable to our industry is critical to our credit underwriting process. Systematic integration of these considerations combined with our engagement activities helps us reduce the overall credit risk of our portfolios and enhances our analysis. We provide attractively priced capital to a growing number of emerging life sciences companies on the forefront of developing lifesaving and lifechanging therapies to improve human health.

Pharmakon further recognizes that ESG issues may affect performance of portfolio investments and, furthermore, that the effective management of ESG issues may contribute positively to returns through alignment of interests of fund investors, the general partner, portfolio company management teams, employees, and other key stakeholders.

**$2.7 Bn**
currently under management

**$6.2 Bn**
committed since 2009

**121**
clinical trials currently being funded by our partners

**43%**
of the portfolio backed by treatments for orphan diseases

**$1.8 Bn**
in R&D invested by our current partners during 2021

Pharmakon strives to consider material ESG issues during its due diligence and in the monitoring of portfolio investments to the extent reasonably practical under the circumstances. It does this subject to the provisions of the credit agreements, and to the duty of Pharmakon to seek to maximize the returns on investment for BioPharma and all the partners of its clients.

### SCOPE (WHAT DOES ESG MEAN TO PHARMAKON)

For the purposes of this policy, "material" ESG issues are defined as those issues that Pharmakon, in its sole discretion, determines to have or have the potential to have a direct substantial impact on an organization's ability to create, preserve, or enhance economic value, as well as environmental and social value for itself and its stakeholders.

The ESG Policy is intended to reflect our general framework for managing ESG issues through the lifecycle of an investment across Pharmakon's investment management business. As a debt investor Pharmakon is generally not in a position to influence its borrowers. In cases where Pharmakon determines it has limited ability to conduct diligence or to influence and control the consideration of ESG issues in connection with an investment, whether at the investment or at the fund-level, Pharmakon will only apply those elements of this ESG policy that it determines to be practicable.

Examples of material issues are those that involve violations of human rights, irresponsible treatment of the natural environment or other non-ethical business conduct. More specifically, and as of the date of approval of this ESG policy, Pharmakon currently focuses on the following factors within our definition of ESG:

- Environmental
  - GHG emissions
  - Green Building Standards
  - Handling hazardous materials
  - Waste creation & management
  - Responsible Supplier management
- Social
  - Labor Practices
  - Cyber security
  - Employee engagement
  - Diversity stats, incl. pay ratios
  - Job growth and turnover
  - Supporting Communities
- Governance
  - Risk management
  - Supply chain management
  - IP Protection
  - Compliance with regulatory standards (i.e., FDA)
  - Board (composition, background)
  - Purpose & affiliations

*"Our ESG strategy, policies and practices will create sustainable long-term value for our company, employees, investors and other stakeholders, while also helping us reduce risk and identify new opportunities."*

Pharmakon's approach to ESG will be adjusted according to the needs and expectations of its stakeholders. Although we currently align ourselves with certain environmental and social concerns we will modify and improve upon our focus to maximize the needs and expectations of our stakeholders with the aim of creating long-term stakeholder value and drive toward impactful results. Pharmakon is conscious that the ultimate success of our ESG initiative will depend on periodic reviews to ensure adherence and seek ways to continuously make improvements. We believe that all employees are stakeholders in the success of Pharmakon's ESG initiative and should be actively engaged in its design and compliance.

We are grateful to the Principals for Responsible Investing (PRI) and the United Nations Department of Economic and Social Affairs. Our policies and operational ESG strategy have been developed with their principles in mind and continues to be influenced by their guidance.

- PRI's Six Core Principles
- 17 SDGs (Sustainable Development Goals)—United Nations Department of Economic and Social Affairs

In addition, Pharmakon is a signatory to the New Commitment to Patients signed in January 2020 by 215 Biopharma CEOs and industry leaders who recognize that (a) "we have a moral obligation to develop the best medicines and ensure that every person who may benefit has access to them" and (b) "that we need to ensure that we act with the highest integrity and corporate responsibility—always putting the interests of patients first". The full text can be found at:

https://www.statnews.com/2020/01/08/new-biotechnology-pharmaceutical-industry-commitment-patients-public/

We believe that our environmental, social and governance strategy, policies and practices will create sustainable long-term value for our Company, our employees, our investors and other stakeholders, while also helping us reduce risk and identify new opportunities.

### Highlights of our ESG efforts

- ESG-informed investment processes
- Contributions to multiple Sustainable Development Goals (SDGs)
- Focus on human capital and Diversity, Equity and Inclusion (DEI)
- Commitment to philanthropy
- Independent board and fund advisory committee
- Plans to reduce environmental footprint

### Delivering for partners, patients, and society

By delivering value for our partners and patients, we contribute positively to multiple SDGs, including those that focus on expanding health access and opportunity. While our work touches many SDGs, we focus on those where we can have the greatest impact based on our business, strategy and expertise. More specifically, those are SDG-3 on Good Health and Well-Being; SDG-9 on Industry, Innovation, and Infrastructure; SDG-10 on Reduced Inequality; and SDG-17 on Partnerships for the Goals.

## PHARMAKON'S COMMITMENT TO ESG

Pharmakon on behalf of itself and its clients is, is committed to the consideration of ESG issues in connection with its investment activities.

### The role ESG plays in Pharmakon's own operations

Environment

Pharmakon is focused on reducing its environmental footprint. Though the majority of Pharmakon's direct impact on the environment comes from daily office-based activities, we are dedicated to protecting the planet. Pharmakon supports sustainable business practices, and we hope to build an internal sustainability program as we prioritize our own local footprint.

Pharmakon aims to engage all of its employees in managing the environmental impact of our business. Employees will regularly be encouraged to participate in environmental awareness, training and initiatives, including unrestricted access to this ESG policy.

Environmental considerations are also incorporated across our partner network. For investments environmental criteria are reviewed in the due diligence process when appropriate. Pharmakon also seeks to partner with organizations that promote strong environmental practices.

### Social

The people and culture of Pharmakon are the primary factor in our success. We strive to continually support the health, well-being, and growth of our employees. To build a high-performing, diverse team, we seek to foster an inclusive environment that stays true to our core values – even as we continue to grow. Pharmakon strives to maintain and strengthen our social and human capital policies and practices. This includes attracting, retaining, and developing top talent and fostering a highly engaged, team-oriented culture with an owner operator mindset. Our commitment to social responsibility also includes promoting diversity, equity, and inclusion, as well as engaging and developing our employees. Pharmakon will strive to maintain and adhere to our DEI Policy, Employee handbook, and Policy on Human Rights. Additionally, Pharmakon aims to transform patient lives globally through supporting various communities. We support our communities through philanthropy by engaging on critical health and social needs to promote access to health care and health equity because we believe everyone should have the opportunity to attain their highest level of health.

### Governance

Risk management, compliance and high ethical standards are foundational to our culture. One of Pharmakon's most valuable assets is our reputation for integrity, professionalism, fairness and good stewardship. Our strong corporate governance program, from board and advisory committee oversight to robust management practices, aligns the interests of our stakeholders and underpins our market-leading position and the high esteem with which we are held in the life sciences industry.

#### Governance Highlights

- Our clients have an experienced independent Board and Advisory Committee
  - BioPharma Credit PLC has a 100% independent board
  - BioPharma Credit Investments V has its own independent board and Advisory Committee
- Executive-level oversight of ESG
  - CEO led ESG committee responsible for ESG strategy and disclosure
  - 100% of employees participate in ESG committee

#### Robust governance policies and practices

- Culture of compliance and accountability
- Robust policies, available online
- Additional ethical safeguards include our Supplier Code of Conduct, Global Tax Policy, Clawback Policy, Whistleblower Policy Culture of accountability
- 100% of employees receive and are expected to sign the Employee Handbook
- 100% of employees participate in compliance and ethics training
- 100% of employees and partners have access to anonymous grievance channels

Pharmakon will make commercially reasonable efforts to remain reasonably informed on ESG best practices and the development of ESG. Pharmakon will aim to review the ESG policy on an annual basis.

