

Registered number: 09331560

PORTON BIOPHARMA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



PORTON BIOPHARMA LIMITED

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PORTON BIOPHARMA LIMITED

COMPANY INFORMATION

Directors

B Clare
R Wilson
M Andrews
B P Pritchard
D A Shepherd
I S Muir

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 2020

The directors present the Strategic Report of Porton Biopharma Limited (the "Company") for the financial year ended 31 March 2020.

Business review

Porton Biopharma Limited is responsible for the development and manufacture of biopharmaceutical products and was formed in 1 April 2015 as a limited liability company, wholly owned by the Secretary of State for Health and Social Care. Revenue accrues from two principle sources: sales of Erwinase for the treatment of acute lymphoblastic leukaemia and Anthrax vaccine.

The negotiation of a new contract for the worldwide distribution of Erwinase was a key focus in the financial year ended 31 March 2020. Shortly after the year end, on 16 April 2020, the Company announced that it had signed an exclusive licensing agreement for the worldwide distribution of Erwinase with Clinigen Group PLC. This agreement, with a start date of 1 January 2021, offers significant long-term financial and commercial benefits for the Company. On 31 December 2020, the Company's earlier Erwinase licensing agreement, with Jazz Pharmaceuticals, came to an end, with a six-month transition period (ending 30 June 2021) then coming into effect.

During the year the Company was awarded a 6-year contract from the UK Ministry of Defence for the supply of anthrax vaccine.

The Company operates a zero-tolerance policy with regard to quality deviations and therefore, as a consequence of this policy, there have been some batches which the company have not passed the company's stringent quality controls and have been written off.

The revenue mix during the year has led to a reduction in the gross margin, and this, combined with the above-mentioned batches not being released has led to a loss for the year of £7,404,000 (2019 £1,678,000 loss).

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 seek to operate to the highest health and safety and environmental standards. 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 cost though is a prerequisite of operating in our sector.

During COVID-19, the health and well-being of all at the Company, and of our customers and suppliers, has been a priority at Porton Biopharma Limited. We have closely followed all Government guidance relating to COVID-19 and are very grateful for the commitment of all employees.

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 2020

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 Current Good Manufacturing Practice and regulated accordingly in the appropriate territories, and operates a zero tolerance approach to quality deviations. The pharmaceutical industry strives for continuous improvement of its processes, systems and product characterisation, to improve the quality and efficacy of pharmaceutical products which result in ever higher regulatory standards. The Company must therefore ensure that it continues to meet these regulatory standards, so that our products can continue to be manufactured and marketed. In January 2017 PBL received a warning letter following an FDA site inspection; since then considerable progress has been made with corrective actions in respect of the FDA warning letter. Planned follow up FDA inspection has been delayed due to COVID-19.

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.

Maximisation of patients treated with Erwinase and on time, in full delivery of our products are the key priorities of the Company in order to deliver optimal net profits.

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



B Clare
Director

Date: 26th March 2021

PORTON BIOPHARMA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and the audited financial statements of Porton Biopharma Limited (the "Company") for the year ended 31 March 2020.

Principal activities

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 £7,404,000 (2019: loss £1,678,000).

A dividend of £Nil was declared for the year (2019: £8,000,000).

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 (resigned 14 July 2020)
M Hindle (resigned 31 October 2019)
R J Hinton (resigned 7 December 2020)
N S Brooksby (resigned 30 June 2019)
B Clare
R Wilson (appointed 11 February 2020)
M Andrews (appointed 1 June 2020)
B P Pritchard (appointed 1 June 2020)
D A Shepherd (appointed 12 November 2019)
I S Muir (appointed 18 January 2021)

Going concern

Porton Biopharma Limited (the "Company") has net current assets of £27,491,000 (2019: £23,609,000) and cash of £12,980,000 (2019: £11,638,000) as at 31 March 2020. The Company is expected to continue to continue to generate positive cash flows for the foreseeable future. On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 2020

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: 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 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 also 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:



B Clare
Director

Date: 26th March 2021

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 2020 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 2020; 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

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 where:

- 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.

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.

