Port Erin Biopharma Investments Limited

Directors' report and annual financial statements

For the year ended 30 June 2016

Registration number: Isle of Man 006874V

Port Erin Biopharma Investments Limited

Contents ***Page***

Port Erin Biopharma Investments Limited

Corporate information

Company's website	www.porterinbiopharma.com
Registered Office	18 Athol Street Douglas Isle of Man, IM1 1JA
Registered Agent	Greystone Trust Company Limited 18 Athol Street Douglas Isle of Man, IM1 1JA
Nominated Adviser	From 14 April 2016: Northland Capital Partners Limited 60 Gresham Street, London, EC2V 7BB Prior to 14 April 2016: Beaumont Cornish Limited, 2nd Floor, Bowman House, 29 Wilson Street, London, EC2M 2SJ.
Broker	Peterhouse Corporate Finance Limited 31 Lombard Street London, EC3V 9BQ
Registrar	Capita Registrars (Isle of Man) Limited 3rd floor, Exchange House 54 – 62 Athol Street Douglas Isle of Man, IM1 1JD
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man, IM99 1HN
Legal Advisers	*As to Isle of Man Law* Long & Humphrey The Old Courthouse Athol Street Douglas Isle of Man, IM1 1LD
Legal Advisers	*As to English Law* Kerman & Co. LLP 200 Strand London, WC2R 1DJ
Depositary	Capita Registrars (Isle of Man) Limited 3rd floor, Exchange House 54 – 62 Athol Street Douglas Isle of Man, IM1 1JD
Administrator	Burnbrae Limited 4th floor, Viking House Nelson Street Douglas Isle of Man, IM1 2AH

Port Erin Biopharma Investments Limited

Chairman's statement

Introduction

The investment holdings have performed in line with the sector. Despite our holding of Magna Biopharma Income Fund ("MBIF") having reduced in value to £1.2 million, principally as a result of the Tender Offer (2015: pre-tender offer £2.9 million), we remain confident that MBIF is well positioned to take advantage in any market upturn. Of our other investments, we remain positive about the potential for both Regent Pacific ("Regent") and Summit Therapeutics plc ("Summit").

In November 2015, Plethora Solutions Holdings plc was the candidate for an offer from Hong Kong listed Regent. The consideration for the offer was for each share held, the shareholder received 15.7076 New Regent Pacific Shares.

Summit has recently announced that it has enrolled its first patients at trial sites in the US into PhaseOut Duchenne muscular dystrophy ("DMD"), a Phase 2 proof-of-concept clinical trial of ezutromid in patients with DMD. Ezutromid dosing is expected to follow within a screening period of up to 28 days. Enrolment and dosing of patients into PhaseOut DMD in the UK is ongoing. Ezutromid is a utrophin modulator and represents a potential disease modifying treatment for all patients with DMD.

In April 2016, Miraculins Inc announced that it has changed its name to Luminor Medical Technologies Inc ("Luminor") and commenced trading on the TSX Venture Exchange, completing a twenty-five to one consolidation of its common shares. Luminor is a medical diagnostic company focused on acquiring, developing and commercialising non-invasive technologies for unmet clinical needs. The Company's Scout DS® device has achieved regulatory approval for certain markets as a clinical tool to assist in the identification of both Prediabetes and Type-2 diabetes, and is the first non-invasive testing system designed to provide a highly sensitive and convenient method for measuring sugar levels and oxidative stress. Unlike current testing methods, a Scout DS® test requires no blood draw, no fasting, and no waiting for a laboratory result. The product has been used and validated in thousands of patients around the world.

After the year-end, on 13 October 2016, we entered into a loan agreement with the Diabetic Boot Company Limited ("DBC") to provide it with a short-term loan of £200,000 less expenses, for working capital purposes. This loan pays a coupon of 7 per cent., is unsecured and is fully repayable on the earlier of 31 March 2017 or the date on which DBC secures additional equity funding of £1,000,000. We already hold 7,105 shares in DBC, representing 0.74 per cent. of its issued share capital. In order to provide the funds for the loan, we sold 21,733 shares of our MBIF holding, leaving a resultant holding in MBIF of 93,831 shares.

