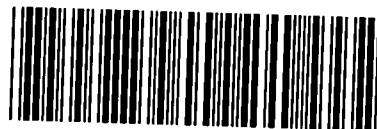


Registered number: 09331560

PORTON BIOPHARMA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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PORTON BIOPHARMA LIMITED

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PORTON BIOPHARMA LIMITED

COMPANY INFORMATION

Directors	M Brodie D R Gleave M Hindle R J Hinton N S Brooksby M Harrison
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 One Kingsway Cardiff CF10 3PW

PORTON BIOPHARMA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present the Strategic Report of Porton Biopharma Limited (the "Company") for the financial year ended 31 March 2018.

Business review

Porton Biopharma Limited is responsible for the development and manufacture of biopharmaceutical products and was formed on the 1st of April 2015 as a limited liability company, wholly owned by the Secretary of State for Health and Social Care.

In its third year of operations, the company has continued to expand its manufacturing capabilities and has increased efficiencies in its manufacturing processes; this has yielded increased throughput in product volumes manufactured and supplied to the market.

The biopharma industry continues to be subject to increasing regulatory requirements, both in the UK and globally. Compliance with these requirements and our commitment to Good Manufacturing Practice ("GMP") imposes financial burdens, and this is reflected in our increasing costs profile.

Our staff are the key to our success and we continue to invest significantly in our human resources; the company has implemented many policies and procedures to improve recruitment, performance management, training and development. We are committed to providing our staff with equal opportunities for learning and personal growth. We are partnering with universities to deliver management and leadership training and have embarked upon a cultural excellence programme for all staff to increase our efficiency and to deliver more of our life saving and protecting products to our customers. In addition, we are investing in the future of biological science by continuing to support a number of university placement students; apprentices; sponsoring higher degrees for our staff and attracting high value jobs to the Wiltshire area.

We continue to invest heavily in new facilities and equipment, and on 27 April 2018 we hosted the opening ceremony for the new pharmaceutical process facility, led by local MP and Minister John Glen. In addition we have refurbished facilities and invested in the building of a new dispensary.

PBL's Development team continues to support the manufacture of our licensed biopharmaceutical products and have published and presented many peer reviewed articles and have successfully achieved funding awards. The team is building upon the long track record at Porton of developing new licensed products by establishing new programmes to increase the product pipe-line of PBL.

PORTON BIOPHARMA LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Principal risks and uncertainties

Exchange rates

We sell our products internationally, and our revenues are therefore subject to the fluctuations of foreign currency exchange rates. Given the multitude of markets into which we sell our products, it is difficult to accurately forecast the effects of currency exchange rates on revenues.

Product quality

Erwinase and Anthrax Vaccine are manufactured according to Good Manufacturing Practice, and regulated accordingly in the appropriate territories. The pharmaceutical industry strives for continuous improvement in the regulations that apply to its processes, systems and product characterisation to improve the quality and efficacy of pharmaceutical products. The Company must therefore ensure that it continues to meet these regulatory standards so that our products can continue to be manufactured and marketed. During the course of the year the company continued to experience certain supply chain issues, which had led to the receipt of a warning letter from the FDA, the US regulator of Erwinase, in January 2017. The company has developed a Corrective Action Plan to remedy this situation and address other deficiencies noted by the FDA. This plan is in the process of being implemented to ensure full compliance with regulatory requirements.

Experienced Staff

The manufacture of biopharma products requires significant expertise and experience. The company's talent management strategy seeks to attract, develop, engage and retain individuals who will prove valuable to the organisation. The Company must ensure that it is able to attract and retain the required calibre of staff to develop and manufacture products to meet regulatory standards, continue to expand the company's manufacturing capacity and deliver manufacturing efficiencies.

Financial key performance indicators

Revenue in the year is driven by the volumes manufactured of both products (Erwinase and Anthrax Vaccine), the markets we supply and the prevailing prices for our products.

Our gross and net profits are KPIs; we target maximising these as commercial objectives, as well as delivery of our products to meet patient and market needs.

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



R J Hinton
Director

Date: 31 July 2018

PORTON BIOPHARMA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements of Porton Biopharma Limited (the "Company") for the year ended 31 March 2018.

Principal activity

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

Results and dividends

The profit for the financial year amounted to £13,125,000 (2017: £17,870,000).

A dividend of £10,450,000 was paid during the year (2017: £5,849,000).

Directors

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

M Brodie
D R Gleave
M Hindle
R J Hinton
N S Brooksby
M Harrison

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 monitors the risks and exposures, relying on the controls and policies currently in place.