## DIVERSITY AND INCLUSION

We believe that we will only succeed in our goals if we are able to attract and retain individuals of diverse backgrounds. Our success relies on creating an inclusive environment where all of our employees can do their best work, and where each can play a vital role in achieving our collective goals. Pharmakon is committed to working to continuously develop an organization that is diverse, equitable and inclusive. Our goal is to provide every team member with the ability to achieve success within an equitable work environment and to encourage our teams to leverage diversity to drive innovation and performance. The current makeup of our employee base is representative of our commitment to diversity:

| Current employees: | 7 |
|---|---|
| Any other ethnic group | 57% |
| White | 29% |
| Asian or Asian British | 14% |
| % male | 71% |
| % female | 29% |
| Average tenure | 4 years |
| 12-month turnover | None |

Pharmakon is conscious that the ultimate success of our ESG initiative will depend on periodic review to ensure adherence and seek ways to continuously make improvement. We believe that all employees are stakeholders in the success of Pharmakon's ESG initiative and should be actively engaged in its design and compliance.

# Statement of Directors' Responsibilities

## INTERIM MANAGEMENT REPORT

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal factors that could impact the remaining six months of the financial year are set out in the Chairman's Statement and the Investment Manager's report on pages 2 to 19.

The Directors and the Investment Manager have considered the adverse impact of potential changes in law, regulation and taxation and the matter of foreign exchange risk.

The Directors have considered the principal risks facing the Company and there have not been any material changes to the principal risks and uncertainties and approach to mitigating these risks since the publication of the Annual Report and Financial Statements for the year ended 31 December 2021, and expect that, for the remainder of the year ending 31 December 2022, these will continue to be as set out on pages 24 to 30 of that report.

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

- Failure to achieve target returns;
- The success of the Company depends on the ability and expertise of the Investment Manager;
- The Company may from time to time commit to make future investments that exceed the Company's current liquidity;
- The Investment Manager's ability to source and advise appropriately on investments;
- There can be no assurance that the Board will be able to find a replacement investment manager if the Investment Manager resigns;
- Concentration in the Company's portfolio may affect the Company's ability to achieve its investment objective;
- Life sciences products are subject to intense competition and various other risks;
- Investments in debt obligations are subject to credit and interest rate risks;
- Risk that a counterparty is unable to honour its obligation to the Company;
- Sales of life sciences products are subject to regulatory actions that could harm the Company's ability to make distributions to investors;
- Net asset values published will be estimates only and may differ materially from actual results;
- Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for shareholders investing in the Company;
- COVID-19 may affect the Company's ability to continue operations; and
- Changes to accounting regulation may require the Company to make a change in accounting policy that could have a material impact on its reported results including its net asset value, net income and distributable reserves.

## GOING CONCERN

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

No material uncertainties have been detected which would influence the Company's ability to continue as a going concern 12 months from the date of this report. Accordingly, the Board of Directors continue to adopt the going concern basis in preparing the financial statements. The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal factors that could impact the remaining six months of the financial year are set out in the Chairman's statement and the Investment Manager's report on pages 2 to 19.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

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

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

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

This Half-Yearly Report was approved by the Board of Directors on 13 September 2022 and the above responsibility statement was signed on its behalf by Harry Hyman, Chairman.

On behalf of the Board

**Harry Hyman**
**Chairman**

13 September 2022

# Independent Review Report to BioPharma Credit PLC

## CONCLUSION

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of financial position, the condensed cash flow statement, and the explanatory notes to the interim financial statements. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## BASIS FOR CONCLUSION

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

## CONCLUSIONS RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

## RESPONSIBILITIES OF THE DIRECTORS

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, 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.

## AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE FINANCIAL INFORMATION

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## USE OF OUR REPORT

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

**Ernst & Young**
**Chartered Accountants**
**Dublin**

13 September 2022

# Financial Statements

# Condensed Statement of Comprehensive Income

For the period ended 30 June 2022

(In $000s except per share amounts)

| | Note | Period ended 30 June 2022 (Unaudited) | | | Period ended 30 June 2021 (Unaudited) | | |
|---|---|---|---|---|---|---|---|
| | | Revenue | Capital | Total | Revenue | Capital | Total |
| **Income** | | | | | | | |
| Investment income | 3 | 68,832 | – | 68,832 | 74,679 | – | 74,679 |
| Other income | 3 | 25 | – | 25 | 12 | – | 12 |
| Net gains/(losses) on investments at fair value | 7 | – | 7,085 | 7,085 | – | (22,702) | (22,702) |
| Net currency exchange (losses)/gains | | – | (31) | (31) | – | 1 | 1 |
| **Total income** | | **68,857** | **7,054** | **75,911** | **74,691 *** | **(22,701)** | **51,990** |
| **Expenses** | | | | | | | |
| Management fee | 4 | (6,860) | – | (6,860) | (6,866) | – | (6,866) |
| Directors' fees | 4 | (207) | – | (207) | (198) | – | (198) |
| Other expenses | 4 | (679) | – | (679) | (679) | – | (679) |
| **Total expenses** | | **(7,746)** | **–** | **(7,746)** | **(7,743)** | **–** | **(7,743)** |
| **Return on ordinary activities after finance costs and before taxation** | | **61,111** | **7,054** | **68,165** | **66,948** | **(22,701)** | **44,247** |
| Taxation on ordinary activities | 5 | – | – | – | – | – | – |
| **Return on ordinary activities after finance costs and taxation** | | **61,111** | **7,054** | **68,165** | **66,948** | **(22,701)** | **44,247** |
| **Net revenue and capital return per ordinary share (basic and diluted)** | 11 | **$0.0445** | **$0.0051** | **$0.0496** | **$0.0487** | **($0.0165)** | **$0.0322** |

The total column of this statement is the Company's Condensed Statement of Comprehensive Income prepared in accordance with UK-adopted International Accounting Standards. 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 Condensed Statement of Comprehensive Income 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 29 to 53 form part of these financial statements.

* 2021 Investment income includes $20,484,000 from prior year income from its financing subsidiary, BPCR Limited Partnership. Please see note 3 for full details.

# Condensed Statement of Changes in Equity

For the period ended 30 June 2022

(In $000s)

| For the period ended 30 June 2022 (Unaudited) | Note | Share capital | Share premium account | Special distributable reserve* | Capital reserve** | Revenue reserve* | Total equity attributable to shareholders of the Company |
|---|---|---|---|---|---|---|---|
| Net assets attributable to shareholders at 1 January 2022 | | 13,739 | 607,125 | 726,239 | (3,757) | 20,371 | 1,363,717 |
| Return on ordinary activities after finance costs and taxation | | – | – | – | 7,054 | 61,111 | 68,165 |
| Dividends paid to Ordinary Shareholders | 6 | – | – | (3,672) | – | (44,414) | (48,086) |
| **Net assets attributable to shareholders at 30 June 2022** | | **13,739** | **607,125** | **722,567** | **3,297** | **37,068** | **1,383,796** |

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

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

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

The notes on pages 29 to 53 form part of these financial statements.

# Condensed Statement of Financial Position

As at 30 June 2022

(In $000s except per share amounts)

| | Note | 30 June 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments at fair value through profit or loss | 7 | 1,331,890 | 1,265,898 |
| | | **1,331,890** | **1,265,898** |
| **Current assets** | | | |
| Trade and other receivables | 8 | 45,883 | 10,010 |
| Cash and cash equivalents | 9 | 10,436 | 94,709 |
| | | **56,319** | **104,719** |
| **Total assets** | | **1,388,209** | **1,370,617** |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 4,002 | 6,342 |
| **Total current liabilities** | | **4,002** | **6,342** |
| **Total assets less current liabilities** | | **1,384,207** | **1,364,275** |
| **Non-current liabilities** | | | |
| Deferred income | 10 | 411 | 558 |
| **Net assets** | | **1,383,796** | **1,363,717** |
| **Represented by:** | | | |
| Share capital | 13 | 13,739 | 13,739 |
| Share premium account | | 607,125 | 607,125 |
| Special distributable reserve | | 722,567 | 726,239 |
| Capital reserve | | 3,297 | (3,757) |
| Revenue reserve | | 37,068 | 20,371 |
| **Total equity attributable to shareholders of the Company** | | **1,383,796** | **1,363,717** |
| **Net asset value per ordinary share (basic and diluted)** | 12 | **$1.0072** | **$0.9926** |

The financial statements of BioPharma Credit PLC registered number 10443190 were approved and authorised for issue by the Board of Directors on 13 September 2022 and signed on its behalf by:

**Harry Hyman**
**Chairman**

13 September 2022

The notes on pages 29 to 53 form part of these financial statements.

