

Registered number: 09331560

**PORTON BIOPHARMA LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**



## **PORTON BIOPHARMA LIMITED**

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## **PORTON BIOPHARMA LIMITED**

### **COMPANY INFORMATION**

**Directors**

D R Gleave  
M Hindle  
R J Hinton  
B Clare

**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 2019**

The directors present the Strategic Report of Porton Biopharma Limited (the "Company") for the financial year ended 31 March 2019.

#### **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.

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 considerable financial burdens, and this is reflected in our increasing cost 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 involving all staff, in order to increase our efficiency and deliver more of our life saving and health protecting products to patients. In addition, we are investing in the future of biological science by continuing to support a number of apprentices and university placement students, sponsoring higher level degrees for our staff and attracting high value jobs to the Wiltshire area.

We continue to invest heavily in new facilities and equipment and have recently invested in a significant programme of facility refurbishment, together with the building of a new dispensary.

PBL's Development team continues to support the manufacture of our licensed biopharmaceutical products, and has published and presented many peer reviewed articles; the team also looks to build on the long Porton track record of developing new licensed products and establishing new programmes to expand PBL's product pipeline.

## **PORTON BIOPHARMA LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019**

#### **Principal risks and uncertainties**

##### ***Exchange rates***

We sell our products internationally, and our revenues are therefore subject to foreign exchange rate fluctuations. Given the multitude of markets into which our products are sold, it is difficult to accurately forecast the impact 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, considerable progress has been made with corrective action in respect of the FDA warning letter received in January 2017, and it is anticipated that this will be lifted in the near future.

##### ***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 is driven by the volumes of both products (Erwinase and Anthrax Vaccine) manufactured in the period, 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: 3/12/19

## **PORTON BIOPHARMA LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019**

The directors present their annual report and the audited financial statements of Porton Biopharma Limited (the "Company") for the year ended 31 March 2019.

#### **Principal activity**

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

#### **Results and dividends**

The loss for the financial year amounted to £1,678,000 (2018: profit £13,125,000).

A dividend of £8,000,000 was declared for the year (2018: £10,450,000).

#### **Directors**

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

M Brodie (resigned 30 August 2019)  
D R Gleave  
M Hindle  
R J Hinton  
N S Brooksby (resigned 30 June 2019)  
M Harrison (resigned 15 February 2019)  
B Clare (appointed 3 December 2018)

#### **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 2019**

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

#### **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 and signed on its behalf by:



**R J Hinton**  
Director

Date: 3/12/19

## **PORTON BIOPHARMA LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTON BIOPHARMA LIMITED**

## **Report on the audit of the financial statements**

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### **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 2019 and of its loss and cash flows 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 2019; the statement of comprehensive income, the statement of cash flows and 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**

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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**

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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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

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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.



## **PORTON BIOPHARMA LIMITED**

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

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

Based on 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 2019 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 set out on page 5, 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](http://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.

**PORTON BIOPHARMA LIMITED**

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

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**Other required reporting**

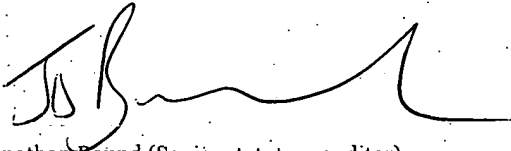
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**Companies Act 2006 exception reporting**

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: 3 December 2019

**PORTON BIOPHARMA LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £000	2018 £000
Turnover	4	42,552	50,484
Cost of sales		(36,982)	(28,922)
<b>Gross profit</b>		<b>5,570</b>	<b>21,562</b>
Administrative expenses		(7,413)	(4,671)
<b>Operating (loss)/profit</b>	5	<b>(1,843)</b>	<b>16,891</b>
Interest payable and similar expenses	9	(275)	(407)
<b>(Loss)/profit before taxation</b>		<b>(2,118)</b>	<b>16,484</b>
Tax on (loss)/profit	10	440	(3,359)
<b>(Loss)/profit for the financial year</b>		<b>(1,678)</b>	<b>13,125</b>
<b>Total comprehensive (expense)/income for the financial year</b>		<b>(1,678)</b>	<b>13,125</b>

The notes on pages 13 to 28 form part of these financial statements.

