

PATHEON UK LIMITED

Report and Financial Statements

31 October 2016



Patheon UK Limited

Registered No. 3764421

COMPANY INFORMATION

DIRECTORS

A Robinson
D Wilson
N Plummer
L Andretta

SECRETARY

N Plummer

AUDITORS

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

BANKERS

Barclays
4th Floor
Apex Plaza
Forbury Road
Reading
RG1 1AX

SOLICITORS

Macfarlanes
20 Cursitor Street
London
EC4A 1LT

REGISTERED OFFICE

Kingfisher Drive
Covingham
Swindon
Wiltshire
SN3 5BZ

Patheon UK Limited

Registered No. 3764421

STRATEGIC REPORT

STRATEGIC REPORT

The directors present their Strategic report for the year ended 31 October 2016.

PRINCIPAL ACTIVITY

The principal activity of the company is one of providing commercial manufacturing services ("CMS") and pharmaceutical development services ("PDS") for prescription and over-the-counter drugs to the international pharmaceutical and biotechnology industry.

REVIEW OF THE BUSINESS

The Swindon commercial strategy will be focused on technologies requiring dedicated suites and increased partnering with clients on niche technologies or drug products.

During FY14 Patheon UK Ltd entered into a long term contract with Pacira Pharmaceuticals Inc. to make Exparel from the Swindon facility. This new project has involved significant client investment in their equipment to be located within the Swindon footprint together with infrastructure of the facility. Phase 1 of this project will be completed towards the end of 2H FY17 with Phase 2 starting in FY17.

During 2H FY15 Patheon also entered into another long term contract with Flexion Therapeutics for the production of novel non-opioid pain therapies. The project is for the manufacture and filling into vials of an intra-articular extended release injectable product. Commercialisation is expected to begin through FY17.

The 'Phase Out' program will cease in FY17 based on current client contracts and transfer of commercial and PDS product manufacture and services within the Patheon network where appropriate.

The PDS facility in Milton Park continues to build the site capabilities in early phase development Phase (I/II) together with quick to clinic principles and scientific knowledge.

The company during the year has continued to implement a lean manufacturing program. This program involves the identification of various Operational Efficiency (OE) programs. These programs are then rolled out through the company structures into "Mini-T's" and procurement activities. These activities are corporately sponsored and reported monthly as part of the site's global reporting.

The company's key financial and other performance indicators during the year were as follows:-

	2016 €'000	Restated 2015 €'000	Change %
Turnover	175,523	158,483	+11%
Total operating profit	22,483	22,232	+1%
Total equity	7,325	4,950	+48%
Current assets as % of current liabilities	169%	177%	-5%
Average number of employees	381	359	+6%

Turnover increased by 11% during the year. The European headquarter operations contributed an additional €20,069,000 compared to the prior year. Drug Product Services revenue in Swindon decreased by €5,471,000, while Pharmaceutical Development Services revenue in Swindon decreased by €465,000 as the planned "Phase Down" was completed whilst the PDS revenue in Milton Park increased by €1,274,000. The launch of Patheon OneSource™, an end to end development and commercial solution for our clients, added additional revenue of €1,632,000

REVIEW OF THE BUSINESS (CONTINUED)

Operating profit increased by €251,000 during the year to an overall profit of €22,483,000. Material costs increased by €13,959,000 in line with the increased revenue. Staff costs decreased by €999,000, depreciation increased by €27,000. Other operating charges increased by €3,802,000.

Profit for the financial year was €15,340,000, a decrease of €7,765,000 from a profit the previous year of €23,105,000. The charge for exceptional non-operating items relating to restructuring costs increased by €824,000, interest payable decreased by €1,058,000 and the tax charge in the year of €3,444,000 decreased profitability by €8,285,000 from a credit the previous year of €4,841,000.

