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GRO-C: DWW

PORTON INTERNATIONAL PLC

ANNUAL REPORT 1987

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SCIENCE IN BUSINESS

PORTON INTERNATIONAL PLC

Directors

W. G. Haydon-Baillie (Chairman)
A. D. Gover (Chief Executive)
Dr. Z. P. Harsanyi (Chief Executive) (USA)
J. V. Burke (Chief Operating Officer)

Group offices

100 Piccadilly
London

727 Fifteenth Street NW
Washington DC

Fu House
7 Ice House Street
Hong Kong

Auditors

Hacker Young
Chartered Accountants
London

Lawyers

Norton Rose
London and Hong Kong
Jones, Day, Reavis & Pogue
Washington DC

Bankers

National Westminster Bank
Bank of America
Hong Kong & Shanghai Banking Corporation

THE GROUP'S SHAREHOLDERS

The shareholders of the Group, in addition to the
Board of Porton International, include:

THE ALLIANCE TRUST
BARCLAYS BANK PENSION FUND
BARING INVESTMENT MANAGEMENT
BRITISH TELECOM PENSION FUND
CAA SUPERANNUATION SCHEME
C & A PENSION TRUSTEES
C.G.I. PENSION TRUST
EQUITY & LAW LIFE ASSURANCE SOCIETY
ESSO PENSION TRUST
FRIENDS' PROVIDENT
GENERAL ACCIDENT FIRE AND LIFE ASSURANCE
CORPORATION
HILL SAMUEL INVESTMENT MANAGEMENT
ICI PENSION FUNDS
IMPERIAL GROUP PENSION TRUST
THE IRON TRADES EMPLOYERS INSURANCE
ASSOCIATION
KLEINWORT BENSON INVESTMENT MANAGEMENT
LEGAL & GENERAL ASSURANCE SOCIETY
LLOYDS BANK TRUST DIVISION
MERCURY WARBURG INVESTMENT MANAGEMENT
MURRAY JOHNSTONE INVESTMENT MANAGEMENT
NATIONAL PROVIDENT INSTITUTION
NATIONAL WESTMINSTER BANK PENSION FUND
POST OFFICE PENSION FUND
ROBERT FLEMING INVESTMENT MANAGEMENT
ROYAL INSURANCE
THE SCOTTISH INVESTMENT TRUST
THE SCOTTISH MUTUAL ASSURANCE SOCIETY
SCOTTISH WIDOWS' FUND & LIFE ASSURANCE SOCIETY
THE SECOND ALLIANCE TRUST
THE STANDARD LIFE ASSURANCE COMPANY
SUN ALLIANCE & LONDON INSURANCE GROUP
SUN LIFE ASSURANCE COMPANY OF CANADA
TR INDUSTRIAL AND GENERAL TRUST
TR TECHNOLOGY
TR TRUSTEES CORPORATION
UNIVERSITIES SUPERANNUATION SCHEME
WARDLEY INVESTMENT SERVICES

CHAIRMAN'S REVIEW

I am pleased to present the Annual Report of Porton International for the year ended 31 December 1987.

The year has been one of substantial progress by the Group, which continues to develop as planned. There have been significant developments within the wide range of activities and products which the Group now has in the biomedical and pharmaceutical fields. There has been a major strengthening of the Group's operating capabilities including the reorganisation of the Group's management structure. There has also been substantial progress in developing the Group's working relationship with the PHLS at CAMR through which many of the products and processes are channelled.

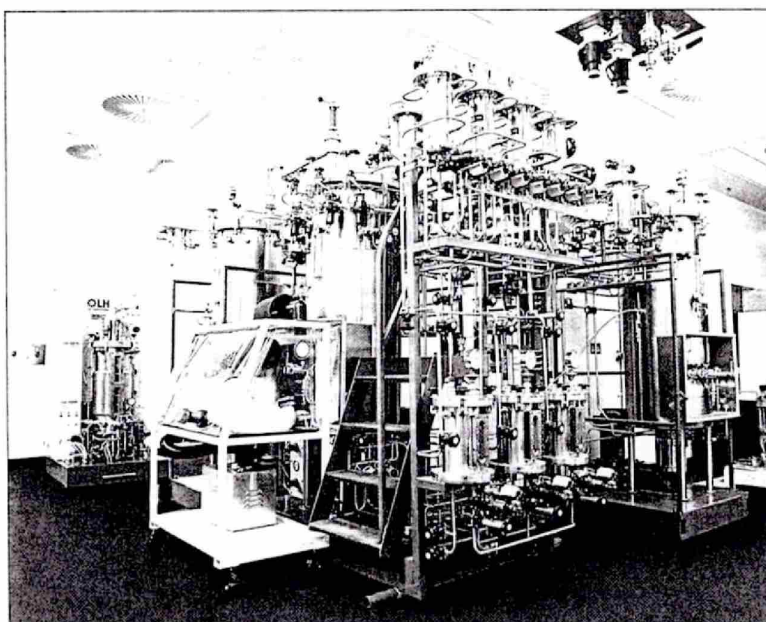
During and since the year under review, the Group has appointed the highest calibre of internationally experienced executives to its most senior positions. In particular, I am pleased to welcome to the Board as Chief Operating Officer Mr. John Burke, who has joined the Group from his position as Chairman of Glaxo Pharmaceuticals Limited and a director of Glaxo Holdings p.l.c.