Financial Review

The total comprehensive loss for the year was £0.5 million (2015: loss of £0.6 million). The investment loss was £0.3 million (2015: loss of £0.2 million). Expenses, with no performance fee charged, were £0.2 million (2015: £0.4 million).

Total assets stand at £2.2 million (2015: £2.7 million), of which our investment holdings represent £2.2 million (2015: £2.5 million). Available cash is £0.01 million (2015: £0.3 million).

Outlook

We continue to seek value enhancing investments to add to our portfolio to provide a solid platform from which to continue our strategy for growth.

Jim Mellon
Chairman

Port Erin Biopharma Investments Limited

Directors' report

The Directors of Port Erin Biopharma Investments Limited (the “Company”) take pleasure in presenting the Directors’ report and financial statements for the year ended 30 June 2016.

Principal activity

The Company was formed for the purpose of investing in the biotechnology and biopharmaceutical sector. The Company was incorporated on 3 May 2011 under the Isle of Man Companies Act 2006 and has no employees other than Directors. On 15 September 2011, the Company’s shares were admitted to AIM.

Results and transfer to reserves

The results and transfers from reserves for the year are set out on pages 7 and 9.

The Company made a loss for the year after taxation of £534,369 (2015: loss of £601,646).

Dividend

The Directors do not propose the payment of a dividend (2015: £nil).

Directors

The Directors who served during the year and to date were:

Jim Mellon
Denham Eke
Anderson Whamond

Auditors

Our auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

Directors’ interests

As at 30 June 2016, the interests of the Directors and their families (as such term is defined in the AIM Rules for Companies) in the share capital of the Company are as follows:

	Number of Ordinary Shares		
	Direct Interests	**Other Interests**	**Percentage of Issued Capital**
Jim Mellon[(1)(2)]	1,273,960	5,455,313	29.01%

Notes to Directors’ Interests:

(1) Galloway Limited, a company where Jim Mellon is considered to be the ultimate beneficial owner, holds 5,455,313 Ordinary shares.
(2) Denham Eke is a director of Galloway Limited.

Directors' report (continued)

Significant shareholdings

Except for the interests disclosed in this note, the Directors are not aware of any holding of ordinary shares as at 30 June 2016 representing 3% or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of total issued capital
Jim Mellon[(1)]	6,729,273	29.01%
Vidacos Nominees Limited	1,720,000	7.42%
Share Nominees Ltd	1,356,546	5.85%
The Bank of New York (Nominees)	1,250,000	5.39%
Hargreaves Lansdown (Nominees) Limited HLNOM	1,217,524	5.25%
Hargreaves Lansdown (Nominees) Limited VRA	1,097,446	4.73%
Idealing Nominees Limited	827,403	3.57%

Note:
(1) Jim Mellon's shareholding consists of 5,455,313 shares held by Galloway Limited. Galloway Limited is a company where Jim Mellon is considered to be the ultimate beneficial owner. The balance of Jim Mellon's shareholding is held in his own name.

On behalf of the Board

Denham Eke
Director

23 December 2016

18 Athol Street
Douglas
Isle of Man
IM1 1JA
British Isles

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards, for each financial year.

The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Port Erin Biopharma Investments Limited

We have audited the financial statements of Port Erin Biopharma Investments Limited (the “Company”) for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company’s members, as a body. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 30 June 2016 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

23 December 2016

Port Erin Biopharma Investments Limited

Statement of comprehensive income
for the year ended 30 June 2016

	Notes	**2016** **£**	2015 £
Investment (loss)/gain	*3*	**(317,873)**	(190,775)
Operating expenses			
Directors' fees	*2*	**(10,000)**	(7,810)
Performance fee	*2*	**-**	-
Other costs	*4*	**(210,575)**	(444,400)
Foreign exchange gains/(losses)		**4,048**	41,217
(Loss)/profit from operating activities	*5*	**(534,400)**	(601,768)
Interest received/(paid)		**31**	122
(Loss)/profit before taxation		**(534,369)**	(601,646)
Taxation	*1(i)*	**-**	-
(Loss)/profit for the year		**(534,369)**	(601,646)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(534,369)**	(601,646)
Basic and diluted (loss)/earnings per share (pence)	*11*	**(2.30)**	(2.03)

The Directors consider that the Company's activities are continuing.

The notes on pages 11 to 23 form an integral part of these financial statements.