# Condensed Cash Flow Statement

For the period ended 30 June 2022

(In $000s except per share amounts)

| | Note | Period ended 30 June 2022 (Unaudited) | Period ended 30 June 2021 (Unaudited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Investment income received | | 68,832 | 48,472 |
| Other income received | | 16 | 150 |
| Investment management fee paid | | (6,826) | (6,870) |
| Performance fee paid | | (2,222) | (5,473) |
| Amounts due from BPCR Limited Partnership | | (36,092) | – |
| Other expenses paid | | (957) | (1,070) |
| Cash generated from operations | 15 | 22,751 | 35,209 |
| **Net cash flow generated from operating activities** | | **22,751** | **35,209** |
| **Cash flow from investing activities** | | | |
| Purchase of investments* | | (75,000) | (146,250) |
| Sales of investments* | | 16,093 | 92,321 |
| **Net cash flow used in investing activities** | | **(58,907)** | **(53,929)** |
| **Cash flow from financing activities** | | | |
| Dividends paid to Ordinary shareholders | 6 | (48,086) | (52,072) |
| **Net cash flow used in financing activities** | | **(48,086)** | **(52,072)** |
| **Decrease in cash and cash equivalents for the period** | | **(84,242)** | **(70,792)** |
| Cash and cash equivalents at start of period | 9 | 94,709 | 193,269 |
| Revaluation of foreign currency balances | | (31) | 1 |
| **Cash and cash equivalents at end of period** | 9 | **10,436** | **122,478** |

* BPCR Limited Partnership investments not included.

The notes on pages 29 to 53 form part of these financial statements.

# Notes to the Financial Statements

For the period ended 30 June 2022

## 1. GENERAL INFORMATION

BioPharma Credit PLC is a closed-ended investment company incorporated and domiciled in England and Wales on 24 October 2016 with registered number 10443190. The registered office of the Company is 51 New North Road, Exeter, EX4 4EP. On 6 February 2017 the Company changed its name from PRECIS (2772) PLC.

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

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

Pharmakon is authorised as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD"). Pharmakon has, with the consent of the Directors, delegated certain administrative duties to Link Alternative Fund Administrators Limited ("Link").

## 2. ACCOUNTING POLICIES

### A) BASIS OF PREPARATION

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in the framework. The Company's condensed half-year financial statements covers the period from 1 January 2022 to 30 June 2022 and have been prepared in conformity with UK adopted International Accounting Standard 34 'Interim Financial Reporting'. They do not include all financial information required for full annual financial statements and have been prepared using the accounting policies adopted in the audited financial statements for the year ended 31 December 2021. The Company's annual financial statements were prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Disclosure Guidance Transparency Rules sourcebook of the Financial Conduct Authority (FCA) and the AIC SORP (issued in April 2021) for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS. The annual financial statements have been prepared in accordance with the Companies Act 2006, as applicable to companies reporting under those standards.

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

The Company's condensed half-year information contained in this Half-Yearly Report does not constitute full statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the periods ended 30 June 2022 and 30 June 2021 are not financial years and have not been audited. The information for the year ended 31 December 2021 has been extracted from the latest published financial statements, which have been delivered to the Registrar of Companies. The Auditor's Report on those financial statements contained no qualification or statement under Section 498 of the Companies Act 2006.

### ASSESSMENT AS AN INVESTMENT ENTITY

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

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

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

## 2. ACCOUNTING POLICIES (CONTINUED)

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

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

### C) SEGMENTAL REPORTING

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

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

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

The fair value hierarchy consists of the following three levels:

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

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

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

For unlisted level 3 investments where the market for a financial instrument is not active, fair value is established using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines (issued in December 2018), which may include recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has proved reliable from estimates of prices obtained in actual market transactions, that technique is utilised. More information can be found in Note 2(n) below.

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

### E) FOREIGN CURRENCY

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

## 2. ACCOUNTING POLICIES (CONTINUED)

### F) INCOME

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

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

The Company recognises accrued income for investments that it holds directly. The Company also holds an investment in BPCR Limited Partnership, its wholly owned subsidiary which it measures at fair value through profit or loss rather than consolidate. BPCR Limited Partnership also recognises accrued income for investments it holds directly. When the accrued income is recorded at the Partnership, the Company recognises the income in capital within the Condensed Statement of Comprehensive Income. When the Company's right to receive the income is established, funds are transferred from the Partnership to the Company and income is transferred to revenue within the Condensed Statement of Comprehensive Income.

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

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

Dividends are receivable on equity shares and recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Dividends from investments in unquoted shares and securities are recognised when they become receivable.

Some investments include additional consideration in the form of structuring fees, which are paid on completion of the transaction. As the investments are classified as level 3 in the fair value hierarchy, there is no observable evidence of the fair value of the investments excluding the fees, therefore the fees should be included in the day one fair value of the investments. Such fees are included in the fair value of the investment and released to the Condensed Statement of Comprehensive Income over the life of the investment. 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. These fees are allocated to revenue within the Condensed Statement of Comprehensive Income.

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

### G) DIVIDENDS PAID TO SHAREHOLDERS

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

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

**Notes to the financial Statements** continued

## 2. ACCOUNTING POLICIES (CONTINUED)

### H) EXPENSES

All expenses are accounted for on an accruals basis, with the exception of director's expenses, which are accounted for on a cash basis. Expenses, including investment management fees, performance fees and finance costs, are charged through the revenue account except as follows:

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

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

### I) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and carried at amortised cost as the Company collects contractual interest payments from its borrowers. An allowance for estimated unrecoverable amounts is 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 period comprises current and deferred tax. Corporation tax is recognised in the Condensed Statement of Comprehensive Income.

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

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

## 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 UK-adopted IAS 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 judgement, requiring assessment as to whether the value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain 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 2022

There are no new standards impacting the Company that have had a significant effect in the financial statements for the period ended 30 June 2022.

### P) ACCOUNTING STANDARDS NOT YET EFFECTIVE

There are no standards or amendments not yet effective which are relevant or have a material impact on the Company.

The standards or amendments not yet effective that will be adopted on their effective date are:

- Amendment to IAS1, presentation of financial statements on classification of liabilities, effective from 1 January 2024 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.
- Amendment to IAS12, Income taxes effective from 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- IFRS 9 'Financial Instruments', interest benchmark reform. USD LIBOR will be phased out from June 2023. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

## 3. INCOME

| | Period ended 30 June 2022 $000 | Period ended 30 June 2021 $000 |
|---|---|---|
| **Income from investments** | | |
| US unfranked investment income from BPCR Limited Partnership | 68,685 | 70,091 |
| US fixed interest investment income* | – | 136 |
| US floating interest investment income | – | 2,978 |
| Prepayment premium** | – | 1,474 |
| Additional consideration received*** | 147 | – |
| | 68,832 | 74,679 |
| **Other income** | | |
| Interest income from liquidity/money market funds | 25 | 12 |
| | 25 | 12 |
| **Total income**** | **68,857** | **74,691** |

* In 2021 $136,000 of fixed investment income was received, which had been incorrectly deducted as tax at source in 2020.

** In 2021 the Company's senior secured term loan to Sebela included a prepayment premium of $1,474,000, which was paid upon the loan repayment and recognised as income in the year.

*** In 2022 $147,000 was recorded as additional income from the Company's investment in Optinose Warrants.

**** In 2021, $20,484,000 of undistributed net income earned by BPCR LP in 2020 was received by the Company and was recognised in Investment income in the Condensed Statement of Comprehensive Income and as a corresponding unrealised loss in the fair value of the investment. If this had been included in the period in which the income was received, Investment income for the period ending 30 June 2021 would have been $54,207,000.

