

3764421

PATHEON UK LIMITED

Report and Accounts

31 October 2000



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COMPANIES HOUSE		04/10/01
COMPANIES HOUSE		30/08/01

Patheon UK Limited

Registered number: 3764421

DIRECTORS

R Tedford
A Braca
D Watchorn

SECRETARY

R Tedford

REGISTERED OFFICE

Kingfisher Drive
Covingham
Swindon
Wiltshire
SN3 5BZ

BANKERS

Barclays Bank
Old Town Court
10-14 High Street
Swindon
Wiltshire
SN1 3EP

Replaced by
HSBC
The Forum
Marlborough Road
Swindon
SN3 1QN
with effect from 30 April 2001

SOLICITORS

Mcfarlanes
10 Norwich Street
London
EC4A 1BD

AUDITORS

Ernst & Young LLP
Old Town Court
10-14 High Street
Swindon
Wiltshire
SN1 3EP

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 2000.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is one of providing commercial manufacturing and development services of prescription and over-the-counter drugs to the international pharmaceutical industry.

The company was incorporated on 29 April 1999 under the name of Patheon UK Limited. On 29 November 1999 the company acquired the trade and certain assets of the Hoechst Marion Roussel (HMR) Swindon facility and commenced trading on 1 December 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,266,000. A preference dividend of £110,000 was paid during the year. No ordinary dividends were recommended by the directors.

EVENTS SINCE THE BALANCE SHEET DATE

In June 2001 a new Pharmaceutical Development Services (PDS) facility was officially opened at the Swindon facility. This fully supports the strategy of the company to increase the development services aspect of the business and in so doing to provide further added value for our clients. Pharmaceutical development services include dosage form development, analytical methods development, pilot batch manufacture of new products for the regulatory drug approval process and the provision of scale-up services designed to show that a drug can be manufactured in commercial volumes.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year the policy of providing employees with information through various media was established. A quarterly newsletter is produced and all employee meetings are conducted through monthly sessions. In addition, regular focus group sessions are conducted between management and employees to allow for a free flow of information and ideas. A bonus scheme for all employees is in operation that is linked to financial performance of the company.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are shown on page 2. No director had any interest in the share capital of the company during the year.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board



Robert C Tedford Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Auditors
to the shareholders of Patheon UK Limited**

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention and on the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 October 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Swindon

30 August 2001

Patheon UK Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 October 2000

		12 months ended 31 October 2000 £000	6 months ended 31 October 1999 £
	Notes		
TURNOVER	2	29,671	-
Change in stocks of finished goods and work in progress		1,987	-
Raw materials and consumables		(13,703)	-
Staff costs	5	(10,555)	-
Depreciation and amortisation		(518)	-
Other operating charges		(3,541)	-
Interest payable and similar charges	6	(1,071)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	2,270	-
Tax on profit on ordinary activities	7	1,004	-
PROFIT FOR THE FINANCIAL YEAR		1,266	-
Preference dividends payable on non-equity shares	8	110	-
PROFIT RETAINED FOR THE FINANCIAL YEAR		1,156	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 October 2000

There were no recognised gains and losses other than the profit attributable to shareholders of £1,266,000 in the year ended 31 October 2000. (1999: nil).

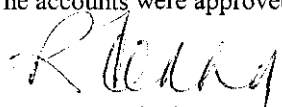
Patheon UK Limited

BALANCE SHEET

at 31 October 2000

	Notes	31 October 2000 £'000	31 October 1999 £
FIXED ASSETS			
Intangible asset	9	(18,404)	-
Tangible assets	10	28,143	-
		<u>9,739</u>	<u>-</u>
CURRENT ASSETS			
Stocks	11	4,471	-
Debtors	12	5,265	-
Cash at bank and in hand		1,715	1
		<u>11,451</u>	<u>1</u>
CREDITORS: amounts falling due within one year	13	15,759	-
NET CURRENT (LIABILITIES)/ASSETS		<u>(4,308)</u>	<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,431</u>	<u>1</u>
CREDITORS: amounts falling due after more than one year			
Loans	14	1,782	-
Obligations under finance leases and hire purchase contracts	15	38	-
		<u>1,820</u>	<u>-</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	355	-
		<u>3,256</u>	<u>1</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,100	1
Profit and loss account	18	1,156	-
Shareholders' funds:			
Equity		<u>1,256</u>	<u>1</u>
Non equity		<u>2,000</u>	<u>-</u>
		<u>3,256</u>	<u>1</u>

The accounts were approved by the Board of Directors on 27/10/01 and signed on its behalf by


Robert C Tedford, Director

NOTES TO THE ACCOUNTS

at 31 October 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Buildings	40	Years
Computer Hardware	4	Years
Computer Software	3	Years
Plant and Equipment	15	Years
Laboratory Equipment	5	Years
Furniture and Fittings	10	Years
Change Parts	5	Years

Goodwill

Goodwill is the difference between the consideration paid for the acquired entity and the aggregated amount of the fair value of that entity's identifiable assets and liabilities. Negative goodwill up to the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the period in which the non-monetary assets are recovered, whether through depreciation or sale.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions and other post retirement benefits, to the extent they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

Operating and finance leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of the future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligations are charged to profit & loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

NOTES TO THE ACCOUNTS

at 31 October 2000

1 ACCOUNTING POLICIES (continued)

Cash flow statement

The company has adopted the provisions under FRS1 (Revised) and has not prepared a cash flow statement.