Future developments

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

PORTON BIOPHARMA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the 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

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 30 July 2018 and signed on its behalf by:



R J Hinton
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTON BIOPHARMA LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Porton Biopharma Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

PORTON BIOPHARMA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTON BIOPHARMA LIMITED (CONTINUED)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

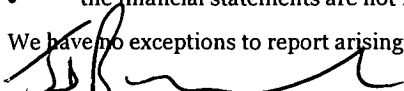
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.


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

Date: 17 August 2018

PORTON BIOPHARMA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £000	2017 £000
Turnover	4	50,484	50,601
Cost of sales		(28,922)	(23,482)
Gross profit		21,562	27,119
Administrative expenses		(4,671)	(4,571)
Operating profit	5	16,891	22,548
Interest payable and similar expenses	9	(407)	(407)
Profit before tax		16,484	22,141
Tax on profit	10	(3,359)	(4,271)
Profit for the financial year		13,125	17,870
 Profit for the financial year		 13,125	 17,870

The notes on pages 12 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED
REGISTERED NUMBER: 09331560

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	506	1,383
Tangible assets	13	55,444	45,922
		<u>55,950</u>	<u>47,305</u>
Current assets			
Stocks	14	24,729	14,241
Debtors	15	13,250	7,411
Cash at bank and in hand	16	8,112	27,402
		<u>46,091</u>	<u>49,054</u>
Creditors: amounts falling due within one year	17	(16,785)	(24,259)
Net current assets		<u>29,306</u>	<u>24,795</u>
Total assets less current liabilities		<u>85,256</u>	<u>72,100</u>
Creditors: amounts falling due after more than one year	18	(3,395)	(6,784)
Provisions for liabilities			
Deferred taxation	20	(2,995)	(1,717)
Net assets		<u><u>78,866</u></u>	<u><u>63,599</u></u>
Capital and reserves			
Called up share capital	21	58,976	46,384
Profit and loss account	22	19,890	17,215
Total shareholders' funds		<u><u>78,866</u></u>	<u><u>63,599</u></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: 31 July 2018

The notes on pages 12 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2016	-	5,194	5,194
Comprehensive income for the financial year			
Profit for the financial year	-	17,870	17,870
Total comprehensive income for the financial year	-	17,870	17,870
Contributions by and distributions to owners			
Dividends: Equity capital	-	(5,849)	(5,849)
Shares issued during the year	46,384	-	46,384
Total transactions with owners	46,384	(5,849)	40,535
At 31 March 2017 and 1 April 2017	46,384	17,215	63,599
Comprehensive income for the financial year			
Profit for the financial year	-	13,125	13,125
Total comprehensive income for the financial year	-	13,125	13,125
Contributions by and distributions to owners			
Dividends: Equity capital	-	(10,450)	(10,450)
Shares issued during the year	12,592	-	12,592
Total transactions with owners	12,592	(10,450)	2,142
At 31 March 2018	58,976	19,890	78,866

The notes on pages 12 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	13,125	17,870
Adjustments for:		
Amortisation of intangible assets	877	835
Depreciation of tangible assets	1,279	1,210
Loss on disposal of tangible assets	33	2
Interest paid	407	407
Taxation charge	3,359	4,271
(Increase) in stocks	(10,488)	(5,938)
(Increase)/decrease in debtors	(5,847)	2,047
(Decrease) in creditors	(5,506)	(11,332)
Corporation tax paid	(4,035)	(1,858)
Net cash (used in)/generated from operating activities	<u>(6,796)</u>	<u>7,514</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(10,835)	(19,975)
Sale of tangible fixed assets	1	2
Net cash used in investing activities	<u>(10,834)</u>	<u>(19,973)</u>
Cash flows from financing activities		
Issue of ordinary shares	12,592	26,384
Dividends paid	(10,450)	(5,849)
Interest paid	(407)	(407)
Loan repaid	(3,395)	-
Net cash generated from financing activities	<u>(1,660)</u>	<u>20,128</u>
Net (decrease)/increase in cash and cash equivalents	<u>(19,290)</u>	<u>7,669</u>
Cash and cash equivalents at beginning of year	27,402	19,733
Cash and cash equivalents at the end of year	<u><u>8,112</u></u>	<u><u>27,402</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>8,112</u></u>	<u><u>27,402</u></u>

The notes on pages 12 to 26 form part of these financial statements.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 the United Kingdom. The address of its registered office is: Manor Farm Road, Parton, 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 UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied consistently throughout the year:

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 turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- 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 financial year 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, 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 ten 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

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 year 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.

Depreciation is provided on the following basis:

Leasehold property	- 25 years
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 in the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

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.

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, 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 debtors and creditors, 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 the case of an out-right 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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.

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 year 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 year-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 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

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 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.13 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 payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income 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.