## 4. FEES AND EXPENSES

### EXPENSES

| | Period ended 30 June 2022 | | | Period ended 30 June 2021 | | |
|---|---|---|---|---|---|---|
| | Revenue $000 | Capital $000 | Total $000 | Revenue $000 | Capital $000 | Total $000 |
| Management fee (note 4a) | 6,860 | – | 6,860 | 6,866 | – | 6,866 |
| Directors' fees (note 4c) | 207 | – | 207 | 198 | – | 198 |
| **Other operating expenses** | | | | | | |
| Company Secretarial fee | 48 | – | 48 | 45 | – | 45 |
| Administration fee | 65 | – | 65 | 64 | – | 64 |
| Legal & professional fees | (14) | – | (14) | 57 | – | 57 |
| Public relations fees | 107 | – | 107 | 100 | – | 100 |
| Director's and Officer's Liability Insurance | 87 | – | 87 | 92 | – | 92 |
| Auditors' remuneration - Statutory audit | 144 | – | 144 | 138 | – | 138 |
| Auditors' remuneration - Other audit related services - Interim review | 50 | – | 50 | 53 | – | 53 |
| Auditors' remuneration - Other audit related service - Agreed upon procedures | 10 | – | 10 | 15 | – | 15 |
| VAT | 37 | – | 37 | (47) | – | (47) |
| Other expenses | 145 | – | 145 | 162 | – | 162 |
| | 679 | – | 679 | 679 | – | 679 |
| Total expenses | **7,746** | **–** | **7,746** | **7,743** | **–** | **7,743** |

### A) INVESTMENT MANAGEMENT FEE

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

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

### B) PERFORMANCE FEE

Subject to: (i) the NAV attributable to the Ordinary Shares as at the end of a performance period representing a minimum of 6 per cent. annualised rate of return annualised on the Company's IPO gross proceeds (adjusted for dividends, share issues and buybacks as appropriate), (ii) the total return on the NAV attributable to the Ordinary Shares (adjusted for dividends, share issues and buybacks as appropriate) exceeding 6 per cent. 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.

## 4. FEES AND EXPENSES (CONTINUED)

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

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

Where the payment of performance fee (or any deferred performance fee from previous performance periods) in full would result in the failure of condition (i) above, the Investment Manager shall only be entitled to 50 per cent. of such fee that does not result in the failure of condition (i) with the balance being deferred to a future performance period.

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

The below table shows the accrued and payable performance fee.

| | As at 30 June 2022 $000 | As at 30 June 2021 $000 | As at 31 December 2021 $000 |
|---|---|---|---|
| Accrued performance fee | – | – | 2,222 |
| Performance fee payable | – | – | 2,222 |

During the period a performance fee of $2,222,000 was paid to Pharmakon (2021: $5,473,000)

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 $73,500 per annum for each Director other than:

- the Chairman, who will receive an additional $31,500 per annum; and
- the Chairman of the Audit and Risk Committee, who will receive an additional $15,800 per annum.

## 5. TAXATION ON ORDINARY ACTIVITIES

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

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

There will be an increase in the UK corporation tax rate from 19% to 25%, effective from April 2023, which was substantively enacted on 24 May 2021. This is expected to have no effect on the tax charge for the Company as the exemptions above will still apply.

| | Period ended 30 June 2022 | | | Period ended 30 June 2021 | | |
|---|---|---|---|---|---|---|
| | Revenue $000 | Capital $000 | Total $000 | Revenue $000 | Capital $000 | Total $000 |
| Total return on ordinary activities before taxation | 61,111 | 7,054 | 68,165 | 66,948 | (22,701) | 44,247 |
| Theoretical tax at UK Corporation tax rate of 19.00% (30 June 2021: 19.00% ) | 11,611 | 1,340 | 12,951 | 12,720 | (4,313) | 8,407 |
| Effects of: | | | | | | |
| Capital items that are not taxable | – | (1,340) | (1,340) | – | 4,313 | 4,313 |
| Tax deductible interest distributions | (11,611) | – | (11,611) | (12,720) | – | (12,720) |
| **Total tax charge** | **–** | **–** | **–** | **–** | **–** | **–** |

At 30 June 2022, the Company had no unprovided deferred tax liabilities. At that date, based on current estimates and including the accumulation of net allowable losses, the Company had no unrelieved losses.

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

**Notes to the financial Statements** continued

## 6. DIVIDENDS

Dividends paid in respect of the period under review:

| | Period ended 30 June 2022 | | | Period ended 30 June 2021 | | |
|---|---|---|---|---|---|---|
| | Revenue $000 | Capital $000 | Total $000 | Revenue $000 | Capital $000 | Total $000 |
| **In respect of the previous year ended 31 December 2021: (31 December 2020):** | | | | | | |
| Fourth interim dividend of $0.0175 per Ordinary share (2021: $0.0175 per Ordinary share) | 20,371 | 3,672 | 24,043 | 24,044 | – | 24,044 |
| Special dividend of $nil per Ordinary share (2021: $0.0029 per Ordinary share) | – | – | – | 3,984 | – | 3,984 |
| **In respect of the current period:** | | | | | | |
| First interim dividend of $0.0175 per Ordinary share (2021: $0.0175 per Ordinary share) | 24,043 | – | 24,043 | 21,782 | 2,262 | 24,044 |
| | **44,414** | **3,672** | **48,086** | **49,810** | **2,262** | **52,072** |

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

| | As at 30 June 2022 $000 | As at 31 December 2021 $000 |
|---|---|---|
| **Investment portfolio summary** | | |
| Listed investments at fair value through profit or loss | – | 8,328 |
| Unlisted investments in subsidiaries at fair value through profit or loss | 1,328,732 | 1,256,676 |
| Unlisted investments at fair value through profit or loss | 3,158 | 894 |
| | **1,331,890** | **1,265,898** |

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

| | Period ended 30 June 2022 | | | |
|---|---|---|---|---|
| | Listed investments $000 | Unlisted investments in subsidiaries $000 | Unlisted fixed interest investments $000 | Total $000 |
| **Investment portfolio summary** | | | | |
| Opening cost at beginning of period | 13,544 | 1,256,389 | 891 | 1,270,824 |
| Opening unrealised (losses)/gains at beginning of period | (5,216) | 287 | 3 | (4,926) |
| Opening fair value at beginning of period | 8,328 | 1,256,676 | 894 | 1,265,898 |
| Movements in the period: | | | | |
| Purchases at cost* | – | 75,000 | – | 75,000 |
| Redemption and sales proceeds* | (15,093) | (1,000) | – | (16,093) |
| Realised gain on sale of investments | 1,549 | – | – | 1,549 |
| Change in unrealised gains/(losses) | 5,216 | (1,944) | 2,264 | 5,536 |
| **Closing fair value at the end of the period** | **–** | **1,328,732** | **3,158** | **1,331,890** |
| Closing cost at end of period | – | 1,330,389 | 891 | 1,331,280 |
| Closing unrealised (losses)/gains at the end of the period | – | (1,657) | 2,267 | 610 |
| **Closing fair value at the end of the period** | **–** | **1,328,732** | **3,158** | **1,331,890** |

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

* Does not include investments purchased or sold by BPCR Limited Partnership.

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

| | Period ended 30 June 2022 $000 | Period ended 30 June 2021 $000 |
|---|---|---|
| Realised gain on sale of investments | 1,549 | – |
| Unrealised appreciation/(depreciation) | 5,536 | (22,702) |
| | **7,085** | **(22,702)** |

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

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

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

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

| | As at 30 June 2022 | | | |
|---|---|---|---|---|
| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
| **Investment portfolio summary** | | | | |
| Listed investments at fair value through profit or loss | – | – | – | – |
| Unlisted investments in subsidiaries measured at fair value through profit or loss | – | – | 1,328,732 | 1,328,732 |
| Unlisted fixed interest investments at fair value through profit or loss | – | 3,158 | – | 3,158 |
| | – | 3,158 | 1,328,732 | 1,331,890 |
| Liquidity/money market funds | 10,237 | – | – | 10,237 |
| **Total** | **10,237** | **3,158** | **1,328,732** | **1,342,127** |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
| **Investment portfolio summary** | | | | |
| Listed investments at fair value through profit or loss | 8,328 | – | – | 8,328 |
| Unlisted investments in subsidiaries measured at fair value through profit or loss | – | – | 1,256,676 | 1,256,676 |
| Unlisted fixed interest investments at fair value through profit or loss | – | 894 | – | 894 |
| | 8,328 | 894 | 1,256,676 | 1,265,898 |
| Liquidity/money market funds | 94,456 | – | – | 94,456 |
| **Total** | **102,784** | **894** | **1,256,676** | **1,360,354** |

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

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

### LEVEL 3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Period ended 30 June 2022 | Total $000 |
|---|---|---|
| Opening balance at 1 January 2022 | 1,256,676 | 1,256,676 |
| Investments in subsidiaries | 75,000 | 75,000 |
| Redemptions* | (1,000) | (1,000) |
| Change in unrealised depreciation | (1,944) | (1,944) |
| **Closing balance at 30 June 2022** | **1,328,732** | **1,328,732** |

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

There were no transfers between levels during the period.