Shareholders' funds increased by €2,375,000 as a result of increased investment in tangible assets, reduction in deferred tax assets, increased trade debtors, introduction of an intercompany loan debtor, increased intercompany trade creditor, decreased intercompany borrowings, increased long and short term deferred revenues, ~~repayment of long term bank loan and increased defined benefit pension liability.~~

The company's current asset to liability ratio has decreased by 5% in comparison to prior year with total assets less current liabilities, increasing by €7,183,000, largely as result of the increased European headquarter operations.

Current liabilities have increased by €5,671,000 with trade creditors decreased by €566,000, deferred income increased by €1,089,000 and amounts owed to group undertakings increased by €8,386,000, accruals increased by €1,981,000 and short term intercompany loans decreased by €5,089,000.

Total number of employees during the year increased by 6% on FY16.

This is the first year that the company has presented its results under Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101") and has taken advantage of the disclosure exemptions allowed under this standard. The last financial statements under the UK GAAP were for the year ended 31 October 2015. The date of transition to FRS 101 was 1 November 2014. Note 27 details the changes in accounting policies which reconcile the profit for the financial year ended 31 October 2015 and the total equity as at 1 November 2014 and 31 October 2015 between UK GAAP as previously reported and FRS 101. The company's parent undertaking, Patheon N.V., was notified and did not object to the use of FRS101

FUTURE DEVELOPMENTS

CMS revenue will decline through FY17 by approx 30%, this driven by the cessation of legacy business and launch timing of new client commercialisation. The underlying production revenue is expected to increase year on year from FY19. The transformation plans were achieved through FY16 on 3rd party spend and OE measures.

The PDS division at the Milton Park facility offers PDS together with Phase I/II capabilities. General investment in the facility will support the growth in revenue and site capabilities. Revenue is expected to grow through FY17 at 9% as the new facilities and capabilities are realised.

Subcontracting work within the EU Patheon network is expected to grow through FY17. Growth within the CMS division is expected to realise growth of circa 38% year on year, driven by new CMS contracts and increased Technical Transfer activity. Growth within the PDS division is expected to be circa 23% year on year, driven by new business capabilities within the facilities and increased sales generated through Patheon UK Ltd.

STRATEGIC REPORT (CONTINUED)

FUTURE DEVELOPMENTS (CONTINUED)

Patheon OneSource™ is an end to end development and commercial solution launched for our clients through FY16. It combines a drug substance, product development and manufacturing into a single customized solution that simplifies the supply chain and accelerates discovery from proof of concept. New contract have been signed through FY16 and FY17 and are expected to grow circa 165% year on Year.

Patheon OneSource helps our clients to meet their early phase goals faster through:

- One coordinated effort for drug substance and product development
- A single resource for sterile, oral solid and softgels formulations
- One supply chain, including raw materials and finished doses
- One contract for clarity, a rapid project start and one point of contact for easy communication and co-ordination

PRINCIPAL RISKS AND UNCERTAINTIES

The company has a clearly stated policy for caring and protecting the environment, with regular audits and continuous monitoring of its activities to ensure best practices are employed for effective environmental protection. In addition to any site policies the company is also driven by corporate policies to continuously improve its waste generation and management. ISO 14001 achieved through FY17 reinforcing the sites commitment to Environmental Standards. Patheon, as a whole, takes very seriously its responsibilities with regards being a good corporate citizen and neighbour.

- *Competitive risks*

Client strategies and market trends - As a contract manufacturer and provider of outsourced services to the global pharmaceutical market, Patheon is dependent on our clients' outsourcing strategies on global industry trends. Any changes in our clients' strategies or changes in global trends regarding outsourcing may have an impact on our activities. These risks are minimised by the group through development of strategic partnerships with key clients and acquiring niche capabilities.

Competition – within the current competitive global market, we are encountering competition from existing or new entrants in the market. The risk of not remaining competitive is minimised (but not eliminated) through our strategic focus on competitive advantage through capabilities, service and efficiency.

