

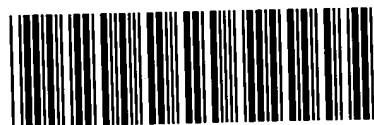
Registered number: 09331560

PORTON BIOPHARMA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2016

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PORTON BIOPHARMA LIMITED

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PORTON BIOPHARMA LIMITED

COMPANY INFORMATION

DIRECTORS

M. Brodie (appointed 27 November 2014)
D R Gleave (appointed 27 November 2014)
M Hindle (appointed 31 March 2015)
R J Hinton (appointed 12 March 2015)
P M H Mills (appointed 7 October 2015)
N S Brooksby (appointed 1 June 2016)

COMPANY SECRETARY

N R M Mackie

REGISTERED NUMBER

09331560

REGISTERED OFFICE

Manor Farm Road
Porton
Salisbury
Wiltshire
SP4 0JG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Kingsway
Cardiff
CF10 3PW

PORTON BIOPHARMA LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The directors present the Strategic Report of Porton Biopharma Limited (the "company") for the period ended 31 March 2016.

Business review

The company was incorporated on 27 November 2014 and the financial statements present the results for the period ended 31 March 2016.

On 1 April 2015, the Company acquired the trade and assets of the Development and Production division of Public Health England. Full details of the transaction are set out in note 21 of the financial statements.

The company has enjoyed considerable success during its first year of operation, meeting all of its targets and investing significantly in both staff and facilities. In a challenging environment, it has fully supported its customers and ensured full regulatory compliance.

Our staff are the key to our success; the company has implemented many policies and procedures to improve recruitment, training and development, and these are now increasing our efficiency. In addition, we are investing in the future of biological science by supporting a number of university sandwich students; we have been awarded our first PhD, and are registering our second candidate. We are also (and have been) making substantial investments in new facilities and equipment, as well as upgrading existing infrastructure. In the last 12 months we opened an extension to our pharmaceutical store and, in February, hosted the Life Sciences Minister, our local MP and county councillors at the opening of our new filling and freeze-drying facilities.

We will be continuing such progress and investment in the next period to deliver the PBL business plan by growing the business and increasing revenues with the attraction of high value jobs to the Wiltshire region

Principal risks and uncertainties

Exchange rates

Approximately 2% of purchases are currency denominated; despite the recent volatility in foreign exchange markets, the net impact is not likely to be material.

Product quality

Both primary products (Erwinase and Anthrax Vaccine) are manufactured according to Good Manufacturing Practice, and regulated accordingly in the appropriate territory.

Financial key performance indicators

Revenue is driven almost entirely by the number of batches of both primary products (Erwinase and Anthrax Vaccine) manufactured in the period; during the financial year, the scheduled quantity of both (five and eleven batches respectively) was completed.

This report was approved by the board and signed on its behalf by:



R J Hinton
Director

Date: 16 November 2016

PORTON BIOPHARMA LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2016

The directors present their annual report and the audited financial statements for Porton Biopharma Limited (the "company") for the period ended 31 March 2016.

Principal activity

The principal activity of the Company is the development, manufacture and sale of pharmaceutical products.

Results and dividends

The profit for the financial period amounted to £5,194,000.

The directors do not recommend the payments of a dividend.

Directors

The directors who served during the period and up to the date of signing the financial statements were:

M Brodie (appointed 27 November 2014)
D R Gleave (appointed 27 November 2014)
M Hindle (appointed 31 March 2015)
R J Hinton (appointed 12 March 2015)
P M H Mills (appointed 7 October 2015)
N S Brooksby (appointed 1 June 2016)

Financial risk management

As a result of normal company operations, there are a number of financial risks to which the company could be exposed. To control the possible effects of such risks, the Board of Directors constantly monitors the risks and exposures, relying on the controls and policies currently in place.

Future developments

The company intends to expand the manufacture and sales of its two primary products, Erwinase and Anthrax Vaccine; additionally, it will explore the possibility of identifying new biopharmaceutical products for future development.