The Group's powerful capital base and the backing of a wide range of leading institutional shareholders continue to be important strengths in maintaining the Group's independence and ability to pursue its carefully planned course of development. This, combined with the maintenance of substantial cash resources and the disciplined control of expenditure, allows the Group to pursue vigorously its own independently formulated plans for development and growth without the undue influence of short term considerations.

These elements of development, maturity and control are fundamental in securing the increasing commercial and financial success of the Group. The strength of the Group's development programme provides substantial potential for medium and long term gains.

Group developments of particular significance during and since the year under review include the following:

- The relationship between the Group and the PHLS at CAMR has been developed to the point where it is now working as an integrated partnership. This secures benefit to the Group not only in terms of new products and processes but also in the efficient development of Group products through to the international market.



LH Fermentation pilot plant for large-scale culture of micro-organisms in CAMR's production centre.

- The Group's Herpes Therapeutic Product is proceeding satisfactorily through its continuing Phase II/Phase III combined clinical trials in the US. Houston has recently been added to Chicago and Los Angeles as a metropolitan trial centre. There are plans to increase the number of trial centres shortly, to include one in London and two in continental Europe.

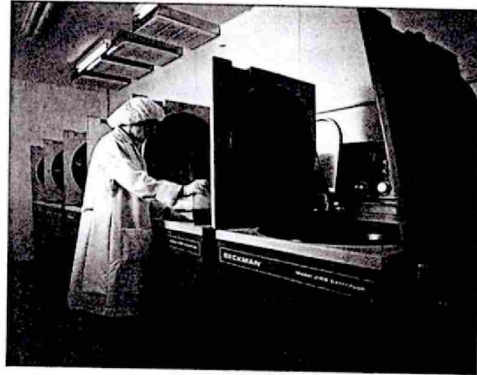
Preliminary results from the US clinical trials will be available during 1988 and, if satisfactory, filing for a full FDA licence will proceed, followed by the pursuit of licensing and marketing in the UK and major overseas markets.

- Hyate:C, the Group's Porcine Factor VIII product, has achieved rapid growth in US sales since the grant of a full FDA licence in October 1986. A submission has been made to the FDA to extend the Hyate:C product licence to include treatment for acquired haemophilia. In Europe, a successful marketing campaign has resulted in increased sales in France and an opening of the German market. The international success of Hyate:C reflects to some extent the continuing concern over the spread of AIDS and the danger that products derived from human blood may be AIDS contaminated. Currently, such human-sourced blood products are routinely screened only for the most prevalent AIDS antibodies known and not for other AIDS virus antigens and antibodies.
- The Group, through interaction between its subsidiaries at Porton Products in the UK and IGB Products in San Francisco, is promoting a development and evaluation programme for recombinant Factor IX in conjunction with the University of Oxford and the British Technology Group. A Factor IX product would further strengthen the Group's position as a worldwide supplier of the highest quality life-saving blood clotting factors.
- The Group continues to make advances in its chosen areas in the field of cardiovascular disease treatment and diagnosis. The Group's Tissue-type Plasminogen Activator (TPA) programme continues its development. In the light of the distinction between the Group's TPA and competitor products, the possibility of superior clinical performance is

being investigated. Porton's TPA was granted formal European patent protection in early 1988.

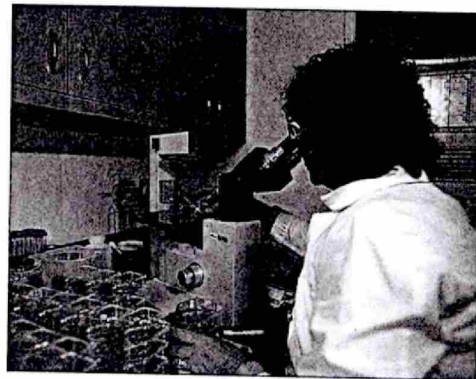
- The Group's cell culture products business is undertaken

through JR Scientific in California. In this rapidly growing market, the company passed several milestones in 1987. JR Scientific established itself as a major supplier of reagents and media to the pharmaceutical industry. The manufacturing and processing



Separation of cell products at JR Scientific.

facility was expanded more than four-fold to meet production demands. The company has become an approved manufacturer of *in vitro* diagnostic products for cell culture use. As such, inspections are carried out by the FDA for compliance with GMP (Good Manufacturing Practice) as specified in the US Code of Federal Regulations. Expanded capacity has been accompanied by a doubling of personnel for increased production, quality control, customer service and technical support. The need for expansion was driven by a 70% increase in sales over



Quality analysis of finished reagents.

the previous year. In addition, the company is expanding its presence in Europe and the Pacific Basin to meet market demands in the 1990's.