PORTON BIOPHARMA LIMITED

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

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 2020 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. 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: 26 March 2021

PORTON BIOPHARMA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £000	2019 £000
Turnover	4	42,932	42,552
Cost of sales		(45,410)	(36,982)
Gross (loss)/profit		(2,478)	5,570
Administrative expenses		(5,636)	(7,413)
Operating loss	5	(8,114)	(1,843)
Interest payable and similar expenses	9	(272)	(275)
Loss before taxation		(8,386)	(2,118)
Tax on loss	10	982	440
Loss for the financial year		(7,404)	(1,678)
Total comprehensive expense for the financial year		(7,404)	(1,678)

The notes on pages 12 to 28 form part of these financial statements.

PORTON BIOPHARMA LIMITED
REGISTERED NUMBER: 09331560

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	12	26	42
Tangible assets	13	67,559	61,423
		<u>67,585</u>	<u>61,465</u>
Current assets			
Stocks	14	28,580	29,601
Debtors	15	7,884	11,723
Cash at bank and in hand	16	12,980	11,638
		<u>49,444</u>	<u>52,962</u>
Creditors: amounts falling due within one year	17	(21,953)	(29,353)
Net current assets		<u>27,491</u>	<u>23,609</u>
Total assets less current liabilities		<u>95,076</u>	<u>85,074</u>
Creditors: amounts falling due after more than one year	18	(13,395)	(3,395)
Provisions for liabilities			
Deferred taxation	20	(2,397)	(3,491)
Net assets		<u>79,284</u>	<u>78,188</u>
Capital and reserves			
Called up share capital	21	76,476	67,976
Profit and loss account	22	2,808	10,212
Total shareholders' funds		<u>79,284</u>	<u>78,188</u>

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



B Clare
Director

Date: 26th March 2021

The notes on Pages 12 to 28 form part of these financial statements.

PORTON BIOPHARMA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2018	58,976	19,890	78,866
Comprehensive expense for the financial year			
Loss for the financial year	-	(1,678)	(1,678)
Total comprehensive expense for the financial year	-	(1,678)	(1,678)
Contributions by and distributions to owners			
Dividends: Equity capital	-	(8,000)	(8,000)
Shares issued during the financial year	9,000	-	9,000
Total transactions with owners	9,000	(8,000)	1,000
At 31 March 2019 and 1 April 2019	67,976	10,212	78,188
Comprehensive expense for the financial year			
Loss for the financial year	-	(7,404)	(7,404)
Total comprehensive expense for the financial year	-	(7,404)	(7,404)
Contributions by and distributions to owners			
Shares issued during the financial year	8,500	-	8,500
Total transactions with owners	8,500	-	8,500
At 31 March 2020	76,476	2,808	79,284

The notes on pages 12 to 28 form part of these financial statements.

PORTON BIOPHARMA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 £000	2019 £000
Cash flows from operating activities		
Loss for the financial year	(7,404)	(1,678)
Adjustments for:		
Amortisation of intangible assets	16	464
Depreciation of tangible assets	2,179	3,457
Interest payable and similar charges	272	275
Taxation credit	(982)	(440)
Decrease/(increase) in stocks	1,021	(4,872)
Decrease in debtors	3,667	2,260
Increase in creditors	328	4,568
Corporation tax received	60	203
Net cash (used in)/generated from operating activities	(843)	4,237
Cash flows from investing activities		
Purchase of tangible assets	(8,315)	(9,436)
Net cash used in investing activities	(8,315)	(9,436)
Cash flows from financing activities		
Issue of ordinary shares	8,500	9,000
New loans from related party	10,000	-
Dividends paid	(8,000)	-
Interest paid	-	(275)
Net cash generated from financing activities	10,500	8,725
Net increase in cash and cash equivalents	1,342	3,526
Cash and cash equivalents at beginning of financial year	11,638	8,112
Cash and cash equivalents at the end of financial year	12,980	11,638
Cash and cash equivalents at the end of financial year comprise:		
Cash at bank and in hand	12,980	11,638

The notes on pages 12 to 28 form part of these financial statements.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 Going concern

Porton Biopharma Limited (the "Company") has net current assets of £27,491,000 (2019: £23,609,000) and cash of £12,980,000 (2019: £11,638,000) as at 31 March 2020. The Company is expected to continue to generate positive cash flows for the foreseeable future. On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.3 Turnover (continued)

Rendering of services

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

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

2.4 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

2.5 Tangible assets

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

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

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.5 Tangible assets (continued)

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.