Port Erin Biopharma Investments Limited

Statement of financial position
as at 30 June 2016

	Notes	**2016**	2015
		£	£
Current assets			
Financial assets at fair value through profit or loss	*7*	**2,187,075**	2,454,953
Trade and other receivables		**7,335**	7,646
Cash and cash equivalents		**11,985**	255,568
Total assets		**2,206,395**	2,718,167
Equity and liabilities			
Capital and reserves			
Share capital	*6*	**23**	23
Share premium	*6*	**1,890,142**	1,890,142
Retained earnings		**262,033**	796,402
		2,152,198	2,686,567
Current liabilities			
Trade and other payables	*9*	**54,197**	31,600
Total equity and liabilities		**2,206,395**	2,718,167

The notes on pages 11 to 23 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 23 December 2016 and were signed on their behalf by:

Denham Eke
Director

Port Erin Biopharma Investments Limited

Statement of changes in equity
for the year ended 30 June 2016

	Notes	**Share Capital £**	**Share Premium £**	**Retained Profit £**	**Total £**
Balance at 30 June 2015		**23**	**1,890,142**	**796,402**	**2,686,567**
Total comprehensive loss for the year		**-**	**-**	**(534,369)**	**(534,369)**
Balance at 30 June 2016		**23**	**1,890,142**	**262,033**	**2,152,198**

	Notes	Share Capital £	Share Premium £	Retained Profit £	Total £
Balance at 30 June 2014		34	2,759,551	2,221,841	4,981,426
Shares cancelled under Tender Offer	6	(11)	(869,409)	-	(869,420)
Cash distribution under Tender Offer	6	-	-	(823,793)	(823,793)
Total comprehensive income for the year		-	-	(601,646)	(601,646)
Balance at 30 June 2015		23	1,890,142	796,402	2,686,567

The notes on pages 11 to 23 form an integral part of these financial statements.

Port Erin Biopharma Investments Limited

Statement of cash flows
for the year ended 30 June 2016

	Notes	**2016** **£**	2015 £
Cash flows from operating activities			
Loss for the year		**(534,369)**	(601,646)
Adjusted for:			
Foreign exchange gains/(losses)		**4,084**	(41,217)
Interest received		**(31)**	(122)
Realised and unrealised losses/(gains) on investments	*3*	**317,873**	190,775
Operating loss before changes in working capital		**(212,443)**	(452,210)
Change in receivables		**311**	17,351
Change in payables		**22,597**	(369,382)
Net cash outflow from operating activities		**(189,535)**	(804,241)
Cash flows from investing activities			
Purchase of investments		**(136,486)**	(124,993)
Proceeds from sale of investments		**86,491**	1,439,854
Transfer of shares in lieu of payments		**-**	870,319
Interest received		**31**	122
		(49,964)	2,185,302
Cash flows from financing activities			
Shares cancelled under Tender Offer		**-**	(869,420)
Cash distribution under Tender Offer		**-**	(823,793)
		-	(1,693,213)
Decrease in cash and cash equivalents		**(239,499)**	(312,152)
Cash and cash equivalents at beginning of year		**255,568**	526,503
Effect of exchange rate differences		**(4,084)**	41,217
Cash and cash equivalents at the end of year		**11,985**	255,568

The notes on pages 11 to 23 form an integral part of these financial statements.

Notes
(forming an integral part of the financial statements for the year ended 30 June 2016)

1 **Accounting policies**

Port Erin Biopharma Investments Limited is a Company domiciled in the Isle of Man. The Company's strategy is to create value for Shareholders through investing in companies that have the potential to generate substantial revenues through the development of biopharmaceutical drugs.

The principal accounting policies are set out below.

a) Statement of compliance

The financial statements are prepared on the historical cost basis except for the valuation of financial assets and liabilities which are held at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the European Union.

The financial statements were approved by the Board of Directors on 23 December 2016.

b) Basis of preparation

Use of estimates and judgment
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern
The financial statements have been prepared on a going concern basis, taking into consideration the level of cash and liquid investments held by the Company. The Directors have a reasonable expectation that the Company will have adequate resources for its continuing existence and projected activities for the foreseeable future, and for these reasons, continue to adopt the going concern basis in preparing the financial statements for the year ended 30 June 2016.