- International Cardiovascular Medicine (ICM) in Los Angeles is developing in collaboration with CAMR a diagnostic test for bacterial endocarditis and a predictive test to identify patients at higher risk of myocardial infarction, one of the most common causes of death in the Western world.

- ICM has designed a hand-held device which measures potassium and other analytes in a drop of blood in under 30 seconds.

In the US alone up to 40 million prescriptions per

year are written for diuretics which necessitate the frequent monitoring of blood potassium, of which fluctuations outside the normal range can cause cardiac instability and sudden death. Currently available instrumentation is large, expensive and too labour intensive to be used outside a hospital or a well-equipped physician's office. The new device will be usable and cost effective in a wide range of patient situations, including home use, with the advantage of immediate results. Thus, the complications and risks associated with sample tracking systems are avoided. A family of similar instruments is being developed to provide the physician, nurse or patient with a variety of equally simplified and rapid tests.

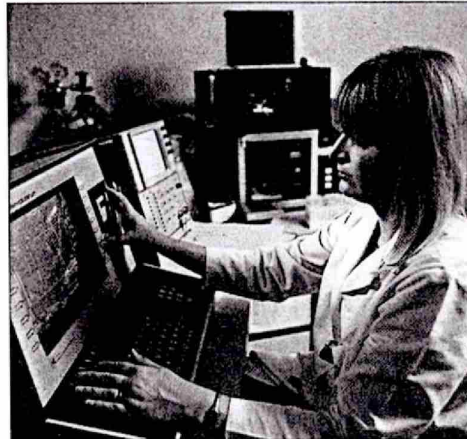


In diagnostic testing, virologists with a high level of technical training analyse complex specimens.

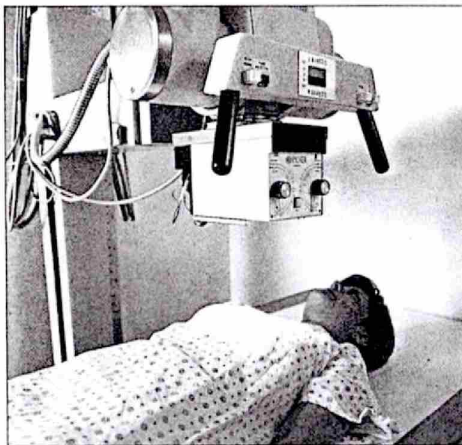
- IGB Products (IGB), the development link between Group companies, has emerged as a strong base for recombinant DNA and monoclonal antibody technology. The company, under the management control of JR Scientific, offers services in nucleic acid chemistry, large scale cell culture, eukaryotic cell biology/immunology and protein product purification. Of particular interest is the collaboration with scientists at the US Department of Agriculture to develop a new system to produce proteins in large quantities.
- ICM and IGB are continuing to collaborate with CAMR to explore uses for the enzyme Superoxide Dismutase (SOD) in preventing damage to cardiac tissue. Several forms of SOD have been produced, one using advanced genetic techniques. There are indications that the clinical and commercial potential for these enzymes may be even greater than that already predicted for cardiovascular use. Applications may extend into tissue protection during X-irradiation therapy.
- In the AIDS field, the Group's structured approach of collaboration between subsidiaries in the US and UK in conjunction with CAMR has led to further progress. The Group has examined compounds during the year which are potentially more active inhibitors to the AIDS virus *in vivo* than the Group's first compounds. The Group's objective in this field remains the development of anti-AIDS compounds which can be produced in large quantities at an acceptable cost. These characteristics are essential to make a real impact upon this rapidly spreading disease.
- Porton Medical Laboratories demonstrated considerable progress during its first full year of operation. Expansion of its business includes the addition of new product lines in home healthcare services, drug protocol diagnostic testing,

diagnosis of serious infectious diseases and provision of services to institutions. These activities have increased laboratory sales significantly in 1987. The affiliated clinic secured the support of major pharmaceutical organisations and began the testing of antivirals and immune modulators directed against AIDS and the testing of Porton's own product against Herpes Simplex Virus. Combined, these organisations are gaining nationwide recognition for their ability to conduct comprehensive clinical drug studies in a non-university setting. These skills enable the Group to achieve success with a variety of diagnostic and direct patient-related enterprises in the US and create the foundation for Porton International's Healthcare Services Division.