PORTON BIOPHARMA LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2016

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, were proposed for appointment to fill a casual vacancy. The auditors will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



R J Hinton
Director

Date: 16 November 2016

PORTON BIOPHARMA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTON BIOPHARMA LIMITED

Report on the financial statements

Our opinion

In our opinion, Porton Biopharma Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit and cash flows for the 16 month period (the "period") then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2016;
- the Statement of Comprehensive Income for the period then ended;
- the Statement of Changes in Equity for the period then ended;
- the Statement of Cash Flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTON BIOPHARMA LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

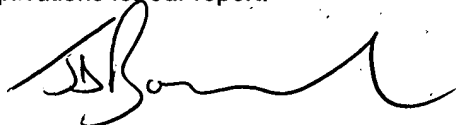
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Jonathan Bound (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

Date: 25 November 2016

PORTON BIOPHARMA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2016**

	Note	16 month period ended 31 March 2016 £000
Turnover		35,651
Cost of sales		(10,126)
Gross profit		25,525
Administrative expenses		(18,658)
Operating profit		6,867
Interest payable and similar charges	9	(407)
Profit on ordinary activities before taxation		6,460
Tax on profit on ordinary activities	10	(1,266)
Profit for the financial period		5,194
Total comprehensive income for the period		5,194

The notes on pages 11 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED
REGISTERED NUMBER:09331560

BALANCE SHEET
AS AT 31 MARCH 2016

	Note	2016 £000
Fixed assets		
Intangible assets	11	2,066
Tangible assets	12	27,388
		<u>29,454</u>
Current assets		
Stocks	13	8,303
Debtors	14	9,458
Cash at bank and in hand	15	19,733
		<u>37,494</u>
Creditors: amounts falling due within one year	16	(30,723)
		<u>6,771</u>
Net current assets		
		<u>36,225</u>
Total assets less current liabilities		
Creditors: amounts falling due after more than one year	17	(30,184)
Provisions for liabilities		
Deferred tax		(847)
		<u>(847)</u>
Net assets		<u>5,194</u>
Capital and reserves		
Called up share capital	20	-
Profit and loss account	21	5,194
		<u>5,194</u>
Total shareholders' funds		<u>5,194</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

R J Hinton
Director



Date: 16 November 2016

The notes on pages 11 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2016**

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
Comprehensive income for the period			
Profit for the financial period	-	5,194	5,194
Total comprehensive income for the period	-	5,194	5,194
Total transactions with owners	-	-	-
At 31 March 2016	-	5,194	5,194

The notes on pages 11 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2016**

	2016 £000
Cash flows from operating activities	
Profit for the financial period	5,194
Adjustments for:	
Amortisation of intangibles	827
Depreciation of tangibles	651
Increase in stocks	(4,646)
Interest payable	407
Taxation charge	1,266
Increase in debtors	(8,727)
Increase in creditors	5,564
Increase in amounts owed to Public Health England	24,648
	<hr/> 25,184 <hr/>
Net cash from operating activities	
Cash flows used in investing activities	
Purchase of tangible assets	(7,544)
Cash acquired on acquisition	2,500
	<hr/> (5,044) <hr/>
Net cash used in investing activities	
Cash flows from financing activities	
Interest paid	(407)
	<hr/> (407) <hr/>
Net cash from financing activities	
Net increase in cash and cash equivalents	<hr/> 19,733 <hr/>
Cash and cash equivalents at the end of period	19,733
Cash at bank and in hand	<hr/> <hr/> 19,733 <hr/> <hr/>

The notes on pages 11 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

1. General information

Porton Biopharma Limited's (the "company") principal activity is that of the development, manufacture and sale of pharmaceutical products.

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is: Manor Farm Road, Porton, Salisbury, Wiltshire, SP4 0JG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015, but may be applied early to periods ending on or after 31 December 2012. Porton Biopharma Limited has taken the option to apply the standard early in the preparation of these financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

2. Accounting policies (continued)

2.2 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Intangible assets

Intangible assets are initially recognised at cost unless they are under a business combination in which case they are measured at fair value. After recognition intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Negative goodwill represents the excess of the fair value of the assets acquired under a business combination compared to the fair value of the consideration.