Functional and presentation currency
These financial statements are presented in Pound Sterling (£) which is the Company's functional currency and rounded to the nearest pound.

c) Investment income

Any realised and unrealised gains and losses on investments are presented within 'Investment (loss)/gain'.

Interest income earned during the period, is accrued on a time apportionment basis, by reference to the principal outstanding and the effective rate applicable.

Dividend income is recognised when a security held goes ex-dividend. Dividends are shown as net cash received, after the deduction of withholding taxes.

d) Financial instruments

Classification
The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated at fair value through profit or loss at inception.

1 Accounting policies (continued)

d) Financial instruments (continued)

Classification (continued)
Financial assets held for trading are acquired or incurred principally for the purpose of selling in the short term.

Financial assets designated at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

Financial assets that are classified as loans and receivables include amounts due from brokers, other receivables.

Recognition/de-recognition
Purchases and sales of investments are recognised on their trade date, which is the date on which the Company commits to purchase or sell the asset. Investments are initially measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Measurement
Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Any gains and losses arising from changes in 'financial assets at fair value through profit or loss' are included in profit or loss in the period in which they arise. Interest from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income using the effective interest rate method. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income when the Company's right to receive payment is established.

Fair value measurement principles
The fair value of investment holdings is based on their quoted market prices at the reporting date on a recognised exchange or in the case of non-exchange traded instruments, sourced from a reputable counterparty, without any deduction for estimated future selling costs. Financial assets are priced at their closing bid prices, while financial liabilities are priced at their closing offer prices.

Company assets may, at any time include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under securities laws.

If a quoted market price is not available on a recognised stock exchange, or a market is not sufficiently active for the market price to be considered reliable, or if a price is not available from a reputable counterparty, fair value of the financial instruments may be estimated by the Directors using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The Company recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change occurred.

Impairment of financial assets
The Company assesses at each reporting date whether a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

1 Accounting policies (continued)

d) Financial instruments (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value.

Trade and other receivables
Trade and other receivables originated by the Company are initially recognised at fair value and subsequently stated at amortised cost less impairment losses.

Trade and other payables
Trade and other payables are initially recognised at fair value less directly attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

e) Share capital and share premium

Ordinary shares are classified as equity. The ordinary shares of the Company have a par value of £0.000001 each. Excess proceeds received for the issue of shares has been credited to share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

f) Warrants

The fair value of warrants is calculated using the Black-Scholes option pricing model (where no fair value of the service or assets provided is evident) and is recognised as expense over the vesting period where applicable with a corresponding increase in equity. On determining fair values, terms and conditions attaching to the warrants are taken into account. Management is also required to make certain assumptions and estimates regarding such items as the life of warrants, volatility and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

g) Foreign currencies

Transactions in foreign currencies are translated into the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

h) New standards and interpretations not yet adopted

A number of new standards and amendment to standards and interpretation are not yet effective for the year ended 30 June 2016, and have not been applied in preparing these financial statements.

New/Revised International Financial Reporting Standards (IAS/IFRS)	***EU Effective Date (accounting periods commencing on or after)***
IFRS 9 Financial Instruments.	*Not yet endorsed. IASB effective date 1 January 2018.*
Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014).	*Not yet endorsed. IASB effective date 1 January 2016.*
Annual Improvements to IFRSs 2012–2014 Cycle (issued on 25 September 2014).	*Not yet endorsed. IASB effective date 1 January 2016.*

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

1 Accounting policies (continued)

h) New standards and interpretations not yet adopted (continued)

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

There has been no material impact on the Company's financial statements of new standards or interpretations that have come into effect during the current reporting period.

i) Taxation

The Company is subject to income tax at a rate of 0% in the Isle of Man, and accordingly, no tax has been provided for in these financial statements.

The Company may be subject to withholding taxes in relation to income from investments, or investment realisation proceeds or gains, and such amounts will be accounted for as incurred.