- In the Instrumentation Division, the protein sequencer designed and manufactured by Porton Instruments in Los Angeles was launched in the US and international markets in May and July of 1987 respectively. The instrument is used to determine the

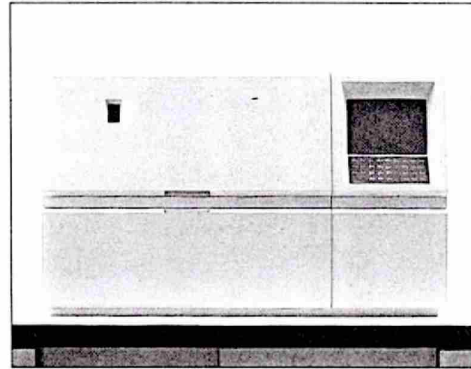


A flow cytometer quantifying helper cells in use at Porton Medical Laboratories.



At Porton's affiliated clinic in Los Angeles, advanced diagnostic equipment is used in patient treatment.

primary structure of protein and peptide molecules. This determination can be of fundamental assistance in the development of such diverse products as life-saving drugs, synthetic vaccines and disease resistant crops. Protein sequencers have traditionally been expensive and complex instruments. The unique design of the Group's protein sequencer, incorporating state of the art electronics and innovative and patented integrated fluid handling systems, has changed the perception of the protein sequencer in the market place. Purchasers to date include the US National Institutes of Health and the National Research Council of Canada.



The Porton Instruments protein sequencer.

- Porton Capital Projects (PCP) completed in December 1987 the installation and commissioning of a sophisticated biotechnology facility for a major overseas client. The project was completed ahead of schedule and within budget. This has enhanced PCP's reputation as one of the few companies worldwide with the skill, experience and resources, including the experience of CAMR as an important



Porton's proprietary fermentation control software is available for automated bioprocessing operations.

demonstration facility, to design and commission successful bioprocessing plants.

- Porton Products' long acting muscle relaxant, Dysport, is being used in selected centres to treat patients suffering from certain dystonias or prolonged muscle spasms. In particular, considerable interest has been shown in the UK, US and Australia in the application of Dysport to blepharospasm (functional blindness).

The strengthening of the Group's structural organisation and the successful recruitment of experienced senior managers will enable the Group to take further advantage from its own and externally available opportunities in the rapidly developing biomedical and pharmaceutical fields.

The Group has decided to recommend to shareholders the payment of a dividend of one third of attributable profit after taxation, in line with the Group's dividend policy.

W. G. Haydon-Baillie
Chairman

16 May 1988

DIRECTORS' REPORT

The directors present their report on the affairs of the Group together with the audited accounts for the year ended 31 December 1987.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year have been to engage in the development, manufacture and marketing of products, processes and services related to the biomedical and pharmaceutical fields.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business and potential future developments is provided in the Chairman's Review.

RESULTS AND DIVIDENDS

The results for the year are set out on pages 19 to 31. The directors recommend a dividend of 32.5p per ordinary share.

DIRECTORS AND THEIR INTERESTS

The directors who served during and since the year under review and the number of shares in the Company held by them were:

	31 December 1986 and 31 December 1987
W. G. Haydon-Baillie	1,788,810
A. D. Gover	214,667
Dr. Z. P. Harsanyi	79,393
J. V. Burke (appointed 1 May 1988)	-

Dr. D. G. Layton resigned as a director on 23 April 1988. At 31 December 1986 and 31 December 1987, Dr. Layton held 84,848 shares in the Company.

SUBSTANTIAL INTERESTS

At the date of this report Legal & General Assurance Society Limited was registered as the holder of 7.18% of the Company's issued ordinary share capital. Other than this holding and that of the Chairman, the Board is not aware of any person who is interested in 5% or more of the Company's issued ordinary share capital.

FIXED ASSETS

Details of changes in fixed assets are shown in notes 10, 11 and 12 to the accounts.

SUBSIDIARY AND RELATED COMPANIES

During the year the Company continued its substantial programme of development of subsidiary and related companies in the UK and USA. Details of these companies are shown in note 12 to the accounts.

DIRECTORS' REPORT (CONTINUED)

RESEARCH AND DEVELOPMENT

The Group undertakes or sponsors research into and development of new products as a fundamental part of its business. Information on these activities is provided in the Chairman's Review.

EMPLOYMENT

It is the Group's policy to ensure that full and fair opportunities are given to the employment and career development of disabled persons.

CLOSE COMPANY STATUS

As far as the directors are aware the Company is a close company within the provisions of the Income and Corporation Taxes Act 1970, as amended.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Messrs. Hacker Young as auditors until the conclusion of the next annual general meeting.