The estimated useful lives range as follows:

Customer relationships	-	10 years
Developed processes and technology	-	10 years
Licences	-	Relevant licence life
Negative goodwill	-	10 years

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

2. Accounting policies (continued)

2.4 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Plant and machinery	-	4 to 20 years
Assets under construction	-	Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

2. Accounting policies (continued)

2.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'interest payable and similar charges'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

2.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

2. Accounting policies (continued)

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could have a material adjustment to the carrying value of assets and liabilities are addressed below.

i) Fair value assigned to assets acquired in the business combination

As set out in note 22, fair values have been assigned to assets and liabilities acquired from Public Health England during the period. The most significant are the customer relationships, licences, developed processes and technology intangible assets having a fair value of £208,913,000 in total. The fair values have been estimated using assumptions of future cashflows arising from the business, discounted at appropriate rates. The fair values will be updated during the next financial year and are currently provisional.

ii) Useful economic lives of tangible and intangible assets

The annual depreciation and amortisation charge is sensitive to changes in the estimated useful economic lives and any residual values of the assets. These are re-assessed each year and are amended when necessary to take account of current estimates, technological advancement and physical condition.

4. Analysis of turnover

An analysis of turnover by type of business is as follows:

	16 month period ended 31 March 2016 £000
Sale of goods	24,931
Services	1,927
Royalties	8,793
	<u>35,651</u>

Analysis of turnover by country of destination:

	16 month period ended 31 March 2016 £000
United Kingdom	10,961
Rest of Europe	24,690
	<u>35,651</u>

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

5. Operating profit

The operating profit is stated after charging:

	16 month period ended 31 March 2016 £000
Depreciation of tangible fixed assets	651
Amortisation of intangible assets (charged to administrative expenses)	827
Exchange differences	1
Impairment of stocks	1,294
Cost of stocks recognised as an expense	1,118

6. Auditors' remuneration

	16 month period ended 31 March 2016 £000
Fees payable to the company's auditors for the audit of the company's financial statements	28
Fees payable to the company's auditors in respect of:	
Tax compliance and advice	6
Accounts preparation and advice	5

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	16 month period ended 31 March 2016 £000
Wages and salaries	7,439
Social security costs	600
Other pension costs	1,294
	<u>9,333</u>

The average monthly number of employees, including the directors, during the period was as follows:

	16 month period ended 31 March 2016 No.
Administrative	32
Production	205
	<u>237</u>

8. Directors' remuneration

	16 month period ended 31 March 2016 £000
Aggregate directors' emoluments	178
Company contributions to defined contribution pension schemes	25
	<u>203</u>

During the period retirement benefits were accruing to one director in respect of defined contribution pension schemes.

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

9. Interest payable and similar charges

	16 month period ended 31 March 2016 £000
Interest payable on other loans	407

10. Tax on profit on ordinary activities

	16 month period ended 31 March 2016 £000
Corporation tax	
Current tax on profits for the year	419
Deferred tax	
Origination and reversal of timing differences	941
Changes to tax rates	(94)
Total deferred tax	847
Tax on profit on ordinary activities	1,266

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	16 month period ended 31 March 2016 £000
Profit on ordinary activities before tax	6,460
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	1,292
Effects of:	
Expenses not deductible for tax purposes	68
Tax rate changes	(94)
Total tax charge for the period	1,266

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

10. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges

The July 2015 Budget Statement announced changes (which were subsequently enacted) to the UK Corporation tax regime which will reduce the main rate of Corporation Tax to 19% from 1 April 2017 and 18% from 1 April 2020. A further change was announced in the March 2016 Budget to further reduce the Corporation Tax rate to 17% by 1 April 2020, which has yet to be substantively enacted.

11. Intangible assets

	Customer relationships £000	Developed processes and technology £000	Licences £000	Negative goodwill £000	Total £000
Cost					
At 27 November 2014	-	-	-	-	-
On acquisition of business	27,796	178,224	2,893	(206,020)	2,893
At 31 March 2016	27,796	178,224	2,893	(206,020)	2,893
Accumulated amortisation					
At 27 November 2014	-	-	-	-	-
Charge/(credit) for the year	2,780	17,822	827	(20,602)	827
At 31 March 2016	2,780	17,822	827	(20,602)	827
Net book value					
At 31 March 2016	25,016	160,402	2,066	(185,418)	2,066