The principal risks and uncertainties facing the company are broadly grouped as: competitive, legislative, foreign exchange rates, going concern, R&D, economic and other financial risks:

- *Legislative/regulatory risks*

Currently the company is regulated by various national regulatory bodies, with the main ones being Medical Healthcare Regulatory Agency (MHRA) in UK and Food and Drug Administration (FDA) in the USA. Regulatory changes may raise risks as to Patheon's abilities to service these markets, either impacting the company's capabilities or impacting indirectly through changes to the client's product requirements. Patheon are upgrading capabilities and systems continuously to ensure we meet all current and reasonably foreseen regulatory changes.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

• *Foreign currency exposure*

Due to the global nature of the revenues, the company is exposed to financial foreign exchange risk, mainly for its USD and Euro denominated revenues. There are no currency hedges or other financial instruments in place at a company level to protect against exchange rates variations. Such risks are managed by the group's treasury function at a corporate level.

• *Going concern*

The company has considered the financial resources together with long term contracts with a number of customers and suppliers across different geographic areas. As a consequence the directors believe the company is well placed to manage its business risks successfully despite the current economic outlook.

After making enquiries and reviewing the long range projected results for contracts the directors have a reasonable expectation that the company have adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

• *Research and development*

The company undertakes R&D activities on behalf of its clients as part of the range of services offered through its PDS Business Unit. These do not include any animal testing activities. The services are on a 'fee for service' basis and billed on completion of agreed milestones. The company does not enter into risk sharing deals with the clients based on the success of client products, therefore the risks are minimised to collection of fees only.

• *Economic risks*

Through the normal course of its activities, the company has exposure to economic risks specifically interest rates. The company's borrowings are mainly with its parent company where it pays a variable interest rate.

• *Other financial risks*

Product and services price risks are limited through structured contracts which are based on firm pricing, usually with mechanisms for annual price increases relating to component and/or index-linked increases.

The majority of revenues are through long term contracts with large pharmaceutical companies that have a high quality credit score. For smaller clients, usually using the PDS services, Patheon may charge a security deposit or project initiation fee and structures the contracts for billing on frequent milestones, therefore minimising our exposure for collecting debt.

The cash flow and liquidity position has improved during the year with positive cash flow self-funding site operations.

On behalf of the Board


Andrew Robinson
Director
Date: 30 October 2017

Patheon UK Limited

Registered No. 3764421

DIRECTORS REPORT

DIRECTORS' REPORT

The directors present their Directors' report and financial statements for the year ended 31 October 2016.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, is €15,340,000 (2015: €23,105,000). There was no preference dividend paid during the year (2015: €nil).

The future developments of the company are described in the strategic report on pages 4 and 5.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

POLITICAL AND CHARITABLE DONATIONS

The company has made charitable donations of €nil (2015:€nil) in the year.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

EMPLOYEE INVOLVEMENT

The company has adopted the policy of providing employees with information including a quarterly newsletter and 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 as well as regular meetings of the company Consultative Group (which is an employee/employer information sharing forum). A discretionary bonus scheme for all employees is in operation that is linked to the financial performance of the company.

DIRECTORS

The directors who served during the year and to the date of this report were as follows:

M Botterill (resigned 23 December 2016)

B Mougeot (resigned 31 December 2015)

D Wilson

A Robinson (appointed 4 January 2016)

A Jan Van Bijleveld (appointed 25 January 2017, resigned 31 August 2017)

N Plummer (appointed 25 January 2017)

L Andretta (appointed 25 January 2017)

Patheon UK Limited

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DIRECTORS REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 7. Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Andrew Robinson

Director

Date:

30 October 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATHEON (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PATHEON UK LIMITED

We have audited the financial statements of *Patheon UK Ltd* for the year ended 31 October 2016 which comprise *Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 27*. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATHEON (UK) LIMITED
(continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Jane Barwell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP (Statutory Auditor)
Bristol