2.6 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.

2.7 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.

2.8 Cash and cash equivalents

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.9 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 net basis or to realise the asset and settle the liability simultaneously.

2.10 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.

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.11 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'.

2.12 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.

2.13 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 2020**

2. Accounting policies (continued)

2.14 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.civilservicepensionscheme.org.uk).

For the year ended 31 March 2020, employer's contributions were payable at one of four rates in the range of 26.6% to 30.3% 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.

For the year ended 31 March 2020, employer's contributions were payable to the NHSPS of up to 14.5% of pensionable pay (2019: 14.5%).

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.

2.15 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 2020**

2. Accounting policies (continued)

2.16 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 2020**

4. Turnover

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

	2020 £000	2019 £000
Sale of goods	40,408	40,463
Services	2,524	2,089
	42,932	42,552

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	7,061	9,790
Rest of Europe	34,048	31,150
Rest of the World	1,823	1,612
	42,932	42,552

5. Operating loss

The operating loss is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible assets	2,179	3,457
Amortisation of intangible assets, including goodwill	16	464
Cost of stocks recognised as an expense	45,410	36,982

6. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	32	31

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

	2020 £000	2019 £000
Tax services	18	16
Other advice	2	138
	20	154

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

7. Employees

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

	2020	2019
	£000	£000
Wages and salaries	13,226	12,191
Social security costs	1,343	1,257
Other pension costs	1,501	1,411
	16,070	14,859

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

	2020	2019
	Number	Number
Administrative	22	63
Production	353	281
	375	344

8. Directors' remuneration

	2020	2019
	£000	£000
Aggregate directors' remuneration	231	237

The highest paid director received remuneration of £148,400 (2019: £145,000).

During the year one of the directors was part of the Company's defined contribution pension scheme (2019: none). One director, also being the highest paid director, was part of the Civil Service Pension Scheme, to which the Company made contributions, up to 31st October 2018.

	2020	2019
	£000	£000
Key management personnel (including directors)		
Wages and salaries	1,139	1,288
Other pension costs	129	124
	1,268	1,412

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

9. Interest payable and similar expenses

	2020	2019
	£000	£000
Loan interest payable	272	275

10. Tax on loss

	2020	2019
	£000	£000
Corporation tax		
Current tax on loss for the financial year	76	(919)
Adjustments in respect of prior periods	36	(17)
Total current tax	112	(936)
Deferred tax		
Origination and reversal of timing differences	(1,660)	564
Adjustment in respect of prior years	129	(5)
Changes to tax rates	437	(63)
Total deferred tax	(1,094)	496
Total tax credit	(982)	(440)

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. Tax on loss (continued)

Factors affecting tax credit for the financial year

The tax credit assessed for the financial year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £000	2019 £000
Loss before taxation	(8,386)	(2,118)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1,593)	(402)
Effects of:		
Expenses not deductible for tax purposes	14	46
Effects of group relief/other reliefs	(5)	-
Adjustment in respect of prior years	165	(21)
Income not taxable	(76)	-
Tax rate changes	437	(63)
RDEC	76	-
Total tax credit for the financial year	(982)	(440)

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. Subsequent to year end, a reversal of these plans and maintenance of the current 19% rate was announced in the UK Budget and this was enacted on 17 March 2020. The relevant deferred tax balances have therefore been measured at 19%.

11. Dividends

	2020 £000	2019 £000
Dividends declared equivalent to £Nil (2019: £0.12) per £1 share	-	8,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. Intangible assets

	Customer relationships £000	Development processes and technology £000	Licenses £000	Negative goodwill £000	Total £000
Cost					
At 1 April 2019	27,796	178,224	3,044	(206,019)	3,045
At 31 March 2020	27,796	178,224	3,044	(206,019)	3,045
Accumulated amortisation					
At 1 April 2019	11,120	71,288	3,002	(82,407)	3,003
Charge for the year	2,780	17,822	16	(20,602)	16
At 31 March 2020	13,900	89,110	3,018	(103,009)	3,019
Net book value					
At 31 March 2020	13,896	89,114	26	(103,010)	26
At 31 March 2019	16,676	106,936	42	(123,612)	42