By order of the Board

J. C. Davis
Secretary

16 May 1988

Registered office:
100 Piccadilly
London W1V 9FN

AUDITORS' REPORT

To the members of Porton International PLC.

We have audited the accounts set out on pages 19 to 31 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1987 and of the profit and source and application of funds of the Group for the year then ended, and comply with the Companies Act 1985.

Hacker Young
Chartered Accountants

16 May 1988

St. Alphage House
2 Fore Street
London EC2Y 5DH

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1987

	Notes	Year ended 31 December 1987 £000	Year ended 31 December 1986 £000
TURNOVER	2	11,156	6,031
Cost of sales		6,794	3,743
GROSS PROFIT		4,362	2,288
Operating expenses	3	3,043	2,160
OPERATING PROFIT		1,319	128
Interest receivable and similar income		6,076	7,117
Interest payable and similar charges	4	50	43
Group administration expenses		690	1,156
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	6,655	6,046
Taxation on profit on ordinary activities	7	1,841	1,736
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,814	4,310
MINORITY INTERESTS		26	15
EXTRAORDINARY ITEMS	8	1,658	484
PROFIT FOR THE YEAR		3,130	3,811
Dividend proposed	9	1,590	1,431
RETAINED PROFIT FOR THE YEAR	19	1,540	2,380

The accompanying notes are an integral part of these accounts.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1987

	Notes	31 December 1987 £000	31 December 1986 £000
FIXED ASSETS			
Intangible assets	10	9,300	5,564
Tangible assets	11	3,845	2,932
Investments	12	2,015	2,218
		15,160	10,714
CURRENT ASSETS			
Stocks	13	2,966	3,315
Debtors	14	4,316	3,367
Cash deposits at bank		59,029	63,556
		66,311	70,238
CREDITORS			
Amounts falling due within one year	15	6,435	6,652
NET CURRENT ASSETS		59,876	63,586
TOTAL ASSETS LESS CURRENT LIABILITIES		75,036	74,300
CREDITORS			
Amounts falling due after more than one year	16	120	190
PROVISION FOR LIABILITIES AND CHARGES	17	1,408	93
NET ASSETS		73,508	74,017
CAPITAL AND RESERVES			
Called-up share capital	18	4,891	4,891
Share premium account	18	66,623	66,623
Profit and loss account	19	1,900	2,418
Other reserves	19	6	6
SHAREHOLDERS' INTERESTS		73,420	73,938
MINORITY INTERESTS		88	79
TOTAL CAPITAL EMPLOYED		73,508	74,017

Signed on behalf of the Board

W. G. HAYDON-BAILLIE	}	Directors
A. D. GOVER		

16 May 1988

The accompanying notes are an integral part of these accounts.

BALANCE SHEET AT 31 DECEMBER 1987

		31 December 1987 £000	31 December 1986 £000
	Notes		
FIXED ASSETS			
Tangible assets	11	602	288
Investments	12	26,205	19,624
		26,807	19,912
CURRENT ASSETS			
Debtors	14	1,936	1,282
Cash deposits at bank		57,988	62,327
		59,924	63,609
CREDITORS			
Amounts falling due within one year	15	3,924	3,775
NET CURRENT ASSETS		56,000	59,834
TOTAL ASSETS LESS CURRENT LIABILITIES		82,807	79,746
CREDITORS			
Amounts falling due after more than one year	16	—	12
PROVISION FOR LIABILITIES AND CHARGES		963	62
NET ASSETS		81,844	79,672
CAPITAL AND RESERVES			
Called-up share capital	18	4,891	4,891
Share premium account	18	66,623	66,623
Profit and loss account	19	5,926	3,754
Other reserves	19	4,404	4,404
TOTAL CAPITAL EMPLOYED		81,844	79,672
Signed on behalf of the Board			
W. G. HAYDON-BAILLIE	}	Directors	
A. D. GOVER			
16 May 1988			

The accompanying notes are an integral part of these accounts.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1987

	Year ended 31 December 1987 £000	Year ended 31 December 1986 £000
SOURCE OF FUNDS		
Profit before taxation	6,655	6,046
Depreciation and amortisation	873	583
Net overseas currency adjustments	(788)	(50)
Funds generated from operations	6,740	6,579
Decrease in long term creditors	(70)	(154)
Sale of fixed assets	99	296
	6,769	6,721
APPLICATION OF FUNDS		
Dividend paid	1,431	147
Taxation paid	675	(9)
Purchase of fixed assets	1,842	1,255
Equity repurchased in subsidiary	—	10
Development expenditure	4,187	1,506
Investments in related companies	652	2,218
Extraordinary items	1,658	484
Increase/(decrease) in working capital	(3,676)	1,110
	6,769	6,721
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	(349)	1,171
Debtors	949	849
Creditors	251	1,201
Cash deposits at bank	851 (4,527)	3,221 (2,111)
Increase/(decrease) in working capital	(3,676)	1,110

The accompanying notes are an integral part of these accounts.