Date *31 October 2017*

Patheon UK Limited

Registered No. 3764421

INCOME STATEMENT

for the year ended 31 October 2016

		2016	Restated 2015
	Notes	€'000	€'000
TURNOVER: continuing operations	3	175,523	158,483
Raw materials, consumables and change in work in progress		(104,513)	(90,554)
Staff costs	6	(23,758)	(24,757)
Depreciation and amortisation	4	(577)	(550)
Other operating charges		(24,192)	(20,390)
OPERATING PROFIT: continuing operations	4	22,483	22,232
Non-operating exceptional items	7	(2,409)	(1,585)
PROFIT ON ORDINARY ACTIVITIES:		20,074	20,647
Before investment income, interest and taxation			
Interest receivable	8	36	1
Interest payable	9	(1,326)	(2,384)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,784	18,264
Tax on profit on ordinary activities	10	(3,444)	4,841
PROFIT FOR THE FINANCIAL YEAR		15,340	23,105

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 October 2016

		2016	Restated 2015
		€'000	€'000
PROFIT FOR THE FINANCIAL YEAR		15,340	23,105
Actuarial loss recognised in the pension scheme		(15,503)	(5,547)
Movement on deferred tax relating to pension deficit	10	2,538	756
TOTAL COMPREHENSIVE INCOME RELATING TO THE YEAR		2,375	18,314

Patheon UK Limited

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BALANCE SHEET

as at 31 October 2016

		2016	Restated 2015
	Notes	€'000	€'000
FIXED ASSETS			
Investments	11	-	-
Intangible assets	12	-	-
Tangible assets	13	28,352	21,615
		<u>28,352</u>	<u>21,615</u>
CURRENT ASSETS			
Stocks	14	832	3,730
Deferred taxation	19	7,754	10,744
Debtors	15	55,094	44,144
Cash		15,472	14,417
		<u>79,152</u>	<u>73,035</u>
CREDITORS: amounts falling due within one year	16	(46,832)	(41,161)
NET CURRENT ASSETS		<u>32,320</u>	<u>31,874</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>60,672</u>	<u>53,489</u>
CREDITORS: amounts falling due after more than one year			
Bank and other loans	17	-	(9,922)
Long term deferred revenue	18	(25,741)	(21,908)
		<u>(25,741)</u>	<u>(31,830)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>34,931</u>	<u>21,659</u>
Pension liability	22	(27,606)	(16,709)
NET ASSETS		<u><u>7,325</u></u>	<u><u>4,950</u></u>
CAPITAL AND RESERVES			
Called-up share capital	20	2,682	2,682
Other reserves	20	43,147	43,147
Foreign currency translation reserve	20	(190)	(190)
Retained earnings	20	(38,314)	(40,689)
TOTAL EQUITY		<u><u>7,325</u></u>	<u><u>4,950</u></u>

The financial statements were approved by the directors and authorised for issue on 30 October 2017 and signed on their behalf by:



Andrew Robinson

Director

Date: 30 October 2017

Patheon UK Limited

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 October 2016

	<i>Share capital</i> €'000	<i>Other reserves</i> €'000	<i>FX translation reserve</i> €'000	<i>Retained earnings</i> €'000	<i>Total</i> €'000
At 1 November 2014 (restated)	2,682	33,869	(190)	(59,003)	(22,642)
Capital contribution	-	9,278	-	-	9,278
Actuarial loss on pension scheme	-	-	-	(5,547)	(5,547)
Deferred tax movement on pension scheme	-	-	-	756	756
Profit for the year	-	-	-	23,105	23,105
At 31 October 2015 (restated)	2,682	43,147	(190)	(40,689)	4,950
Deferred tax movement on pension scheme	-	-	-	2,538	2,538
Actuarial loss on pension scheme	-	-	-	(15,503)	(15,503)
Profit for the year	-	-	-	15,340	15,340
At 31 October 2016	2,682	43,147	(190)	(38,314)	7,325

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2016

1. GENERAL INFORMATION

Patheon UK Limited ('the company') provides commercial manufacturing and development services for prescription and over-the-counter drugs to the international pharmaceutical and biotechnology industry.

Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Patheon UK Limited ('the company') for the year ended 31 October 2016 were authorised for issue by the board of directors on 30 October 2017 and the balance sheet was signed on the board's behalf by Andrew Robinson. Patheon UK Limited is incorporated and domiciled in England and Wales and limited by shares. The address of the registered office is given on page 2.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company's financial statements are presented in EUROS and all values are rounded to the nearest thousand euro (€'000) except when otherwise indicated. The company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as its ultimate parent company at the balance sheet date is Patheon N.V., a public company incorporated in the Netherlands and which itself prepares consolidated financial statements. A change in ultimate parent is detailed in note 24. The smallest and largest group of which the company is a member and for which group financial statements are prepared is Patheon N.V. and interested parties may obtain a copy at www.ir.patheon.com/information-request.

Basis of preparation

The company transitioned from UK GAAP to FRS 101 for all periods presented. In adopting FRS101 the company changed its functional currency from GBP to EUROS. Transition reconciliations showing all material adjustments are disclosed in note 27.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: (i) the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (d) the requirements of IAS 7 Statement of Cash Flows;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern

The financial statements have been prepared on a going concern basis. After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

1. GENERAL INFORMATION (continued)

Revenue recognition

Revenue is recognised when services are completed in accordance with specific agreements with clients and when all costs connected with these services have been incurred, the price is fixed and determinable and collectability is reasonably assured. For PDS, revenue is recognised on the achievement of specific milestones in accordance with the relevant service contracts. Client deposits on PDS in progress are included in accounts payable and accrued liabilities. For CMS, revenue is recognised when services are complete and the batch has been shipped and the risks and rewards of ownership of the goods have passed to the buyer.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, 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 – Freehold	-	40 years
Buildings – Short leasehold	-	the lower of 20 years and the life of the lease
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

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If events or changes in circumstances indicate the carrying value may not be recoverable, they are written down immediately to their recoverable value. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. For buildings impaired in the year ended 31 October 2012, the remaining book value is being depreciated over the remaining estimated useful economic life of 6 years from that balance sheet date.

Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Patheon UK Limited

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2016

1. GENERAL INFORMATION (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Cost includes all costs incurred in bringing each product to its present location and condition as follows:

- | | | |
|--|---|---|
| Raw materials, consumables and goods for re-sale | - | purchase cost on a first in first out basis |
| Work in progress and finished goods | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity |

Taxation

The tax charge / credit is calculated based on the results for the year.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised in the income statement.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Foreign currencies

The company's financial statements are presented in Euros, which is also the company's functional currency.

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.

Exceptional item accounting

The company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. A reconciliation of these items can be found in note 7.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

1. GENERAL INFORMATION (continued)

Pension costs

The Patheon UK Pension Plan scheme is a defined benefit scheme which was established by the company following the acquisition by Patheon UK Limited of the HMR Swindon facility. A bulk transfer of assets from the Hoechst Marion Roussel scheme to the Patheon UK Scheme to cover pension liabilities associated with the past service to the date of acquisition of members transferring to the new scheme occurred in the financial year ended 31 October 2006. The assets of the scheme are held separately from those of the company.

The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with ~~extrapolated maturities corresponding to the expected duration~~ of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

The company also operates a defined contribution scheme. Contributions made by the company are charged to the income statement as incurred.

Share based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 October 2016**

1. GENERAL INFORMATION (continued)

Share based payments (continued)

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

Research and Development

Research and development activities are carried out through clinical research phases 1, 2 and 3. All research is carried out on behalf of customers, and is expensed through the profit and loss account as incurred. Development expenditure on an individual project is recognised as an intangible asset when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Segmental Analysis

Patheon UK Limited operates in competitive international markets and information on competitor activity is not available. In the opinion of the directors, disclosure of the information required by the Companies Act 2006 and IAS 8 would be seriously prejudicial to the interests of the company.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION OF UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 19.