**PORTON BIOPHARMA LIMITED**  
**REGISTERED NUMBER: 09331560**

**BALANCE SHEET**  
**AS AT 31 MARCH 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	12	42	506
Tangible assets	13	61,423	55,444
		<u>61,465</u>	<u>55,950</u>
<b>Current assets</b>			
Stocks	14	29,601	24,729
Debtors	15	11,723	13,250
Cash at bank and in hand	16	11,638	8,112
		<u>52,962</u>	<u>46,091</u>
Creditors: amounts falling due within one year	17	(29,353)	(16,785)
<b>Net current assets</b>		<u>23,609</u>	<u>29,306</u>
<b>Total assets less current liabilities</b>		<u>85,074</u>	<u>85,256</u>
Creditors: amounts falling due after more than one year	18	(3,395)	(3,395)
<b>Provisions for liabilities</b>			
Deferred tax	20	(3,491)	(2,995)
<b>Net assets</b>		<u>78,188</u>	<u>78,866</u>
<b>Capital and reserves</b>			
Called up share capital	21	67,976	58,976
Profit and loss account	22	10,212	19,890
<b>Total shareholders' funds</b>		<u>78,188</u>	<u>78,866</u>

The financial statements on pages 9 to 28 were approved and authorised for issue by the board and were signed on its behalf by:



**R J Hinton**  
Director

Date: 3/12/19

The notes on pages 13 to 28 form part of these financial statements.

**PORTON BIOPHARMA LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
<b>At 1 April 2017</b>	<b>46,384</b>	<b>17,215</b>	<b>63,599</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	13,125	13,125
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>13,125</b>	<b>13,125</b>
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(10,450)	(10,450)
Shares issued during the financial year	12,592	-	12,592
<b>Total transactions with owners</b>	<b>12,592</b>	<b>(10,450)</b>	<b>2,142</b>
<b>At 31 March 2018 and 1 April 2018</b>	<b>58,976</b>	<b>19,890</b>	<b>78,866</b>
<b>Comprehensive expense for the financial year</b>			
Loss for the financial year	-	(1,678)	(1,678)
<b>Total comprehensive expense for the financial year</b>	<b>-</b>	<b>(1,678)</b>	<b>(1,678)</b>
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(8,000)	(8,000)
Shares issued during the year	9,000	-	9,000
<b>Total transactions with owners</b>	<b>9,000</b>	<b>(8,000)</b>	<b>1,000</b>
<b>At 31 March 2019</b>	<b>67,976</b>	<b>10,212</b>	<b>78,188</b>

The notes on pages 13 to 28 form part of these financial statements.

**PORTON BIOPHARMA LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	<b>(1,678)</b>	13,125
<b>Adjustments for:</b>		
Amortisation of intangible assets	<b>464</b>	877
Depreciation of tangible assets	<b>3,457</b>	1,279
Loss on disposal of tangible assets	-	33
Interest payable and similar charges	<b>275</b>	407
Taxation (credit) / charge	<b>(440)</b>	3,359
Increase in stocks	<b>(4,872)</b>	(10,488)
Decrease / (increase) in debtors	<b>2,260</b>	(5,847)
Increase / (decrease) in creditors	<b>4,568</b>	(5,506)
Corporation tax received / (paid)	<b>203</b>	(4,035)
<b>Net cash generated from/(used in) operating activities</b>	<b>4,237</b>	(6,796)
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	<b>(9,436)</b>	(10,835)
Sale of tangible fixed assets	-	1
<b>Net cash used in investing activities</b>	<b>(9,436)</b>	(10,834)
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	<b>9,000</b>	12,592
Loan repaid	-	(3,395)
Dividends paid	-	(10,450)
Interest paid	<b>(275)</b>	(407)
<b>Net cash generated from/(used in) financing activities</b>	<b>8,725</b>	(1,660)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,526</b>	(19,290)
Cash and cash equivalents at beginning of year	<b>8,112</b>	27,402
<b>Cash and cash equivalents at the end of year</b>	<b>11,638</b>	8,112
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>11,638</b>	8,112

The notes on pages 13 to 28 form part of these financial statements.

## **PORTON BIOPHARMA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

#### **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, 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 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 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.

## PORTON BIOPHARMA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 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.

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 fixed 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.

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.

##### 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.



## **PORTON BIOPHARMA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

#### **2. Accounting policies (continued)**

##### **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.

## **PORTON BIOPHARMA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

#### **2. Accounting policies (continued)**

##### **2.8 Financial instruments (continued)**

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.