### VALUATION TECHNIQUES

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

Unrealised gains and losses recorded on Level 2 and 3 financial instruments are reported in net gains on investments at fair value on the Condensed Statement of Comprehensive Income. Level 2 and Level 3 financial instruments are fair valued using inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date. Consideration is given to the risk inherent in the valuation techniques and the risk inherent in the inputs of the model.

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

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

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

The following table analyses the Company's investments at 30 June 2022:

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

| | As at 30 June 2022 | | | | | |
|---|---|---|---|---|---|---|
| **Assets** | **Fair value at Level 3 financial assets at fair value through profit or loss $000** | **Valuation technique** | **Unobservable input** | **Discount rate** | **Fair value sensitivity to a 100bps decrease in the discount rate $000** | **Fair value sensitivity to a 100bps increase in the discount rate $000** |
| Assets held by BPCR Limited Partnership* | | | | | | |
| Akebia | 50,000 | Discounted cash flow | Discount rate | 10.3% | 49,389 | 50,625 |
| BMS | 122,897 | Discounted cash flow | Discount rate | 12.9% | 121,022 | 124,830 |
| Other net liabilities of BPCR Limited Partnership | (145,665) | Amortised cost | – | – | (145,665) | (145,665) |
| Coherus | 100,000 | Discounted cash flow | Discount rate | 11.1% | 96,971 | 103,165 |
| Collegium | 312,500 | Discounted cash flow | Discount rate | 10.3% | 307,133 | 318,039 |
| Epizyme | 110,000 | Discounted cash flow | Discount rate | 10.6% | 107,363 | 112,738 |
| Evolus | 37,500 | Discounted cash flow | Discount rate | 11.4% | 36,396 | 38,653 |
| GBT | 132,500 | Discounted cash flow | Discount rate | 10.2% | 128,453 | 136,734 |
| Lumira | 150,000 | Discounted cash flow | Discount rate | 10.9% | 147,797 | 152,257 |
| Optinose | 71,500 | Discounted cash flow | Discount rate | 11.8% | 70,716 | 72,301 |
| Sarepta | 350,000 | Discounted cash flow | Discount rate | 9.9% | 344,434 | 355,717 |
| Urogen | 37,500 | Discounted cash flow | Discount rate | 11.1% | 36,330 | 38,725 |
| | 1,328,732 | | | | 1,300,339 | 1,358,119 |

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

| | As at 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| **Assets** | **Fair value at Level 3 financial assets at fair value through profit or loss $000** | **Valuation technique** | **Unobservable input** | **Discount rate[1]** | **Fair value sensitivity to a 100bps decrease in the discount rate $000[1]** | **Fair value sensitivity to a 100bps increase in the discount rate $000** |
| Assets held by BPCR Limited Partnership* | | | | | | |
| Akebia | 50,000 | Discounted cash flow | Discount rate | 10.0% | 49,234 | 50,788 |
| BDSI | 60,000 | Discounted cash flow | Discount rate | 10.0% | 59,032 | 60,998 |
| BMS | 137,277 | Discounted cash flow | Discount rate | 10.5% | 134,860 | 139,778 |
| Other net assets of BPCR Limited Partnership | 65,086 | Amortised cost | – | – | – | – |
| Collegium | 92,813 | Discounted cash flow | Discount rate | 10.0% | 91,835 | 93,814 |
| Epizyme | 110,000 | Discounted cash flow | Discount rate | 10.3% | 107,002 | 113,125 |
| Evolus | 37,500 | Discounted cash flow | Discount rate | 10.0% | 36,248 | 38,815 |
| Global Blood Therapeutics | 132,500 | Discounted cash flow | Discount rate | 9.6% | 128,010 | 137,218 |
| LumiraDX | 150,000 | Discounted cash flow | Discount rate | 9.0% | 147,186 | 152,897 |
| OptiNose US | 71,500 | Discounted cash flow | Discount rate | 11.7% | 70,450 | 72,577 |
| Sarepta Therapeutics | 350,000 | Discounted cash flow | Discount rate | 9.7% | 343,119 | 357,096 |
| | 1,256,676 | | | | 1,166,976 | 1,217,106 |

* 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.

1 The Company is restating the prior year discount rate and discount rate sensitivity calculations as the discount rate used in the prior year was incorrectly calculated. The restatement does not affect the reported carrying value of the related assets.

## 8. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2022 $000 | As at 31 December 2021 $000 |
|---|---|---|
| Unlisted income receivable from BPCR Limited Partnership | 45,684 | 9,593 |
| Interest accrued on liquidity/money market funds | 9 | 1 |
| Other debtors | 190 | 416 |
| | **45,883** | **10,010** |

There have been no write-offs in the period and no expected credit losses.

## 9. CASH AND CASH EQUIVALENTS

| | As at 30 June 2022 $000 | As at 31 December 2021 $000 |
|---|---|---|
| Cash at bank | 199 | 253 |
| Liquidity/money market funds | 10,237 | 94,456 |
| | **10,436** | **94,709** |

**Notes to the financial Statements** continued

## 10. TRADE AND OTHER PAYABLES

| | As at 30 June 2022 $000 | As at 31 December 2021 $000 |
|---|---|---|
| **Current liabilities** | | |
| Performance fee payable | – | 2,222 |
| Management fees accrual | 3,431 | 3,397 |
| Accruals | 571 | 723 |
| | **4,002** | **6,342** |
| **Non-current liabilities** | | |
| Deferred performance fee | 411 | 558 |
| | **4,413** | **6,900** |

## 11. RETURN PER ORDINARY SHARE

Revenue return per ordinary share is based on the net revenue after taxation of $61,111,000 (30 June 2021: $66,498,000) and 1,373,872,373 (30 June 2021: 1,373,872,373) ordinary shares, being the weighted average number of ordinary shares for the period.

Capital return per ordinary share is based on net capital loss for the period of $7,054,000 (30 June 2021: net capital gain of $22,701,000) and on 1,373,872,373 (30 June 2021:1,373,872,373) ordinary shares, being the weighted average number of ordinary shares for the period.

Basic and diluted return per share are the same as there are no arrangements which could have a dilutive effect on the Company's ordinary shares.

## 12. NET ASSET VALUE PER ORDINARY SHARE

The basic total net assets per ordinary share is based on the net assets attributable to equity shareholders at 30 June 2022 of $1,383,796,000 (30 June 2021: $1,371,090,000 and 31 December 2021: $1,363,717,000) and ordinary shares of 1,373,872,373 (30 June 2021: 1,373,872,373 and 31 December 2021: 1,373,872,373), being the number of ordinary shares in issue at 30 June 2022.

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

## 13. SHARE CAPITAL

| | Period ended 30 June 2022 | | Year ended 31 December 2021 | |
|---|---|---|---|---|
| | Number of shares | $000 | Number of shares | $000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares of $0.01: | | | | |
| Balance at beginning of the period | 1,373,932,067 | 13,739 | 1,373,932,067 | 13,739 |
| **Balance at end of the period** | **1,373,932,067** | **13,739** | **1,373,932,067** | **13,739** |

Total voting rights at 30 June 2022 were 1,373,872,373 (31 December 2021: 1,373,872,373). The balance of treasury shares on 30 June 2022 was 59,694 (31 December 2021: 59,694).

## 14. SUBSIDIARY

The Company formed a wholly-owned subsidiary, BPCR Ongdapa Limited ("BPCR Ongdapa"), incorporated in Ireland on 5 October 2017 for the purpose of entering into a purchase, sale and assignment agreement with a wholly-owned subsidiary of Royalty Pharma for the purchase of a 50 per cent. interest in a stream of payments acquired by Royalty Pharma from Bristol-Myers Squibb ("BMS"). On 22 May 2020 this investment was transferred to BPCR Limited Partnership for the purpose of entering into the new credit facility, see further below. The registered address for BPCR Ongdapa is BPCR Ongdapa Limited, 2 Grand Canal Square, Grand Canal Harbour, Dublin, Ireland. The aggregate amount of its capital reserves as at 30 June 2022 is $1 (30 June 2021: $1 and 31 December 2021: $1) and the profit or loss for the period ended 30 June 2022 is $135,740 (30 June 2021: $159,669 and 31 December 2021: $233,394).

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 is recognised at fair value through profit or loss.