NOTES TO THE ACCOUNTS

31 DECEMBER 1987

1. ACCOUNTING POLICIES

Group accounting policies have been applied consistently throughout the year.

(a) Basis of accounting

The accounts are prepared on the historical cost basis of accounting.

(b) Basis of consolidation

Merger accounting principles are applied to those subsidiaries where the transaction meets the requirements of Section 131 of the Companies Act 1985 and SSAP23.

Other subsidiaries are consolidated from their effective date of acquisition. The purchase consideration is allocated to each class of asset on the basis of fair value at the date of acquisition. The surplus of cost over the fair value of net assets of subsidiaries at the date of acquisition is written off against reserves as goodwill.

(c) Intangible fixed assets

Development expenditure incurred on specific projects is carried forward in accordance with SSAP13 when its recoverability can be foreseen with reasonable assurance and amortised in relation to the sales from such projects over 5 to 50 years. The directors consider that this treatment results in proper matching of costs and revenue. All other development expenditure is written off in the year of expenditure.

(d) Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	- 50 years
Leasehold improvements	- over period of lease (maximum 50 years)
Plant and machinery	- 5 to 10 years
Motor vehicles	- 3 to 5 years
Office equipment, fixtures and fittings	- 5 to 10 years

Profits or losses on the disposal of fixed assets are included in operating profit.

(e) Stock and work in progress

Stock and work in progress are stated at the lower of cost (including an appropriate proportion of overheads) and net realisable value on a first in, first out basis.

(f) Taxation

Corporation tax payable and its overseas equivalents are provided on taxable profits at the current rate. Provision is made for deferred taxation using the liability method on all material timing differences which are not expected to continue for the foreseeable future.

(g) Overseas currencies

Assets, liabilities and profits denominated in overseas currencies are translated into sterling at the rates ruling at the balance sheet date. The exchange differences arising on the annual retranslation of assets and liabilities of overseas subsidiaries and long term intra-group financing loans are taken directly to reserves. All other exchange differences, including those arising in the normal course of trading, are charged or credited to the profit and loss account.

(h) Deferred revenue expenditure

The proportion of holding company costs expended on Group development is carried forward as deferred revenue expenditure. If no new acquisitions occur within a two year period such expenditure is written off.

(i) Turnover

Group turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

NOTES TO THE ACCOUNTS (CONTINUED)

2. GROUP TURNOVER BY GEOGRAPHICAL AREA

	Year ended 31 December 1987 £000	Year ended 31 December 1986 £000
United Kingdom	1,991	1,580
Rest of Europe	2,046	1,391
USA	4,275	2,621
Rest of world	2,844	439
	11,156	6,031

3. OPERATING EXPENSES

Selling and distribution costs	1,468	836
Administrative expenses	1,802	1,343
	3,270	2,179
Other operating income	(227)	(19)
	3,043	2,160

4. INTEREST PAYABLE AND SIMILAR CHARGES

Interest on bank overdrafts repayable within five years	50	43
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5. STAFF COSTS

Employee costs during the year amounted to:

Wages and salaries	13,673 + 11.5%	4,102	3,676
Social security costs		332	325
Other pension costs		40	27
	£ 14,913	4,474	4,028

	Number	Number
The average number of people employed by the Group during the year was:		
Production and design	180	142
Selling and distribution	34	22
Administration	86	90
	300	254

The Chairman's remuneration for the year was US\$160,000 (£89,000) (1986: US\$160,000 (£107,000)). Other directors' remuneration for the year was £293,000 (1986: £368,000). Of the directors who performed their duties mainly within the UK and other than the Chairman, two directors received salaries for the year in the £95,000 to £100,000 band (1986: two). One Company employee received a salary for the year in the £30,000 to £35,000 band (1986: one).

24	Av. pay	13,673.	14,470
	incl Dir.	22,700	25,800
	Excl. Dir.	= 3,720	3,201
	Av.	12,136	12,850
		12,560	

NOTES TO THE ACCOUNTS (CONTINUED)

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 1987 £000	Year ended 31 December 1986 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amortisation	873	583
Auditors' remuneration	114	83
Hire and lease of vehicles and equipment	63	77

Certain of these costs have been allocated to development projects or included in deferred revenue expenditure in accordance with notes 1(c) and 1(h) above, and carried forward as shown in notes 10 and 14.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 1987 £000	Year ended 31 December 1986 £000
Corporation tax for the year at 35% (1986: 35%/40%)	-	1,628
Adjustments in respect of previous year	(4)	(9)
Deferred taxation	1,845	117
	1,841	1,736

8. EXTRAORDINARY ITEMS

Reorganisation and redevelopment of subsidiary businesses	1,658	457
Legal costs related to compensation claim	-	27
	1,658	484

Extraordinary items are shown net of attributable tax relief of £340,000 (1986: £16,000).