12. Tangible assets

	Plant and machinery £000	Assets under construction £000	Total £000
Cost			
At 27 November 2014	-	-	-
Additions	452	7,092	7,544
Acquisition of business	5,433	15,062	20,495
At 31 March 2016	5,885	22,154	28,039
Accumulated depreciation			
At 27 November 2014	-	-	-
Charge for the period	651	-	651
At 31 March 2016	651	-	651
Net book value			
At 31 March 2016	5,234	22,154	27,388

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

13. Stocks

	2016 £000
Raw materials and consumables	2,467
Finished goods and goods for resale	5,836
	<u>8,303</u>

There are no significant differences between the replacement cost of stocks and their carrying amounts.

There is no provision for stock impairment at the year end.

14. Debtors

	2016 £000
Trade debtors	9,395
Other debtors	18
Prepayments and accrued income	45
	<u>9,458</u>

There is no provision for debtor impairment at year end.

15. Cash and cash equivalents

	2016 £000
Cash at bank and in hand	<u>19,733</u>

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

16. Creditors: Amounts falling due within one year

	2016
	£000
Trade creditors	1,500
Amounts due to Public Health England	24,648
Corporation tax	419
Other taxation and social security	501
Accruals and deferred income	3,655
	<u>30,723</u>

The amount due to Public Health England is interest free, unsecured and repayable on demand.

17. Creditors: Amounts falling due after more than one year

	2016
	£000
Amounts due to Public Health England	<u>30,184</u>

The above amount relates to the consideration due to Public Health England ("PHE") for the acquisition of the trade and assets of their Development and Product division, as discussed in note 22.

Subsequent to the year end, an agreement was reached with PHE to convert the above amount into £20m of additional ordinary share capital and formalise the remaining balance into a loan agreement bearing interest at 4%. The amount is due for repayment in three annual installments of £3.4m commencing on 31 March 2018.

18. Financial instruments

	2016
	£000
Financial assets	
Financial assets that are debt instruments measured at amortised cost	<u>9,413</u>
Financial liabilities	
Financial liabilities measured at amortised cost	<u>(61,461)</u>

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, other loans and amounts due to Public Health England.

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016**

19. Deferred taxation

	2016 £000
Charged to the profit or loss	847
At end of year	847

The deferred taxation balance is made up as follows:

	2016 £000
Accelerated capital allowances	847

20. Called up share capital

	2016 £
Allotted, called up and fully paid	
1 Ordinary share of £1	1

On incorporation the company issued one Ordinary share of £1 for consideration of £1. The consideration was settled in cash.

21. Reserves

Profit and loss account

The profit and loss account represents all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

22. Business combinations

On 1 April 2015, the company acquired the trade and assets of the Development and Production division of Public Health England ("PHE"). The following sets out the fair values of the assets and liabilities acquired, together with the consideration payable.

	Fair value £000
Fixed assets	
Tangible	20,495
Intangible	208,913
	<u>229,408</u>
Current assets	
Stocks	3,657
Debtors	731
Cash at bank and in hand	2,500
	<u>236,296</u>
Total assets	
Creditors	
Due within one year	(92)
	<u>236,204</u>
Fair value of net assets	
Negative Goodwill	(206,020)
	<u>30,184</u>
Total purchase consideration	
	<u>30,184</u>
Consideration due to PHE (note 17)	<u>30,184</u>

The fair values assigned to the acquired assets and liabilities are provisional and will be reassessed during the next financial year.

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,294,000.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

24. Related party transactions

The Company sells a major product to the Department of Health and during the year recognised turnover of £8,880k in relation to that product. At the year end, trade debtors contain an amount due from the Department of Health of £5,703k.

As set out in note 22, the Company acquired the trade and assets of the Public Health England ("PHE") Development and Production division for consideration of £30,184k and this amount remains outstanding at 31 March 2016. The Company shares certain operational and administration services with PHE at its site in Porton Down and PHE paid certain expenses on behalf of the Company during the year. The amount due to PHE at the year end in respect of the shared activity amounted to £24,648k.

25. Controlling party

The directors consider the ultimate controlling party of the company to be the Secretary of State for Health by virtue of their 100% shareholding in the company.