The General Partner for BPCR Limited Partnership 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 financial statements of BPCR GP under IFRS 10, however the highly immaterial ($nil, (2021:$nil)) balance of BPCR GP would produce accounts with almost identical balances to the Company therefore, BPCR GP has not been consolidated into these financial statements. Furthermore with reference to the Companies Act, section 405 (2) "A subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view". The registered address for BPCR GP Limited is 51 New North Road, Exeter, United Kingdom, EX4 4EP. The aggregate amount of its capital reserves as at 30 June 2022 is $nil (2021: $nil) and the profit or loss for the period to 30 June 2022 is $nil (2021: $nil).

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

| | Period ended 30 June 2022 $000 | Period ended 30 June 2021 $000 |
|---|---|---|
| Total return for the period before taxation | 68,165 | 44,247 |
| Capital (gains)/losses | (7,054) | 22,701 |
| Increase in trade receivables | (35,873) | (26,168) |
| Decrease in trade payables | (2,487) | (5,571) |
| **Cash generated from operations** | **22,751** | **35,209** |

### ANALYSIS OF NET CASH AND NET DEBT

Net cash

| | At 1 January 2022 $000 | Cash flow operating activities $000 | Cash flow financing activities $000 | Cash flow investment activities $000 | Exchange movement $000 | At 30 June 2022 $000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 94,709 | 22,751 | (48,086) | (58,907) | (31) | **10,436** |

## 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 18 to 31 of the Company's annual financial statements for the year ended 31 December 2021 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 24 to 30 of the Company's annual financial statements for the year ended 31 December 2021.

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.

## 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 30 June 2022 | | As at 30 June 2021 | | At 31 December 2021 | |
|---|---|---|---|---|---|---|
| | Fair value $000 | 10 per cent. Increase/ decrease in market value $000 | Fair value $000 | 10 per cent. Increase/ decrease in market value $000 | Fair value $000 | 10 per cent. Increase/ decrease in market value $000 |
| Biodelivery Sciences International Equity | – | – | 9,649 | 965 | 8,328 | 833 |
| OptiNose US warrants | 3,158 | 316 | 81 | 8 | 894 | 89 |
| **Assets held by BPCR Limited Partnership** | | | | | | |
| Akebia | 50,000 | 5,000 | 50,000 | 5,000 | 50,000 | 5,000 |
| Biodelivery Sciences International Loan | – | – | 80,000 | 8,000 | 60,000 | 6,000 |
| BMS Purchased Payments (BPCR Ongdapa) | 122,897 | 12,290 | 149,329 | 14,933 | 137,277 | 13,728 |
| Coherus | 100,000 | 10,000 | – | – | – | – |
| Collegium | 312,500 | 31,250 | 113,438 | 11,344 | 92,813 | 9,281 |
| Epizyme | 110,000 | 11,000 | 110,000 | 11,000 | 110,000 | 11,000 |
| Evolus | 37,500 | 3,750 | – | – | 37,500 | 3,750 |
| Global Blood Therapeutics | 132,500 | 13,250 | 82,500 | 8,250 | 132,500 | 13,250 |
| LumiraDX | 150,000 | 15,000 | 150,000 | 15,000 | 150,000 | 15,000 |
| LumiraDX warrants | 74 | 7 | – | – | 2,068 | 207 |
| Optinose US Note | 71,500 | 7,150 | 71,500 | 7,150 | 71,500 | 7,150 |
| Optinose US Equity | 90 | 9 | – | – | 40 | 4 |
| Other liabilities of BPCR LP | (145,829) | (14,583) | 59,561 | 5,956 | 62,978 | 6,298 |
| Sarepta Therapeutics | 350,000 | 35,000 | 350,000 | 35,000 | 350,000 | 35,000 |
| Urogen | 37,500 | 3,750 | – | – | – | – |
| | **1,331,890** | **133,189** | **1,226,058** | **122,606** | **1,265,898** | **126,590** |

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.

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

### CURRENCY RISK

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

At 30 June 2022, the Company held cash balances in GBP Sterling of £163,000 ($197,000) (30 June 2021: £81,000 ($112,000) and 31 December 2021: £180,000 ($244,000)) and in Euro of €2,000 ($2,000) (30 June 2021: €7,000 ($8,000) and 31 December 2021: €5,000 ($5,000)) .

The currency exposures (including non-financial assets) of the Company as at 30 June 2022:

| | Cash $000 | Investments $000 | Other net assets/ (liabilities) $000 | Total $000 |
|---|---|---|---|---|
| Sterling | 197 | – | 130 | 327 |
| Euro | 2 | – | – | 2 |
| US Dollar | 10,237 | 1,331,890 | 41,340 | 1,383,467 |
| | **10,436** | **1,331,890** | **41,470** | **1,383,796** |

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

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

The currency exposures (including non-financial assets) of the Company as at 31 December 2021:

| | Cash $000 | Investments $000 | Other net assets/ (liabilities) $000 | Total $000 |
|---|---|---|---|---|
| Sterling | 244 | – | 2 | 246 |
| Euro | 5 | – | – | 5 |
| US Dollar | 94,460 | 1,265,898 | 3,052 | 1,363,410 |
| | **94,709** | **1,265,898** | **3,054** | **1,363,661** |

A 10 per cent increase in the Sterling exchange rate would have increased net assets by approximately $15,000 (30 June 2021: $16,000 and 31 December 2021: $15,000).

A 10 per cent. increase in the Euro exchange rate would have increased net assets by approximately $0 (30 June 2021: $1,000 and 31 December 2021: $1,000).

A 10 per cent decrease would have decreased net assets by the same amount (30 June 2021: same and 31 December 2021: same).

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

### INTEREST RATE RISK

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

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

The LumiraDX, OptiNose US and Sarepta Therapeutics instruments have a fixed interest rate and therefore are not subject to interest rate risk. These investments are held at BPCR LP. The below table shows the percentage of the Company's net assets they represent.

| | As at 30 June 2022 % of Company Net Assets | As at 30 June 2021 % of Company Net Assets | As at 31 December 2021 % of Company Net Assets |
|---|---|---|---|
| Sarepta Therapeutics | 25.29 | 25.53 | 25.67 |
| LumiraDx | 10.85 | 10.94 | 11.15 |
| OptiNose US | 5.40 | 5.21 | 5.31 |

The BMS Purchased Payments, Collegium, Global Blood Therapeutics, Akebia, Epizyme, Coherus, Evolus, Biodelivery Sciences International and Urogen loans and cash and cash equivalents, including investments in liquidity funds, have a floating rate of interest. These investments are held at BPCR LP. The below table shows the percentage of the Company's net assets they represent.

| | As at 30 June 2022 % of Company Net Assets | As at 30 June 2021 % of Company Net Assets | As at 31 December 2021 % of Company Net Assets |
|---|---|---|---|
| Collegium | 22.58 | 8.27 | 6.81 |
| Global Blood Therapeutics | 9.58 | 6.02 | 6.05 |
| BMS Purchased Payments (BPCR Ongdapa) | 8.88 | 10.89 | 10.07 |
| Epizyme | 7.95 | 8.02 | 8.07 |
| Coherus | 7.23 | – | – |
| Akebia | 3.61 | 3.65 | 3.67 |
| Evolus | 2.71 | – | 2.75 |
| Urogen | 2.71 | – | – |
| Biodelivery Sciences International Loan | – | 5.83 | 5.01 |
| Cash and cash equivalents* | 0.75 | 8.93 | 6.94 |

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

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

### (II) LIQUIDITY RISK

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. At 30 June 2022, the Company had cash and cash equivalents, including investments in liquidity/money market funds with balances of $10,436,000 (30 June 2021: $122,478,000 and 31 December 2021: $94,709,000) and maximum unfunded commitments of $nil (30 June 2021: $nil and 31 December 2021: $nil). At 30 June 2022, the Company's financing subsidiary, BPCR Limited Partnership, had cash and cash equivalents, including investments in liquidity/money market funds with balances of $51,317,000 (30 June 2021: $89,251,000 and 31 December 2021: $79,298,000) and maximum unfunded commitments of $87,500,000 (30 June 2021: $nil and 31 December 2021: $25,000,000).

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 Partnership entered into a $200 million revolving credit facility with JPMorgan Chase Bank, expiring on 21 May 2023, (the "Facilities Agreement"). The Partnership paid a commitment fee on undrawn amounts of 200 basis points and would have paid a LIBOR margin of 400 basis points on drawn amounts. On 10 September 2021 the Partnership entered into an amendment including reducing the revolving credit facility from $200 million to $50 million together with changes in the accordian feature allowing for an increase in the revolving credit facility to $100 million and up to $200 million in term loans, extension of the maturity date to 22 June 2024 and a reduction on the LIBOR margin payable under the revolving credit facility from 400 basis points to 275 basis points. This facility will increase the Company's flexibility in relation to funding new lending opportunities and provide liquidity for funding outstanding obligations. As of 30 June 2022, the outstanding balance on the credit facility, through the Company's financing subsidiary, BPCR Limited Partnership, was $138,000,000 (30 June 2021: $nil and 31 December 2021: $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 4 to 11.