Pensions

The company operates a defined benefit pension scheme which requires contributions to be made to a separately administered trust fund. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees working lives with the company.

2. TURNOVER

Turnover, which is stated net of value added tax, represents the amount derived from the provision of goods and services which fall within the company's continuing ordinary activities. Turnover is attributable to one continuing activity, the provision of manufacturing and development services to the pharmaceutical industry.

The analysis by geographic market is as follows.

	<i>12 months ended 31 October 2000 £000</i>	<i>6 months ended 31 October 1999 £000</i>
United Kingdom	3,513	-
Other geographical regions	26,158	-
	<u>29,671</u>	<u>-</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

This is stated after charging/(crediting):

	<i>12 months ended 31 October 2000 £000</i>	<i>6 months ended 31 October 1999 £000</i>
Depreciation of owned fixed assets	1,415	-
Depreciation of assets held under finance lease	1	-
Amortisation of negative goodwill	(898)	-
Auditors remuneration	18	-
Operating lease rentals – plant and machinery	39	-
	<u></u>	<u></u>

4. DIRECTORS' REMUNERATION

The directors did not receive any remuneration for their services during the year to 31 October 2000. None of the directors were members of the pension scheme.

NOTES TO THE ACCOUNTS

at 31 October 2000

5. STAFF COSTS

	<i>12 months ended 31 October 2000 £000</i>	<i>6 months ended 31 October 1999 £000</i>
Wages and salaries	8,857	-
Social security costs	672	-
Other pension costs	1,026	-
	<u>10,555</u>	<u>-</u>

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

	<i>12 months ended 31 October 2000 No.</i>	<i>6 months ended 31 October 1999 £000</i>
Production	194	-
Administration and other	239	-
	<u>433</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>12 months ended 31 October 2000 £000</i>	<i>6 months ended 31 October 1999 £000</i>
Interest payable to group undertakings	52	-
Finance charges payable under finance leases	1	-
Loss on foreign exchange	1,005	-
Bank charges	13	-
	<u>1,071</u>	<u>-</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>12 months ended 31 October 2000 £000</i>	<i>6 months ended 31 October 1999 £000</i>
UK corporation tax	649	-
Deferred taxation	355	-
	<u>1,004</u>	<u>-</u>

Patheon UK Limited

NOTES TO THE ACCOUNTS

at 31 October 2000

8. DIVIDENDS

	<i>12 months ended 31 October 2000 £000</i>	<i>6 months ended 31 October 1999 £000</i>
Non-equity dividend on preference shares:		
Interim dividend	50	-
Final dividend	60	-
	<u>110</u>	<u>-</u>

9. INTANGIBLE ASSET

	<i>Negative Goodwill £000</i>
Cost:	
At 1 November 1999	-
Acquired during the year	(19,302)
At 31 October 2000	<u>(19,302)</u>
Amortisation:	
At 1 November 1999	-
Written back during the year	898
At 31 October 2000	<u>898</u>
Net book value:	
31 October 2000	<u>(18,404)</u>
1 November 1999	<u>-</u>

Negative goodwill arising on the acquisition of the trade and assets of HMR Swindon is being written back to profit and loss in line with the use of the assets acquired.

NOTES TO THE ACCOUNTS
at 31 October 2000

10. TANGIBLE FIXED ASSETS

	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost:				
At 1 November 1999	-	-	-	-
Fair market value on acquisition	15,350	13,213	121	28,684
Additions	-	875	-	875
At 31 October 2000	15,350	14,088	121	29,559
Depreciation:				
At 1 November 1999	-	-	-	-
Provided during the year	336	1,069	11	1,416
At 31 October 2000	336	1,069	11	1,416
Net book value:				
At 31 October 2000	15,014	13,019	110	28,143
At 1 November 1999	-	-	-	-

The net book value of plant and machinery above includes an amount of £66,000 in respect of assets held under finance leases.

On 29 November 1999 the company acquired the trade and certain assets of HMR Swindon.

Assets acquired:

	<i>Book Value £000</i>	<i>Adjust- ments £000</i>	<i>Fair value £000</i>
Tangible fixed assets	9,382	19,302 (a)	28,684
Stock	4,980	-	4,980
	14,362	19,302	33,664

Goodwill arising on acquisition (19,302)

Discharged by cash 14,362

(a) Adjustments to book value have been made to reflect the fair value of the assets acquired on a continuing use basis.