##### **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 '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 2019

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](http://www.civilservice-pensions.gov.uk)).

For the year ended 31 March 2019, employer's contributions were payable at one of four rates in the range of 20.0% to 24.5% based on salary bands. 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](http://www.nhsbsa.nhs.uk).

For the year ended 31 March 2019, employer's contributions were payable to the NHSPS of up to 14.5% of pensionable pay (2018: 14.4%).

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.

## **PORTON BIOPHARMA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

#### **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 2019**

**4. Turnover**

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

	2019 £000	2018 £000
Sale of goods	40,463	46,284
Services	2,089	4,200
	<u>42,552</u>	<u>50,484</u>

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	9,790	9,851
Rest of Europe	31,150	37,954
Rest of the World	1,612	2,679
	<u>42,552</u>	<u>50,484</u>

**5. Operating (loss)/profit**

The operating (loss)/profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible assets	3,457	1,279
Amortisation of intangible assets, including goodwill	464	877
Cost of stocks recognised as an expense	36,982	28,922
	<u>40,903</u>	<u>31,078</u>

**6. Auditors' remuneration**

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	31	30
	<u>31</u>	<u>30</u>

**Fees payable to the Company's auditors in respect of:**

	2019 £000	2018 £000
Tax services	16	18
Other advice	138	2
	<u>154</u>	<u>20</u>

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**7. Employees**

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

	<b>2019 £000</b>	<b>2018 £000</b>
Wages and salaries	<b>12,191</b>	10,584
Social security costs	<b>1,257</b>	1,090
Other pension costs	<b>1,411</b>	1,334
	<b>14,859</b>	13,008

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

	<b>2018 Number</b>	<b>2017 Number</b>
Administrative	<b>63</b>	61
Production	<b>281</b>	252
	<b>344</b>	313

**8. Directors' remuneration**

	<b>2019 £000</b>	<b>2018 £000</b>
Aggregate directors' remuneration	<b>237</b>	220

The highest paid director received remuneration of £145,000 (2018: £136,000).

During the year none of the directors were part of the Company's defined contribution pension scheme (2018: 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:

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Key management personnel (including directors)</b>		
Wages and salaries	<b>1,288</b>	1,105
Other pension costs	<b>124</b>	157
	<b>1,412</b>	1,262

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**9. Interest payable and similar expenses**

	<b>2019 £000</b>	<b>2018 £000</b>
Loan interest payable	<b>275</b>	<b>407</b>

**10. Tax on (loss)/profit**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Corporation tax</b>		
Current tax on profits for the financial year	<b>(919)</b>	<b>2,373</b>
Adjustments in respect of prior years	<b>(17)</b>	<b>(292)</b>
<b>Total current tax</b>	<b>(936)</b>	<b>2,081</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>564</b>	<b>885</b>
Changes to tax rates	<b>(63)</b>	<b>(93)</b>
Adjustment in respect of prior years	<b>(5)</b>	<b>486</b>
<b>Total deferred tax</b>	<b>496</b>	<b>1,278</b>
<b>Total tax</b>	<b>(440)</b>	<b>3,359</b>

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**10. Tax on (loss)/profit (continued)**

**Factors affecting tax charge for the financial year**

The tax assessed for the financial year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%): The differences are explained below:

	<b>2019 £000</b>	<b>2018 £000</b>
(Loss)/profit before taxation	<b>(2,118)</b>	16,484
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	<b>(402)</b>	3,132
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>46</b>	127
Adjustment in respect of prior years	<b>(21)</b>	193
Tax rate changes	<b>(63)</b>	(93)
<b>Total tax (credit)/charge for the financial year</b>	<b>(440)</b>	3,359

**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**

	<b>2019 £000</b>	<b>2018 £000</b>
Dividends declared equivalent to £0.12 (2018: £0.18) per £1 share	<b>8,000</b>	10,450