2 Directors' and performance fees

The fees of Directors who served during the year ended 30 June 2016 were as follows:

	2016	2015
	£	£
Jim Mellon	**-**	-
Denham Eke	**-**	-
Alexander Anderson Stuart Whamond	**10,000**	7,810
	10,000	7,810

On 6 May 2011, Shellbay Investments Limited entered into a Letter of Appointment with the Company to provide the services of Jim Mellon as Non-Executive Chairman of the Company. The Letter of Appointment was for an initial period of twelve months, from 16 May 2011 and was renewed on 1 June 2012, and may be terminated on not less than one month's notice given by either party at any time. The Letter of Appointment contains provisions for early termination, *inter alia*, in the event of a breach by Jim Mellon. Remuneration under the Letter of Appointment shall be payable to Shellbay Investments Limited and shall be satisfied by the issue of such number of Ordinary Shares equivalent to 15.0 per cent. of any increase in the Net Asset Value of the Company over each quarterly period, subject to an initial high watermark of 10 pence per share. This fee is recorded as a performance fee since it is based on the performance of the Company. There are no provisions providing for any benefit to Shellbay Investments Limited or Jim Mellon on the termination of the engagement. Total fees payable to Shellbay Investments Limited for the year under this arrangement were £Nil (2015: £Nil) with no balance remaining outstanding at the year-end (2015: £Nil).

Denham Eke was appointed a Director on 30 May 2012 and currently receives no remuneration for providing his services.

Alexander Anderson Stuart Whamond was appointed as a Non-Executive Director of the Company on 12 April 2013 and is entitled to receive a fee of £10,000 per annum.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

3 Investment income

Derived from financial assets held at fair value through profit or loss at initial recognition:

	2016 £	2015 £
Net realised (losses)/gains on sale of investments	**(108,533)**	374,588
Net unrealised losses on investments	**(209,340)**	(565,363)
	(317,873)	(190,775)

4 Performance and other costs

	2016 £	2015 £
Auditors' fees	**18,699**	16,746
Bank charges	**212**	272
Insurance	**5,829**	5,551
Marketing	**-**	5,130
Performance fee paid to Shellbay Investments Limited (Note 2)	**-**	-
Professional fees	**185,365**	412,263
Sundry expenses	**4,700**	4,438
	214,805	444,400

The Company has no employees other than the Directors.

5 Profit from operating activities

Profit from operating activities is stated after charging:

	2016 £	2015 £
Auditors' fees	**18,699**	16,746
Directors' fees	**10,000**	7,810

6 Share capital and share premium

Each share in the Company confers upon the shareholder:

- the right to one vote at a meeting of the shareholders or on any resolution of shareholders;
- the right to an equal share in any dividend paid by the Company, and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

The Company may by resolution of Directors redeem, purchase or otherwise acquire all or any of the shares in the Company subject to regulations set out in the Company's Articles of Association.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

6 Share capital and share premium (continued)

	2016	2015
	£	£
Authorised		
2,000,000,000 Ordinary shares of £0.000001	**2,000**	2,000

	No. of Shares	**Share Capital**	**Share Premium**
Issued			
Balance at 01 July 2015	**23,195,558**	**23**	**1,890,142**
Balance at 30 June 2016	**23,195,558**	**23**	**1,890,142**
Balance at 30 June 2015	**23,195,558**	**23**	**1,890,142**

Capital management

The Company manages its capital to maximise the return to shareholders through the optimisation of equity. The capital structure of the Company as at 30 June 2016 consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and the strategy approved by shareholders. To maintain or adjust the capital structure, the Company may make dividend payments to shareholders, return capital to shareholders or issue new shares and release the share premium account. No changes were made in the objectives, policies or processes during the year under review.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

7 Financial assets at fair value through profit or loss

	2016	2015
	£	£
Quoted	**1,785,204**	2,145,661
Unquoted	**401,871**	309,292
	2,187,075	2,454,953
Equities	**2,185,960**	2,377,468
Warrants	**1,115**	77,485
	2,187,075	2,454,953

These financial instruments were designated as at fair value through profit or loss on initial recognition.

8 Financial instruments

Financial Risk Management

The Company has risk management policies that systematically view the risks that could prevent it from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic and business planning. The Directors have identified each risk and are responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

The Company's principal financial instruments consist of investments, cash, receivables and payables arising from its operations and activities. The main risks arising from the Company's financial instruments and the policies for managing each of these risks are summarised below.