9. DIVIDEND

	Year ended 31 December 1987 £000	Year ended 31 December 1986 £000
Dividend proposed: 32.5p per ordinary share (1986: 29.25p)	1,590	1,431

NOTES TO THE ACCOUNTS (CONTINUED)

10. INTANGIBLE FIXED ASSETS

GROUP

	Development costs £000
Cost at start of year	5,800
Overseas currency adjustments	(222)
Net expenditure	4,187
Cost at end of year	9,765
Amortisation at start of year	236
Overseas currency adjustments	(1)
Charge for year	230
Amortisation at end of year	465
Net book value, 31 December 1987	9,300
Net book value, 31 December 1986	5,564

11. TANGIBLE FIXED ASSETS

GROUP

	Freehold land and buildings £000	Short leasehold premises £000	Leasehold improvements £000	Office equipment, plant and motor vehicles £000	Total £000
Cost at start of year	221	435	300	3,393	4,349
Overseas currency adjustments	(33)	—	(47)	(239)	(319)
Additions	1	19	316	1,506	1,842
Disposals	—	—	(1)	(201)	(202)
Cost at end of year	189	454	568	4,459	5,670
Depreciation at start of year	32	151	49	1,185	1,417
Overseas currency adjustments	(10)	—	(12)	(110)	(132)
Charge for year	8	26	48	561	643
Disposals	—	—	(1)	(102)	(103)
Depreciation at end of year	30	177	84	1,534	1,825
Net book value, 31 December 1987	159	277	484	2,925	3,845
Net book value, 31 December 1986	189	284	251	2,208	2,932

NOTES TO THE ACCOUNTS (CONTINUED)

11. TANGIBLE FIXED ASSETS (continued)

COMPANY	Leasehold improve- ments £000	Office equipment, plant and motor vehicles £000	Total £000
Cost at start of year	97	277	374
Additions	264	192	456
Disposals	(1)	(132)	(133)
Cost at end of year	360	337	697
Depreciation at start of year	1	85	86
Charge for year	23	51	74
Disposals	(1)	(64)	(65)
Depreciation at end of year	23	72	95
Net book value, 31 December 1987	337	265	602
Net book value, 31 December 1986	96	192	288

12. FIXED ASSET INVESTMENTS

Investments in shares are shown at cost including related acquisition costs where appropriate.

GROUP	Shares £000	Loans £000	Total £000
Investments in related companies			
At start of year	1,802	416	2,218
Overseas currency adjustments	(381)	—	(381)
Transfer to investments in subsidiaries	(474)	—	(474)
Net advances during year	—	652	652
At 31 December 1987	947	1,068	2,015
COMPANY			
Investments in subsidiaries			
At start of year	4,266	15,358	19,624
Overseas currency adjustments	(27)	—	(27)
Transfer from investments in related companies	474	—	474
Extraordinary item: reorganisation costs	(474)	—	(474)
Net advances during year	—	6,608	6,608
At 31 December 1987	4,239	21,966	26,205

NOTES TO THE ACCOUNTS (CONTINUED)

12. FIXED ASSET INVESTMENTS (continued)

The Group owns equity capital in the following companies. Investments which are not significant are not listed.

Company	Percentage of shares owned at 31 December 1987	Country of incorporation and operation	Principal activity
Biotechnology Computer Systems Limited	100%	UK	Bioprocessing control software
IGB Products Limited	100%	USA	Applied biomedical developments
International Cardiovascular Medicine, Inc.	82.5%	USA	Cardiovascular diagnostics and therapeutics development
J R Scientific, Inc.	80%	USA	Bioprocessing media and reagents
L H Bioprocessing Limited	85%	UK	Bioprocessing technology
L H Fermentation, Inc.	100%	USA	Bioprocessing equipment
L H Fermentation Limited	100%	UK	Bioprocessing equipment
OMEC International, Inc.	92.5%	USA	Biotechnology information and consultancy
Porton Capital Projects Limited	100%	UK	Bioprocessing facilities
Porton Instruments, Inc.	90%	USA	Analytical equipment
Porton Medical Laboratories, Inc.	31.4%	USA	Healthcare services
Porton Products Development Corporation	100%	USA	Healthcare product developments
Porton Products Limited	100%	UK	Biomedical and pharmaceutical products
Porton Products Limited	100%	USA	Biomedical and pharmaceutical products
Speywood Laboratories Limited	100%	UK	Blood products

NOTES TO THE ACCOUNTS (CONTINUED)