Pension and other post employment benefits

The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

Functional Currency

The functional currency of the company is Euro, this was determined from performing a review on the company's revenue, expenses and the global supply chain it operates.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

3. TURNOVER

Turnover, which is stated net of value added tax, represents revenue recognised from the provision of services which fall within the company's continuing ordinary activities.

The analysis by geographic market is as follows:

	2016	<i>Restated</i> 2015
	€'000	€'000
United Kingdom	4,295	6,315
Europe	96,246	86,140
USA	63,501	54,746
Rest of World	11,481	11,282
	<u>175,523</u>	<u>158,483</u>

4. OPERATING PROFIT

This is stated after charging:

	2016	<i>Restated</i> 2015
	€'000	€'000
Depreciation of owned fixed assets	577	550
Auditors' remuneration - audit of the financial statements	119	130
- tax	71	14
- other services	32	3
Operating lease rentals - land and buildings	-	-
- plant and machinery	118	100
Research and development expenditure	2,683	2,772
Exchange loss	32	1,200
Cost of stocks recognised as an expense (included in cost of sales)	104,170	90,710
	<u></u>	<u></u>

5. DIRECTORS' REMUNERATION

	2016	<i>Restated</i> 2015
	€'000	€'000
Remuneration (excluding pension)	344	288
Remuneration of highest paid director	202	183
Members of defined benefit pension schemes	2	2

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2016

5. DIRECTORS' REMUNERATION (continued)

During the year the company paid pension contributions of €29,000 under a defined contribution scheme on behalf of the directors.

The overseas director's services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 October 2015 and 31 October 2016.

6. STAFF COSTS

	2016	Restated 2015
	€'000	€'000
Wages and salaries	21,312	22,281
Social security costs	2,274	2,406
Other pension costs	172	70
	<u>23,758</u>	<u>24,757</u>

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

	2016	2015
	No.	No.
Production and service	154	153
Administration and other	227	206
	<u>381</u>	<u>359</u>

7. EXCEPTIONAL ITEMS

	2016	Restated 2015
	€'000	€'000
Restructuring costs	2,409	1,585
	<u>2,409</u>	<u>1,585</u>

8. INTEREST RECEIVABLE

	2016	Restated 2015
	€'000	€'000
Interest receivable on bank deposits	36	1
	<u>36</u>	<u>1</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

9. INTEREST PAYABLE

	2016	<i>Restated</i> 2015
	€'000	€'000
Interest payable to group undertakings	544	1,561
Bank charges	294	356
Interest on pension scheme liabilities	488	467
	<u>1,326</u>	<u>2,384</u>

10. TAXATION

Tax charged in the income statement

	2016	<i>Restated</i> 2015
	€'000	€'000
Current income tax:		
UK corporation tax current year	29	38
UK corporation tax prior year adjustment	3	128
Total current income tax	<u>32</u>	<u>166</u>
Deferred tax:		
Origination and reversal of temporary differences	3,502	3,332
Prior year adjustment	(90)	(8,339)
Total deferred tax	<u>3,412</u>	<u>(5,007)</u>
Tax expense in the income statement	<u>3,444</u>	<u>(4,841)</u>

Tax relating to items charged or credited to other comprehensive income

	2016	<i>Restated</i> 2015
	€'000	€'000
Deferred tax:		
Actuarial loss on defined benefit pension plans	(3,101)	(1,082)
Change in tax laws and rates	563	326
Total deferred tax	<u>(2,538)</u>	<u>(756)</u>
Tax expense in the statement of other comprehensive income	<u>(2,538)</u>	<u>(756)</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2016

10. TAXATION (continued)

Reconciliation of the total tax charge

The tax assessed on the loss on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 20.42%). The differences are reconciled below:

	2016 €'000	Restated 2015 €'000
Profit on ordinary activities before tax	18,784	18,264
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 20% (2015: 20.42%)	3,757	3,730
Effect of:		
Disallowed expenses and non-taxable income	12	11
Movement on unrecognised deferred tax asset	(352)	(537)
Corporation tax suffered on RDEC	29	38
Unrelieved tax losses	-	(63)
Prior year adjustment	(87)	(8,211)
FRS101 conversion exchange difference	85	191
Total current tax	3,444	(4,841)

Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

The Finance Act 2016, which includes a reduction in the UK corporate tax rate to 17%, has now been enacted and so UK deferred tax assets and liabilities have been calculated accordingly.