Credit Risk
Credit risk is the risk of loss associated with the counterparty's inability to fulfil its obligations. The Company's credit risk is primarily attributable to investments, receivables and cash balances with the maximum exposure being the reported balance in the statement of financial position. The Company has a nominal level of debtors and as such the Company believes that the credit risk to these is minimal. The Company holds available cash and securities with licensed banks and financial institutions. The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The funds are available on demand.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

8 Financial instruments (continued)

Credit Risk (continued)
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2016 £	Carrying amount 2015 £
Investments:		
Quoted	**1,785,204**	2,145,661
Unquoted	**401,871**	309,292
Cash and cash equivalents	**11,985**	255,568
Receivables	**7,335**	7,646
	2,206,395	2,711,167

Market price risk
Market price risk is the risk that the market price will fluctuate due to macro-economic issues such as changes in market factors specific to that security, market interest rates and foreign exchange rates.

The Company is exposed to significant market price risks as financial instruments recognised are linked to market price volatility.

A 1% increase/decrease in market value of investments would increase/decrease equity and profit by £21,871.

Liquidity risk
The Company is exposed to liquidity risk to the extent that it holds investments that it may not be able to sell quickly at close to fair value.

The risk is managed by the Company by means of cash flow planning to ensure that future cash requirements are anticipated and, where financial instruments have to be sold to meet these requirements, the process is carried out in a controlled manner intended to minimise the liquidity risk involved.

The residual undiscounted contractual maturities of financial liabilities are as follows:
30 June 2016

	Less than 1 month £	1-3 months £	3 months to 1 year £	1-5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	54,197	-	-	-	-	-
	54,197	-	-	-	-	-

30 June 2015

	Less than 1 month £	1-3 months £	3 months to 1 year £	1-5 years £	Over 5 years £	No stated maturity £
Financial liabilities						
Trade and other payables	31,600	-	-	-	-	-
	31,600	-	-	-	-	-

Interest rate risk
A significant share of the Company's assets can be comprised of cash held at banks. As a result, the Company is subject to risk due to fluctuations in the prevailing level of market interest rates. However, income earned from bank interest is not considered material to the Company's performance or financial position.

Fair values of financial instruments
At 30 June 2016, the carrying amounts of cash resources, trade and other receivables, and trade and other payables approximate fair value due to their short-term maturities.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

8 Financial instruments (continued)

Foreign currency risk
The Company is exposed to foreign currency risk on fluctuations related to financial assets and liabilities that are denominated in a number of currencies.

GBP equivalents as at 30 June 2016

	Investments	**Cash at bank**	**Total by currency**
	£	**£**	**£**
USD	**70,641**	**747**	**71,388**
CAD	**10,629**	**-**	**10,629**
EUR	**1,231,912**	**-**	**1,231,912**
HKD	**249,594**	**-**	**249,594**
	1,562,776	**747**	**1,563,523**

GBP equivalents as at 30 June 2015

	Investments	Cash at bank	Total by currency
	£	£	£
USD	86,922	226,951	313,873
CAD	155,479	-	155,479
EUR	1,238,846	-	1,238,846
	1,481,247	226,951	1,708,198

The following significant exchange rates applied during the year:

	Average rate for active year 2016	**Average rate for active year 2015**
EUR	1.3377	1.4033
USD	1.4841	1.5778
CAD	1.9680	1.9429
HKD	11.5104	12.2125

	Year-end rate 2016	**Year-end rate 2015**
EUR	1.206	1.416
USD	1.339	1.572
CAD	1.735	1.962
HKD	10.387	12.1908

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

8 Financial instruments (continued)
Foreign currency risk (continued)

Sensitivity analysis

A 5% percent strengthening of Sterling against the Euro, Hong Kong Dollar, US Dollar and Canadian Dollar at 30 June 2016 would have decreased equity and profit for the year by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity	**Profit or loss**
EUR	(£58,628)	(£58,628)
HKD	(£11,887)	(£11,887)
USD	(£3,398)	(£3,398)
CAD	(£506)	(£506)

For example, a 5% percent weakening of Sterling against the Euro and US Dollar at 30 June 2016 would have the equal but opposite effect on the basis that all other variables, in particular interest rates, remain constant.

Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in an active market are based on quoted market prices. For all other financial instruments, the Group determines fair values using other valuation techniques, based on the British Private Equity & Venture Capital Association ("BVCA") and International Private Equity and Venture Capital Valuation Guidelines ("IPEV").