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

13. Tangible assets

	Leasehold property £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost				
At 1 April 2019	5,018	13,386	49,595	67,999
Additions	-	1,854	6,461	8,315
Transfers between classes	-	4,137	(4,137)	-
At 31 March 2020	<u>5,018</u>	<u>19,377</u>	<u>51,919</u>	<u>76,314</u>
Accumulated depreciation				
At 1 April 2019	634	5,942	-	6,576
Charge for the year	160	2,019	-	2,179
At 31 March 2020	<u>794</u>	<u>7,961</u>	<u>-</u>	<u>8,755</u>
Net book value				
At 31 March 2020	<u>4,224</u>	<u>11,416</u>	<u>51,919</u>	<u>67,559</u>
At 31 March 2019	<u>4,384</u>	<u>7,444</u>	<u>49,595</u>	<u>61,423</u>

14. Stocks

	2020 £000	2019 £000
Raw materials and consumables	2,798	2,952
Work in progress	25,782	25,382
Finished goods	-	1,267
	<u>28,580</u>	<u>29,601</u>

There is a provision for stock impairment at the year end of £Nil (2019: £940,000).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Debtors

	2020	2019
	£000	£000
Trade debtors	492	217
Other debtors	2,842	2,110
Tax recoverable	1,882	1,256
Prepayments and accrued income	2,668	8,140
	<u>7,884</u>	<u>11,723</u>

There is no provision for debtor impairment at year end (2019: £Nil).

16. Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	<u>12,980</u>	<u>11,638</u>

17. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	3,117	1,314
Amounts owed to related parties	11,573	12,042
Declared dividend	-	8,000
Loan from Secretary of State for Health and Social Care (due to Public Health England – Note 18)	3,667	3,394
Other creditors	934	331
Accruals and deferred income	2,662	4,272
	<u>21,953</u>	<u>29,353</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
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18. Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Loan from Secretary of State for Health and Social Care (due to Public Health England)	3,395	3,395
Loan from Secretary of State for Health and Social Care	10,000	-
	13,395	3,395

The loan payable to Public Health England is bearing interest at 4%. The remaining balance is due for repayment in two annual instalments of £3.4m, commencing on 31 March 2021. The loan repayment dates were extended by 12 months during the year.

A new loan of £10m was obtained on 31 March 2020, which is due to be repaid in full on 31 March 2022. This loan is bearing interest at 0.21%.

19. Financial instruments

	2020	2019
	£000	£000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	5,921	10,467
Financial liabilities		
Financial liabilities measured at amortised cost	(34,896)	(32,748)

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, amounts owed to related parties and loans from the Department of Health and Social Care.

20. Deferred taxation

	2020
	£000
At beginning of year	3,491
Credited to the profit or loss	(1,223)
Adjustment in respect of prior years	129
At end of year	2,397

PORTON BIOPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	5,218	3,528
Tax losses carried forward	(2,496)	-
R&D expenditure credit	(172)	(37)
Other timing differences	(153)	-
	<u>2,397</u>	<u>3,491</u>

21. Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
76,476,000 (2019: 67,976,000) Ordinary shares of £1 each	<u>76,476,000</u>	<u>67,976,000</u>

On 31 March 2020 the Company issued 8,500,000 Ordinary shares of £1 for consideration of £8,500,000. 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:

	2020 £000	2019 £000
Contracted for but not provided in these financial statements	<u>2,094</u>	<u>6,580</u>

PORTON BIOPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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:

	2020 £000	2019 £000
Defined contribution scheme	429	329
PCSPS and NHSPS	1,072	1,082
Total	1,501	1,411

25. Commitments under operating leases

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

	2020 £000	2019 £000
Not later than 1 year	201	127
Later than 1 year and not later than 5 years	288	324
Later than 5 years	4	-
	493	451

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 £6,969,200 (2019: £9,485,400) in relation to that product. At the financial year end, trade debtors contain an amount due to the Department of Health and Social Care of £Nil (2019: £Nil).

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.