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 and cash and receivables. At 30 June 2022, the Company's maximum exposure to credit risk was $1,331,890,000 (30 June 2021: $1,226,058,000 and 31 December 2021: $1,265,898,000). The Company's concentration of credit risk by counterparty can be found in the Investment Manager's Report on page 4 to 11.

## CAPITAL MANAGEMENT

## POLICIES AND PROCEDURES

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.

This is to be achieved through an appropriate balance of equity capital and gearing. The Company operates a flexible gearing policy which depends on prevailing conditions. The Company may incur indebtedness up to 25 per cent. of the Company's net asset value with a maximum of up to 50 per cent. with Board approval.

## 17. RELATED PARTY TRANSACTIONS

The amount incurred in respect of management fees during the period to 30 June 2022 was $6,860,000 (30 June 2021: $6,866,000), of which $3,431,000 (30 June 2021: $3,427,000) was outstanding at 30 June 2022. The amount due to the Investment Manager for performance fees at 30 June 2022 was $nil (31 December 2021: $nil).

The amount incurred in respect of Directors' fees during the period to 30 June 2022 was $207,000 (30 June 2021: $198,000) of which $nil was outstanding at 30 June 2022 (30 June 2021: $nil).

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

BPCR Limited Partnership and its General Partner, BPCR GP Limited, are related entities of the Company, as they are wholly-owned subsidiaries and formed for the purpose of entering into a new credit facility. On 22 May 2020, several investments totaling $1,070,139,000 were transferred to BPCR LP from the Company. In the period to 30 June 2022, the Company recorded income of $68,684,000 (30 June 2021: $49,281,000) and the outstanding balance on 30 June 2021 was $1,328,732,000 (30 June 2021: $1,216,328,000). BPCR GP Limited had an outstanding balance as at 30 June 2022 of $nil (30 June 2021: $nil).

On 8 March 2022, 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 with UroGen Pharma, Inc., guaranteed by its parent, UroGen Pharma Ltd. ("UroGen"). Under the terms of the transaction, the Company will invest up to $50,000,000. The loan will mature in March 2027 and will bear interest at 3-month LIBOR plus 8.25 per cent. per annum subject to a 1.25 per cent. floor along with a one-time additional consideration of 1.75 per cent. of the total loan amount payable upon funding of the first tranche. The Company funded the first tranche of $37,500,000 on 16 March 2022. In the first half of 2022, the BPCR LP recorded interest of $1,059,000 (30 June 2021: $nil). The outstanding balance as at 30 June 2022 was $37,500,000 (30 June 2021: $nil).

On 5 January 2022, the Company and BioPharma V entered into a definitive senior secured term loan agreement with Coherus Inc. ("Coherus"). Under the terms of the transaction, the Company will invest up to $150,000,000 ($50,000,000 in the first tranche, $50,000,000 million by 1 April 2022 and up to an additional $50,000,000 by 17 March 2023). The loan will mature in January 2027 and will bear interest at 3-month LIBOR plus 8.25 per cent. per annum subject to a 1.00 per cent. floor along with a one-time additional consideration of 2.0 per cent. of the total loan amount payable upon funding of the first tranche. The Company funded the first and second tranches of $50,000,000 on 5 January 2022 and 31 March 2022 respectively. In the first half of 2022, the BPCR LP recorded interest of $3,456,000 (30 June 2021: $nil). The outstanding balance as at 30 June 2022 was $100,000,000 (30 June 2021: $nil).

On 14 December 2021, the Company and BioPharma V entered into a definitive senior secured term loan agreement with Evolus Inc. ("Evolus"). The Company's share of the transaction will be up to $62,500,000 and the Company funded the first tranche of $37,500,000 on 29 December 2021. The loan will mature in December 2027 and will bear interest at 3-month LIBOR plus 8.50 per cent. per annum subject to a 1.00 per cent. floor along with a one-time additional consideration of 2.25 per cent. of the total loan amount payable upon funding of the first tranche. In the first half of 2022, the BPCR LP recorded interest of $1,791,000 (30 June 2021: $nil). The outstanding balance as at 30 June 2022 was $37,500,000 (30 June 2021: $nil).

On 24 March 2021, the Company and BioPharma V entered into a definitive senior secured term loan agreement for $300,000,000 with LumiraDx Group Limited ("LumiraDx"). The Company's share of the transaction was $150,000,000 and the Company funded the term loan on 29 March 2021. The loan will mature in March 2024 and will bear interest at 8.00 per cent. per annum along with a one-time additional consideration of 2.50 per cent. of the loan amount payable upon funding plus an additional 1.50 per cent. of the loan payable at maturity. On 28 September 2021, LumiraDx became public via a SPAC transaction with CA Healthcare Acquisition Corporation and began trading on NASDAQ under the ticketer LMDX. The Company received 742,924 warrants exercisable into common stock of LumiraDx under the terms of the transaction. In the first half of 2022, the BPCR LP recorded interest of $6,033,000 (30 June 2021: $3,133,000). The outstanding balance as at 30 June 2022 was $150,000,000 (30 June 2021: $150,000,000). The number of warrants outstanding as at 30 June 2022 was 742,924 (30 June 2021: nil).

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

On 7 February 2020, the Company and BioPharma V entered into a definitive senior secured term loan agreement for $200,000,000 with Collegium Pharmaceutical, Inc. (Nasdaq: COLL). The Company's share of the transaction was $165,000,000 and the Company funded the term loan on 13 February 2020. The loan was originally due to mature in January 2024 and bore 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. On 14 February 2022, the Company and BioPharma V provided Collegium Pharmaceutical, Inc. a commitment to enter into a new senior secured term loan agreement for $650,000,000. Proceeds from the new loan were used to fund Collegium's acquisition of BioDelivery Sciences International, Inc. as well as repay the outstanding debt of Collegium and BDSI. Under the terms of the new loan, the Company invested $325,000,000 million in a single drawing. The four-year loan for the Company's investment will have $50,000,000 in amortization payments during the first year and the remaining $275,000,000 balance will amortize in equal quarterly installments. The loan will bear interest at 3-month LIBOR plus 7.50 per cent. per annum subject to a 1.20 per cent. floor along with a one-time additional consideration of 2.00 per cent. of the loan amount payable at signing and 1.00 per cent. of the loan amount payable at funding. In the first half of 2022, BPCR LP recorded interest of $9,917,000 (30 June 2021: $6,156,000). The outstanding balance as at 30 June 2022 was $312,500,000 (30 June 2021: $113,437,500).

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. On 14 December 2021 the loan agreement was amended and restated. The amendment increased the aggregate principal amount of the loan to $250,000,000 through a $100,000,000 third tranche, which was drawn on 22 December 2021. The Company and its subsidiaries funded $132,500,000 across all three tranches. The loan will mature in December 2027 and bears interest at three-month LIBOR plus 7.00 per cent. per annum subject to a 2.00 per cent. floor along with a one-time additional consideration of 1.50 per cent. of the total loan amount paid upon funding and an additional 2.00 per cent. payable upon the repayment of the loan. The third tranche also incurred additional consideration of 1.50 per cent. at the time of funding. As a part of the amendment in 2021, the Company and its subsidiaries received a one-time fee equal to 1.25 per cent. of the first two tranches and the three-year make-whole period was reset to December 2021. In the first half of 2022, BPCR LP recorded interest of $5,996,000 (30 June 2021: $3,733,000). The outstanding balance as at 30 June 2022 was $132,500,000 (30 June 2021: $82,500,000).