13. STOCKS

	The Group	
	31 December 1987 £000	31 December 1986 £000
Raw materials and consumables	710	989
Work in progress	527	1,087
Finished goods	1,729	1,239
	2,966	3,315

14. DEBTORS

	The Group		The Company	
	31 December 1987 £000	31 December 1986 £000	31 December 1987 £000	31 December 1986 £000
Trade debtors	1,793	1,297	—	—
Other debtors	843	1,080	353	304
Advance corporation tax recoverable	242	243	326	327
Prepayments and accrued income	369	96	188	—
Deferred revenue expenditure	1,069	651	1,069	651
	4,316	3,367	1,936	1,282

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	31 December 1987 £000	31 December 1986 £000	31 December 1987 £000	31 December 1986 £000
Payments received on account	37	443	—	—
Trade creditors	1,205	1,047	—	—
Other creditors:				
– UK corporation tax payable	1,387	1,536	1,387	1,532
– advance corporation tax	530	530	530	530
– social security and PAYE	106	101	52	35
– other payables	915	1,093	182	218
– dividend payable	1,590	1,431	1,590	1,431
Accruals and deferred income	665	471	183	29
	6,435	6,652	3,924	3,775

NOTES TO THE ACCOUNTS (CONTINUED)

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	31 December 1987 £000	31 December 1986 £000	31 December 1987 £000	31 December 1986 £000
Finance leases	58	121	-	12
Mortgages on land and buildings	62	69	-	-
	120	190	-	12

17. PROVISION FOR LIABILITIES AND CHARGES

	The Group		The Company	
	31 December 1987 £000	31 December 1986 £000	31 December 1987 £000	31 December 1986 £000
Deferred taxation, comprising:				
Excess of tax allowances over book depreciation of fixed assets	305	328	-	-
Other timing differences related to:				
- current assets and liabilities	3,452	1,523	1,696	265
- ACT recoverable	(817)	(287)	(733)	(203)
- allowances available for future relief	(1,532)	(1,471)	-	-
	1,408	93	963	62

During the year the Group's deferred taxation provision has been increased by the profit and loss account charge of £1,845,000 and decreased by a credit of £530,000 for ACT on the proposed dividend.

The full potential liability for taxation deferred by material timing differences and not provided in these accounts is £678,000.

18. CALLED-UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Share capital £000	Share premium account £000
Authorised:		
10,000,000 ordinary shares of £1 each		
At 31 December 1986 and 31 December 1987	10,000	-
Allotted and fully paid:		
4,891,051 ordinary shares of £1 each		
At 31 December 1986 and 31 December 1987	4,891	66,623

NOTES TO THE ACCOUNTS (CONTINUED)

19. RESERVES

	The Group Profit and loss account £000	Other reserves £000	The Company Profit and loss account £000	Other reserves £000
At start of year	2,418	6	3,754	4,404
Overseas currency adjustments	(1,560)	—	(27)	—
Elimination of goodwill on acquisition	(498)	—	—	—
Retained profit for the year	1,540	—	2,199	—
At 31 December 1987	1,900	6	5,926	4,404

In accordance with Section 228 of the Companies Act 1985, the Company has elected not to present its own profit and loss account. At 31 December 1987 the distributable reserves of the Company were £5,926,000 (1986: £3,754,000).

20. CAPITAL COMMITMENTS

	The Group 31 December 1987 £000	31 December 1986 £000	The Company 31 December 1987 £000	31 December 1986 £000
Capital commitments were:				
Contracted for	48	317	14	—
Authorised but not contracted for	279	52	—	13

NOTICE OF ANNUAL GENERAL MEETING

The fifth annual general meeting of Porton International PLC will be held at 100 Piccadilly, London W1V 9FN on Thursday, 30 June 1988 at 12.30 p.m., for the following purposes:

1. To receive the reports of the directors and auditors and the statement of accounts for the year ended 31 December 1987.
2. To declare a dividend.
3. To re-appoint Messrs. Hacker Young as auditors until the conclusion of the next annual general meeting and to authorise the directors to fix their remuneration.

By order of the Board

J. C. DAVIS
Secretary

16 May 1988

Registered office:
100 Piccadilly
London W1V 9FN

NOTES

1. Members who are entitled to vote may appoint a proxy to attend and vote on their behalf. Such proxy need not be a member of the Company. A proxy card is enclosed. To be effective, a proxy card must be deposited at the Company's registered office at least 48 hours before the commencement of the annual general meeting.

2. Copies of the following documents will be available for inspection at the Company's registered office on any weekday (except Saturdays and public holidays) during normal business hours until the date of the annual general meeting and for a period of fifteen minutes prior to the meeting:

- (a) A statement of all transactions of each director and his family interests in the share capital of the Company.
- (b) Copies of each contract of service of any director with the Company or with any of its subsidiaries.