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

8 Financial instruments (continued)
Fair value of financial instruments (continued)

Fair value hierarchy measurement at 30 June 2016

Investments in securities at fair value:

	Total	Quoted prices In active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Investments				
Quoted	1,785,204	1,785,204	-	-
Unquoted	401,871	-	1,115	400,756
	2,187,075	1,785,204	1,115	400,756

Reconciliation of Level 3 investments:

Opening balance	231,807
Changes due to fluctuations in foreign currency	5,534
Purchases	94,995
Transfers in fair value hierarchy	68,420
Closing balance	400,756

Fair value hierarchy measurement at 30 June 2015

Investments in securities at fair value:

	Total	Quoted prices In active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Investments				
Quoted	2,145,661	2,145,661	-	-
Unquoted	309,292	-	77,845	231,807
	2,454,953	2,145,661	77,845	231,807

Reconciliation of Level 3 investments:

Opening balance	376,102
Changes due to fluctuations in foreign currency	618
Transfers in fair value hierarchy	(144,931)
Closing balance	231,807

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

8 Financial instruments (continued)
Fair value of financial instruments (continued)

There have been no disposals or reclassifications of investments classified as Level 3 during the financial year ending 30 June 2016.

Where applicable, the Company's Level 3 investments are valued at the price of each funding round of the respective companies entered into with their shareholders. From the date of acquisition of the investments, no additional funding rounds occurred to the date of these financial statements, and thus the investments are held at cost. The only change in the value of these occur if the investments are not denominated in Sterling, and will thus be subject to foreign exchange rate fluctuations. The Directors do not consider any of the investments to be impaired and due to the nature of the investments deem them to be at fair value.

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis, the Directors believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

9 Trade and other payables

	2016 **£**	2015 £
Provision for audit fee	**16,746**	15,000
Other provisions	**12,370**	5,771
Trade creditors	**25,081**	10,829
	54,197	31,600

10 Related party transactions

Under an agreement dated 1 December 2011, Burnbrae Limited, a Company related to both Jim Mellon and Denham Eke, provide certain services, principally accounting and administration, to the Company. This agreement may be terminated by either party on three months' notice. The charge for services provided in the year in accordance with the contract was £30,000 (2015: £30,000) of which £9,000 was outstanding as at the year-end (2015: £3,024).

Under an agreement dated 6 May 2011, Shellbay Investments Limited, a Company related to both Jim Mellon and Denham Eke, provide the services of Jim Mellon as Non-Executive Chairman of the Company (see note 2). The charge for services provided in the year was £Nil (2015: £Nil) of which £Nil was outstanding at the year-end (2015: £Nil).

Burnbrae Media Limited, a Company to both Jim Mellon and Denham Eke, paid £4,200 for a stand at the Master Investor Show on 23 April 2016.

The Company entered into a Letter of Engagement with Mediqventures Limited in July 2014 to research and propose potential investment opportunities for the Company. Under the agreement, Mediqventures Limited is paid US$ 60,000 per annum. Jim Mellon is a controller of Mediqventures Limited and both Jim Mellon and Denham Eke are directors.

Notes (continued)
(forming an integral part of the financial statements for the year ended 30 June 2016)

11 Basic and diluted earnings per share

The calculation of basic earnings per share of the Company is based on the loss for the year of £534,369 and the weighted average number of shares of 23,195,558 in issue during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares such as warrants and options. There is no dilutive effect as at 30 June 2016.

12 Subsequent events

After the year end, on 13 October 2016, the Company entered into a loan agreement with the Diabetic Boot Company Limited ("DBC") to provide it with a short-term loan of £200,000 less expenses, for working capital purposes. This loan pays a coupon of 7 per cent., is unsecured and is fully repayable on the earlier of 31 March 2017 or the date on which DBC secures additional equity funding of £1,000,000. The Company already holds 7,105 shares in DBC, representing 0.74 per cent. of the issued share capital of DBC. In order to provide the funds for the loan, the Company sold 21,733 shares of its MBIF holding, leaving a resultant holding in MBIF of 93,831 shares.

13 Commitments and contingent liabilities

There are no known commitments or contingent liabilities as at the year-end.