**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**12. Intangible assets**

	<b>Customer relationships £000</b>	<b>Development processes and technology £000</b>	<b>Licenses £000</b>	<b>Negative goodwill £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 April 2018	27,796	178,224	3,044	(206,019)	3,045
At 31 March 2019	27,796	178,224	3,044	(206,019)	3,045
<b>Accumulated amortisation</b>					
At 1 April 2018	8,340	53,466	2,538	(61,805)	2,539
Charge for the year	2,780	17,822	464	(20,602)	464
At 31 March 2019	11,120	71,288	3,002	(82,407)	3,003
<b>Net book value</b>					
At 31 March 2019	16,676	106,936	42	(123,612)	42
At 31 March 2018	19,456	124,758	506	(144,214)	506

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**13. Tangible assets**

	Leasehold property £000	Plant and machinery £000	Assets under construction £000	Total £000
<b>Cost</b>				
At 1 April 2018	5,018	8,646	44,899	58,563
Additions	-	-	9,436	9,436
Transfers between classes	-	4,740	(4,740)	-
At 31 March 2019	5,018	13,386	49,595	67,999
<b>Accumulated depreciation</b>				
At 1 April 2018	402	2,717	-	3,119
Charge for the year	232	3,225	-	3,457
At 31 March 2019	634	5,942	-	6,576
<b>Net book value</b>				
At 31 March 2019	4,384	7,444	49,595	61,423
At 31 March 2018	4,616	5,929	44,899	55,444

**14. Stocks**

	2019 £000	2018 £000
Raw materials and consumables	2,952	2,254
Work in progress	25,382	21,998
Finished goods	1,267	477
	<u>29,601</u>	<u>24,729</u>

There is a provision for stock impairment at the year end of £940,000 (2018: £Nil).

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**15. Debtors**

	<b>2019 £000</b>	<b>2018 £000</b>
Trade debtors	217	5,152
Other debtors	2,110	1,097
Prepayments and accrued income	8,140	6,478
Tax recoverable	1,256	523
	<b>11,723</b>	<b>13,250</b>

There is no provision for debtor impairment at year end (2018: £Nil).

**16. Cash at bank and in hand**

	<b>2019 £000</b>	<b>2018 £000</b>
Cash at bank and in hand	<b>11,638</b>	<b>8,112</b>

**17. Creditors: amounts falling due within one year**

	<b>2019 £000</b>	<b>2018 £000</b>
Trade creditors	1,314	1,188
Amounts owed to related parties	12,042	4,547
Loan from Public Health England (note 18)	3,394	3,394
Taxation and social security	-	440
Other creditors	331	56
Declared dividend	8,000	-
Accruals and deferred income	4,272	7,160
	<b>29,353</b>	<b>16,785</b>

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**

	<b>2019 £000</b>	<b>2018 £000</b>
Loan from Public Health England	<b>3,395</b>	<b>3,395</b>

The loan from Public Health England is bearing interest at 4%. The remaining balance is due for repayment in two annual installments of £3.4m, commencing on 31 March 2020.

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**19. Financial instruments**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u><b>10,467</b></u>	<u>11,544</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u><b>(32,748)</b></u>	<u>(19,245)</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**

	<b>2019 £000</b>
At beginning of year	<b>2,995</b>
Charged to the profit or loss	<b>496</b>
<b>At end of year</b>	<u><b>3,491</b></u>

The provision for deferred taxation is made up as follows:

	<b>2019 £000</b>	<b>2018 £000</b>
Accelerated capital allowances	<b>3,528</b>	2,995
R&D expenditure credit	<b>(37)</b>	-
	<u><b>3,491</b></u>	<u>2,995</u>

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**21. Called up share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
67,976,000 (2018: 58,976,000) Ordinary shares of £1 each	<b>67,976,000</b>	58,976,000

On 13 March 2019 the Company issued 9,000,000 Ordinary shares of £1 for consideration of £9,000,000. The 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:

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	<b>6,580</b>	4,267

**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 17. The Company's contribution to each scheme was as follows:

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Defined contribution scheme	<b>329</b>	237
PCSPS and NHSPS	<b>1,082</b>	1,097
<b>Total</b>	<b>1,411</b>	1,334

**PORTON BIOPHARMA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**25. Commitments under operating leases**

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

	<b>2019 £000</b>	<b>2018 £000</b>
Not later than 1 year	<b>127</b>	106
Later than 1 year and not later than 5 years	<b>324</b>	12
	<b>451</b>	118

**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 £9,485,400 (2018: £9,488,400) 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 £Nil (2018: £5,171,040).

**27. Ultimate parent undertaking and 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.