11. INVESTMENTS

Shares in
subsidiary
€'000

At 31 October 2015 and 2016

Name of subsidiary undertaking	Registered office	Class of share capital held	Proportion held	Nature of business
Patheon UK Pension Trustees Limited	Kingfisher Drive Covington Swindon Wiltshire SN3 5BZ	Ordinary	100%	Dormant

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NOTES TO THE FINANCIAL STATEMENTS
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12. INTANGIBLE ASSETS

	<i>Negative goodwill</i> €'000
<i>Cost:</i>	
At 1 November 2015 (restated)	(24,651)
At 31 October 2016	(24,651)
<i>Amortisation:</i>	
At 1 November 2015 (restated)	24,651
At 31 October 2016	24,651
<i>Net book value:</i>	
31 October 2016	-
1 November 2015	-

Negative goodwill arising on the acquisition of the trade and assets of Hoechst Marion Roussel (HMR) Swindon is being written back to profit and loss in line with the period in which the non-monetary assets are recovered, whether through depreciation or sale.

The value of negative goodwill was fully written back as a result of the assets to which it relates being fully impaired in 2012.

13. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i> €'000	<i>Plant and machinery</i> €'000	<i>Fixtures and fittings</i> €'000	<i>Total</i> €'000
<i>Cost:</i>				
At 1 November 2015 (restated)	40,645	92,692	3,129	136,466
Additions	922	6,392	-	7,314
Disposals	-	(1,327)	-	(1,327)
At 31 October 2016	41,567	97,757	3,129	142,453
<i>Depreciation:</i>				
At 1 November 2015 (restated)	37,464	74,629	2,758	114,851
Provided during the year	21	476	80	577
Disposals	-	(1,327)	-	(1,327)
At 31 October 2016	37,485	73,778	2,838	114,101
<i>Net book value:</i>				
At 31 October 2016	4,082	23,979	291	28,352
At 1 November 2015 (restated)	3,181	18,063	371	21,615

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2016

13. TANGIBLE FIXED ASSETS (continued)

Land and buildings

The net book value of land and buildings include €2,502,000 of freehold land as at 31 October 2016 (2015: €2,502,000).

The net book value of buildings comprises:

	2016 €'000	Restated 2015 €'000
Freehold	1,080	191
Short leasehold	500	488
	<u>1,580</u>	<u>679</u>

14. STOCKS

	2016 €'000	Restated 2015 €'000
Raw materials	283	1,662
Engineering stores	496	883
Work in progress	26	731
Finished goods	27	454
	<u>832</u>	<u>3,730</u>

15. DEBTORS

	2016 €'000	Restated 2015 €'000
Trade debtors	35,294	31,466
Amounts due from parent undertakings	997	1,212
Amounts due from fellow subsidiary undertakings	158	1,319
Prepayments	1,603	1,790
Intercompany Loan (DPx Holdings BV)	4,460	-
Other debtors	11,186	7,301
Other taxes and social security costs	1,396	1,056
	<u>55,094</u>	<u>44,144</u>

The inter-company loan to DPx Holdings BV had a maturity date of 31st October 2016, extended to 31st October 2017 during FY17, with interest payable at LIBOR plus 2.0%.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