Certain staff who became employees of the company following its acquisition of the Development and Production Division of Public Health England remain members of the Principal Civil Service Pension Scheme (PCSPS) or the National Health Service Pension Scheme (NHSPS). These schemes are defined benefit schemes, both of which prepare separate scheme statements which are readily available to the public. Further details of these schemes are given below.

The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme which the company is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012 with full details being disclosed in the resource accounts of the Cabinet Office : Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year ended 31 March 2018, employer's contributions were payable to the PCP at an average of 21.9% of pensionable pay, based on salary bands (2017: 21.1%). The scheme's actuary reviews employer contributions every four years following a scheme valuation.

The National Health Service Pension Scheme (NHSPS)

The NHSPS is an unfunded multi-employer defined benefit scheme which is notionally funded with payments underwritten by the Exchequer. The company is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department values the NHSPS every four years with an annual update on the scheme's liabilities published at www.nhsbsa.nhs.uk.

For the year ended 31 March 2018, employer's contributions were payable to the NHSPS of 14.4% of pensionable pay (2017: 14.3%).

Contributions to both the PCSPS and NHSPS have been accounted for as if they were defined contributions schemes and recorded within staff costs during the year payable.

2.14 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 Statement of comprehensive income 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge 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 tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

3. Judgements 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

Fair values have been assigned to assets and liabilities acquired from Public Health England. The most significant are the customer relationships, licences, developed processes and technology intangible assets having a fair value of £208,913,000, in total at the time of acquisition. The fair values have been estimated using assumptions of future cashflows arising from the business, discounted at appropriate rates. No changes were required to the fair values during the course of the year.

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.

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. Turnover

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

	2018	2017
	£000	£000
Sale of goods	46,284	48,752
Services	4,200	1,849
	50,484	50,601

Analysis of turnover by country of destination:

	2018	2017
	£000	£000
United Kingdom	9,851	13,849
Rest of Europe	37,954	35,458
Rest of the World	2,679	1,294
	50,484	50,601

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	1,279	1,210
Amortisation of intangible assets, including goodwill	877	835
Cost of stocks recognised as an expense	28,922	23,482

6. Auditors' remuneration

	2018	2017
	£000	£000
Fees payable to the company's auditors for the audit of the company's annual financial statements	30	29

Fees payable to the company's auditors in respect of:

	2018	2017
	£000	£000
Tax compliance services	18	8
Account preparation and advice	2	2

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. Employees

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

	2018	2017
	£000	£000
Wages and salaries	10,584	8,925
Social security costs	1,090	920
Other pension costs	1,334	1,317
	13,008	11,162

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

	2018	2017
	Number	Number
Administrative	61	56
Production	252	221
	313	277

8. Directors' remuneration

	2018	2017
	£000	£000
Aggregate directors' remuneration	220	221

The highest paid director received remuneration of £136,000 (2017: £136,000).

During the year none of the directors were part of the company's defined contribution pension scheme (2017: none). In the current and prior year, one director, also being the highest paid director, was part of the Principal Civil Service Pension Scheme to which the company made contributions.

	2018	2017
	£000	£000
Key management personnel (including directors)		
Wages and salaries	1,105	980
Other pension costs	186	189
	1,291	1,169

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

9. Interest payable and similar expenses

	2018	2017
	£000	£000
Loan interest payable	407	407

10. Tax on profit

	2018	2017
	£000	£000
Corporation tax		
Current tax on profits for the financial year	2,373	3,402
Adjustments in respect of prior years	(292)	(1)
Total current tax	2,081	3,401
Deferred tax		
Origination and reversal of timing differences	885	1,116
Changes to tax rates	(93)	(213)
Adjustment in respect of prior years	486	(33)
Total deferred tax	1,278	870
Total tax	3,359	4,271

Factors affecting tax charge for the financial year

The tax assessed for the financial year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018	2017
	£000	£000
Profit before taxation	16,484	22,141
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	3,132	4,428
Effects of:		
Expenses not deductible for tax purposes	127	90
Adjustment in respect of prior years	193	(34)
Tax rate changes	(93)	(213)
Total tax charge for the financial year	3,359	4,271

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. Tax on profit (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

11. Dividends

	2018 £000	2017 £000
Dividends paid equivalent to £0.18 (2017: £0.13) per £1 share	<u>10,450</u>	<u>5,849</u>