On 13 December 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement for up to $500,000,000 with Sarepta Therapeutics (Nasdaq: SRPT). On 24 September 2020 the Sarepta loan agreement was amended and the loan amount was increased to $550,000,000. Sarepta drew down the first $250,000,000 tranche on 20 December 2019 and the second $300,000,000 tranche on 2 November 2020. The Company funded $175,000,000 of each tranche for a total investment of $350,000,000 and BioPharma V invested the remaining $200,000,000. The first tranche will mature in December 2023 and the second tranche in December 2024. The loan will bear interest at 8.50 per cent. per annum along with a one-time additional consideration of 1.75 per cent. of the first tranche and 2.95 per cent. of the second tranche payable upon funding and an additional 2.00 per cent. payable upon the repayment of the loan. In the first half of 2022, BPCR LP recorded interest of $14,958,000 (30 June 2021: $14,958,000). The outstanding balance as at 31 December 2022 was $350,000,000 (30 June 2021: $350,000,000).

On 11 November 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement for up to $100,000,000 with Akebia (Nasdaq: AKBA). Akebia drew down the first $80,000,000 on 25 November 2019 and the second $20,000,000 tranche on 10 December 2020. The Company invested $40,000,000 and $10,000,000 of the first and second tranche, respectively. The loan will mature in November 2024 and will bear interest at LIBOR plus 7.50 per cent. per annum along with a one-time additional consideration of 2.00 per cent. of the total loan amount. In the first half of 2022, BPCR LP recorded interest of $2,388,000 (30 June 2021: $2,388,000). The outstanding balance as at 30 June 2022 was $50,000,000 (30 June 2021: $50,000,000).

On 4 November 2019, the Company and BioPharma V entered into a definitive senior secured term loan agreement for up to $70,000,000 with Epizyme (Nasdaq: EPZM). On 3 November 2020, the Epizyme loan agreement was amended and the loan amount was increased to $220,000,000. Epizyme drew down the $25,000,000 on 18 November 2019 and an additional $195,000,000 during 2020. The Company funded a total of $110,000,000 of the Epizyme loan. The first three tranches of the loan will mature in November 2024 and the fourth tranche will mature in November 2026. The loan will bear interest at LIBOR plus 7.75 per cent. per annum along with a one-time additional consideration of 2.00 per cent. of the total loan amount. On 4 November 2019, Royalty Pharma, an affiliate of Pharmakon Advisors, announced an agreement to purchase future royalties on tazemetostat net sales outside of Japan owned by Eisai Co. for $330,000,000 and a separate $100,000,000 equity investment directly in Epizyme. Pablo Legorreta, a principal of Pharmakon and RP management was named to the Epizyme board of directors. In the first half of 2022, BPCR LP recorded interest of $5,392,000 (30 June 2021: $5,392,000). The outstanding balance as at 30 June 2022 was $110,000,000 (30 June 2021: $110,000,000).

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

On 12 September 2019, the Company and BioPharma V, entered into a definitive senior secured note purchase agreement for the issuance and sale of senior secured notes in an aggregate original principal amount of up to $150,000,000 by OptiNose US. OptiNose US is a wholly-owned subsidiary of OptiNose (Nasdaq: OPTN), a commercial-stage specialty pharmaceutical company. Optinose drew a total of $130,000,000 in three tranches: $80,000,000 on 12 September 2019, $30,000,000 on 13 February 2020 and $20,000,000 on 1 December 2020. There are no further funding commitments. The notes mature in September 2024 and bear interest at 10.75% per annum along with a one-time additional consideration of 0.75% of the aggregate original principal amount of senior secured notes which the Company and BioPharma-V are committed to purchase under the facility and 810,357 warrants exercisable into common stock of OptiNose. The Company funded a total $71,500,000 across all tranches and was allocated 364,661 warrants. On 18 November 2021, OptiNose raised $46,000,000 in a follow-on offering at a price of $1.60. As part of the financing, Pharmakon re-tiered its sales covenants, amended the amortisation and make-whole provisions, and issued new three-year warrants at the offering price of $1.60, with the original warrants being canceled. In the first half of 2022, BPCR LP recorded interest of $3,865,000 (30 June 2021: $3,873,000). The outstanding balance as at 30 June 2022 of the outstanding notes was $71,500,000 (30 June 2021: $71,500,000). The number of warrants outstanding as at 30 June 2022 was 1,375,000 (30 June 2021: 445,696).

On 8 December 2017, the Company's wholly-owned subsidiary BPCR Ongdapa entered into a purchase, sale and assignment agreement with RPI Acquisitions (Ireland) Limited ("RPI Acquisitions"), an affiliate of Royalty Pharma, for the purchase of a 50 per cent. interest in a stream of Purchased Payments acquired by RPI Acquisitions from Bristol-Myers Squibb through a purchase agreement dated 14 November 2017. As a result of the arrangements, RPI's subsidiary and the Company's subsidiary are each entitled to the benefit of 50 per cent. of the Purchased Payments under identical economic terms. The Purchased Payments are linked to tiered worldwide sales of Onglyza and Farxiga, diabetes agents marketed by AstraZeneca, and related products. The Company was expected to fund $140,000,000 to $165,000,000 during 2018 and 2019, determined by product sales and will receive payments from 2020 through 2025 estimated to yield a return in the high single-digits per annum. In the first half of 2022, BPCR LP recorded interest of $8,060,000 (30 June 2021: $7,060,000).

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

At 30 June 2022, there were no outstanding commitments at the Company (30 June 2021: $nil) in respect of investments (see Note 17 for further details). At 30 June 2022, the Company's financing subsidiary, BPCR Limited Partnership, had commitments of $87,500,000 (30 June 2021: $nil).

## 19. SUBSEQUENT EVENTS

On 15 July 2022, the Company and BioPharma-V entered into a Second Amendment and Waiver with Akebia which amends and waives certain provisions of the Loan Agreement, dated 11 November 2019. As a result of this amendment Akebia made a $12,500,000 pre-payment, reducing the outstanding balance to $37,500,000. The prepayment triggered a 2.0 per cent. prepayment fee on the $12,500,000. Akebia will make amortization payments on the remaining balance as originally agreed, starting in September 2022. As a result, the loan balance is expected to be approximately $29,500,000 by January 2023 and $13,500,000 by January 2024.

On 27 June 2022, Ipsen announced a definitive agreement pursuant to which Ipsen will acquire Epizyme. Upon closing, Epizyme was required to repay the $110,000,000 senior secured loan. On 12 August 2022, Epizyme repaid its $110,000,000 senior secured loan and the Company received $9,000,000 in prepayment and makewhole fees.

On 8 August 2022, Pfizer announced a definitive agreement pursuant to which Pfizer will acquire GBT. Upon closing, GBT will be required to repay its $133,000,000 senior secured loan to the Company. Assuming the prepayment occurs on 1 October 2022, the Company would be expected to receive approximately $38,000,000 in paydown, prepayment and make-whole fees.

On 12 September 2022, Sarepta Therapeutics announced a proposed offering of $1.0 billion of Convertible Senior Notes Due 2027. Upon closing, Sarepta has indicated its intention to repay its $350 million senior secured loan to the Company. Assuming the prepayment occurs on 16 September 2022, the Company would be expected to receive approximately $16 million in paydown, prepayment and make-whole fees.

Following Russia's invasion of Ukraine on 24 February 2022, the unfolding conflict is being monitored closely. The Covid-19 pandemic continues to impact business operations in 2022 however the Company's technical and operational functions have not been affected. The Investment Manager has concluded that these events have had no material impact on the activities of the Company to date or the credit quality of its loans and will continue to monitor these events.

# Glossary of Terms and Alternative Performance Measures (APM)

### NET INCOME PER ORDINARY SHARE

Net income per share is the net revenue for the period 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 period. Capital return per Ordinary Share is based on net capital gains divided by weighted average number of Ordinary Shares for the period.

### ONGOING CHARGES

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

# Directors, Advisers and Other Service Providers

### DIRECTORS

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

### INVESTMENT MANAGER AND AIFM

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### ADMINISTRATOR

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Beaufort House
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### COMPANY SECRETARY AND REGISTERED OFFICE

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Tel: 01392 477500

### COMPANY WEBSITE

www.bpcruk.com

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E14 5AL

### FINANCIAL AND STRATEGIC COMMUNICATIONS

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### REGISTRAR

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LS1 4DL

# Company Information

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

The Company's shares were transferred to the premium segment of the Main Market on 5 October 2021. The Company introduced a GBP quote to appear alongside its USD quote on this date.

The Company delisted from the TISE on 8 October 2021.

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

### INVESTMENT OBJECTIVE

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

### SUMMARY OF INVESTMENT POLICY

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

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

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

# Shareholder Information

## KEY DATES

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

## FREQUENCY OF NAV PUBLICATION

The Company's NAV is released to the LSE 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