11. STOCKS

	<i>2000 £000</i>	<i>1999 £000</i>
Raw material	2,484	-
Engineering stores	387	-
Work in process	1,600	-
	4,471	-

NOTES TO THE ACCOUNTS
at 31 October 2000

12. DEBTORS

	2000 £000	1999 £000
Trade debtors	4,511	-
Prepayments	754	-
	<u>5,265</u>	<u>-</u>

13 CREDITORS: amounts falling due within one year

	2000 £000	1999 £000
Obligations under finance leases and hire purchase contracts (note 15)	14	-
Trade creditors	2,180	-
Amounts due to parent undertaking	11,355	-
Corporation tax	323	-
Other taxes and social security costs	163	-
Accruals	1,724	-
	<u>15,759</u>	<u>-</u>

14. LOANS

	2000 £000	1999 £000
FRF 20,000,000 from Patheon France at 5% per annum, wholly repayable in April 2002	1,782	-

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000 £000	1999 £000
Amounts payable:		
Within one year	14	-
In two to five years	45	-
	<u>59</u>	<u>-</u>
Less: finance charges allocated to future periods	7	-
	<u>52</u>	<u>-</u>
Finance leases are analysed as follows:		
Current obligations	14	-
Non-current obligations	38	-
	<u>52</u>	<u>-</u>

NOTES TO THE ACCOUNTS

at 31 October 2000

16. PROVISIONS FOR LIABILITIES AND CHARGES

The movement in deferred taxation during the current year is as follows:

	2000 £000	1999 £000
At 1 November 1999	-	-
Charge for the year (note 7)	355	-
At 31 October 2000	355	-

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	2000 £000	1999 £000	2000 £000	1999 £000
Capital allowances in advance of depreciation	355	-	-	-
Other timing difference	-	-	(300)	-
	355	-	(300)	-

No deferred tax asset has been recognised in relation to the foreign exchange loss arising on the intercompany loan due to the uncertainty that foreign exchange gains will be made on the loan in the future.

17. SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	2000 No	1999 No	2000 £000	1999
Ordinary shares of £1 each	2,000,000	100	100	1
6% preference shares of £1 each	8,000,000	-	2,000	-

The company's authorised share capital was increased from £100 to £1 million on 17 November 1999 by the creation of an additional 999,900 Ordinary Shares of £1 each.

On 26 November 1999 the company increased its authorised share capital from £1 million to £10 million by the creation of 8 million Preference Shares of £1 each and 1 million Ordinary Shares of £1 each. On the same day 100,000 ordinary shares were issued to Patheon International Inc. On 6 December 1999 2,000,000 preference shares were issued to Patheon France S.A.

The preference shares were issued at par. They carry a dividend right of 6% per annum payable half yearly in April and October. The dividend rights are cumulative. On a winding up of the company the preference shares have the right to receive, in preference to ordinary shareholders, £1 per share plus any accrued dividend. The preference shares carry voting rights at meetings of 1 vote per share whereas the ordinary shares carry 100 votes per share.

NOTES TO THE ACCOUNTS

at 31 October 2000

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Profit and loss account £000	Total £000
At 31 October 1999	-	-	-
Issue of ordinary share capital	100	-	100
Issue of preference share capital	2,000	-	2,000
Profit for the year	-	1,156	1,156
At 31 October 2000	2,100	1,156	3,256

At 31 October 1999 the issued share capital of the company was £1.

19. OTHER FINANCIAL COMMITMENTS

At 31 October 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	2000 £000	1999 £000
Operating leases which expire		
Within one year	-	-
In two to five years	57	-
	57	-

20. RELATED PARTY TRANSACTIONS

Patheon UK is a 100% owned subsidiary of Patheon Inc. and accordingly is not required to disclose related party transactions with companies within the same group.

21. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £3,387K as at 31st October 2000.

22. PENSIONS

Patheon UK operates a defined benefit scheme with contributions being paid into a separately administered trust fund. Pension costs are determined with the advice of an independent actuary.

The Patheon UK Pension Plan scheme was established by the company following the acquisition of the HMR Swindon business. A bulk transfer of assets from the HMR scheme to the new Patheon UK scheme to cover pension liabilities associated with the past service of members transferring to the new scheme, as at the date of acquisition, is being finalised between the respective actuaries.

The transfer of assets under the agreement reflects a fully funded position and as such no asset, or liability, was deemed to exist as at the end of October 2000. An actuarial valuation is planned in 2001.

NOTES TO THE ACCOUNTS
at 31 October 2000

23. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent company is Patheon Inc. a company incorporated in Canada. The smallest and largest group of which the company is a member and for which group accounts are prepared is Patheon Inc. A copy of the group accounts can be obtained from the headquarters at the following address: -

Patheon Inc.
2100 Syntex Court
Mississauga
ONTARIO, L5N 7K9
Canada