12. Intangible assets

	Customer relationships £000	Development processes and technology £000	Licenses £000	Negative goodwill £000	Total £000
Cost					
At 1 April 2017	27,796	178,224	3,044	(206,019)	3,045
At 31 March 2018	<u>27,796</u>	<u>178,224</u>	<u>3,044</u>	<u>(206,019)</u>	<u>3,045</u>
Accumulated depreciation					
At 1 April 2017	5,560	35,644	1,661	(41,203)	1,662
Charge for the year	2,780	17,822	877	(20,602)	877
At 31 March 2018	<u>8,340</u>	<u>53,466</u>	<u>2,538</u>	<u>(61,805)</u>	<u>2,539</u>
Net book value					
At 31 March 2018	<u>19,456</u>	<u>124,758</u>	<u>506</u>	<u>(144,214)</u>	<u>506</u>
At 31 March 2017	<u>22,236</u>	<u>142,580</u>	<u>1,383</u>	<u>(164,816)</u>	<u>1,383</u>

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

13. Tangible assets

	Leasehold property £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost				
At 1 April 2017	5,018	7,623	35,142	47,783
Additions	-	78	10,757	10,835
Disposals	-	(55)	-	(55)
Transfers between classes	-	1,000	(1,000)	-
At 31 March 2018	5,018	8,646	44,899	58,563
Accumulated depreciation				
At 1 April 2017	201	1,660	-	1,861
Charge for the year	201	1,078	-	1,279
Disposals	-	(21)	-	(21)
At 31 March 2018	402	2,717	-	3,119
Net book value				
At 31 March 2018	4,616	5,929	44,899	55,444
At 31 March 2017	4,817	5,963	35,142	45,922

14. Stocks

	2018 £000	2017 £000
Raw materials and consumables	2,254	2,139
Work in progress (goods to be sold)	21,998	12,102
Finished goods and goods for resale	477	-
	24,729	14,241

There is no provision for stock impairment at the year end (2017: £Nil).

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Debtors

	2018	2017
	£000	£000
Trade debtors	5,152	3,020
Other debtors	1,097	1,239
Prepayments and accrued income	6,478	3,152
Tax recoverable	523	-
	13,250	7,411

There is no provision for debtor impairment at year end (2017: £Nil).

16. Cash at bank and in hand

	2018	2017
	£000	£000
Cash at bank and in hand	8,112	27,402

17. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	1,188	2,804
Amounts owed to related parties	4,547	7,807
Loan from Public Health England (note 18)	3,394	3,400
Corporation tax	-	1,962
Taxation and social security	440	-
Other creditors	56	1,049
Accruals and deferred income	7,160	7,237
	16,785	24,259

Amounts owed to related parties are the trading balance due to Public Health England which is interest free, unsecured and repayable on demand.

18. Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Loan from Public Health England	3,395	6,784

The loan from Public Health England is bearing interest at 4%. The amount is due for repayment in three annual installments of £3.4m which commenced on 31 March 2018.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

19. Financial instruments

	2018	2017
	£000	£000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	11,544	6,161
	<u>11,544</u>	<u>6,161</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(19,245)	(29,157)
	<u>(19,245)</u>	<u>(29,157)</u>

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

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

20. Deferred taxation

	2018
	£000
At beginning of year	1,717
Charged to profit or loss	1,278
At end of year	2,995
	<u>2,995</u>

The provision for deferred taxation is made up as follows:

	2018	2017
	£000	£000
Accelerated capital allowances	2,995	1,717
	<u>2,995</u>	<u>1,717</u>

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

21. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
58,976,000 (2017: 46,384,000) Ordinary shares of £1 each	58,976,000	46,384,000

On 2 October 2017 5,500,000 ordinary shares of £1 each were issued. Consideration was settled in cash.

On 22 December 2017 1,692,000 ordinary shares of £1 each were issued. Consideration was settled in cash.

On 16 March 2018 5,400,000 ordinary shares of £1 each were issued. Consideration was settled in cash.

22. 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.

23. Capital commitments

At 31 March the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	4,267	12,609

24. Pension commitments

The company operates a defined contribution pension scheme and also has staff who remain members of the Principal Civil Service Pension Scheme (PCSPS) and the National Health Service Pension Scheme (NHSPS), which are both defined benefit schemes. Full details are provided on page 16. The company's contribution to each scheme was as follows:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Defined contribution scheme	237	125
PCSPS and NHSPS	1,097	1,192
Total	1,334	1,317

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. Commitments under operating leases

At 31 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	106	31
Later than 1 year and not later than 5 years	12	76
Later than 5 years	-	-
	<u>118</u>	<u>107</u>

26. Related party transactions

The Company sells a major product to the Department of Health and Social Care and during the year recognised turnover of £9,488,400 (2017: £14,746,000) in relation to that product. At the financial year end, trade debtors contain an amount due from the Department of Health and Social Care of £5,171,040 (2017: £2,103,000).

In 2015 the Company acquired the trade and assets of the Public Health England ("PHE") Development and Production division and £6,789,000 of the consideration remains outstanding at 31 March 2018 (see notes 17 and 18). 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 £4,546,726 (2017: £7,807,000).

27. Controlling party

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