16. CREDITORS: amounts falling due within one year

	2016	Restated 2015
	€'000	€'000
Trade creditors	6,488	7,054
Amounts due to parent undertakings	1,269	1,166
Amounts due to fellow subsidiary undertakings	21,309	13,026
Intercompany loan (Patheon BV)	-	5,089
Other taxes and social security costs	527	657
Accruals	8,298	6,317
Deferred income	8,941	7,852
	<u>46,832</u>	<u>41,161</u>

The inter-company loan from Patheon BV has a maturity date of 31st October 2016 with interest payable at LIBOR plus 3.68% and was paid off during the year. The company has access to a \$200m Parent Company revolving credit facility in place with UBS. Additionally the letter of credit from UBS also contains guarantees in favour of HMRC for £500,000 (2015: £500,000). The total letter of credit is for £500,000 (2015: £500,000).

17. BANK AND OTHER LOANS

	2016	Restated 2015
	€'000	€'000
Intercompany Loan (Patheon BV)	-	9,922
	<u>-</u>	<u>9,922</u>

The inter-company loans from Patheon BV have maturity dates of 19th April 2018 and 14th December 2018 with interest payable at LIBOR plus 6.43% and 7.901% respectively. These loans were fully repaid during 2016.

18. LONG TERM DEFERRED REVENUE

	2016	Restated 2015
	€'000	€'000
Contract advances	25,741	21,908
	<u>25,741</u>	<u>21,908</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2016

19. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for deferred tax

	<i>Deferred tax asset</i> €'000
At 1 November 2015 (restated)	10,744
Charged to the profit and loss account	(3,412)
Credited to SOCI	2,538
Foreign exchange	(2,116)
As at 31 October 2016	<u>7,754</u>

The components of recognised and unrecognised deferred tax comprise:

	<i>Recognised</i>	<i>Not recognised</i>	<i>Recognised Restated</i>	<i>Not recognised Restated</i>
	<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	€'000	€'000	€'000	€'000
Accelerated capital allowances	-	818	-	1,473
Available losses	3,061	-	7,737	-
Other timing differences	-	138	-	178
Pension liability	4,693	-	3,007	-
Total deferred tax assets	<u>7,754</u>	<u>956</u>	<u>10,744</u>	<u>1,651</u>

A deferred tax asset was first recognised in 2009 as the directors are reasonably certain that the losses will be utilised.

20. SHARE CAPITAL AND RESERVES

	<i>Authorised</i>		<i>Allotted, called up And fully paid</i>
	<i>2016</i>	<i>2015</i>	<i>Restated</i>
	<i>No</i>	<i>No</i>	<i>2016</i> €'000
			<i>2015</i> €'000
Ordinary shares of £1 each	2,000,000	2,000,000	128
6% preference shares of £1 each	8,000,000	8,000,000	2,554
Total	<u>10,000,000</u>	<u>10,000,000</u>	<u>2,682</u>

The preference shares were issued at par. They carry a dividend right of 6% per annum payable half yearly in April and October. If at the time the dividends become payable there are insufficient profits the dividend will cease to be due and payable. There are no specific repayment terms except on a winding up of the company where the preference shareholders 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. As there is no foreseeable intention to redeem the preference shares they have been included as part of the equity of the company.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

20. SHARE CAPITAL AND RESERVES (continued)

Retained Earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

Other Reserves

This reserve relates to capital contributions received from parent companies within the group.

Foreign currency translation reserve

This reserve relates to FX on translation from GBP to EURO reporting currency.

21. OTHER FINANCIAL COMMITMENTS

The company had future minimum rentals payable under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2016</i>	<i>Restated</i>	<i>2016</i>	<i>Restated</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
<i>Operating leases which expire:</i>				
- within one year	154	193	38	43
- in two to five years	449	760	10	-
- Greater than 5 years	-	-	-	-
	<u>603</u>	<u>953</u>	<u>48</u>	<u>43</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2016

22. PENSIONS – UNDER FRS101

The Patheon UK Pension Plan, a defined benefit scheme, was established by the company following the acquisition by Patheon UK Limited of the HMR Swindon facility. The valuation of the scheme for these financial statements has been based on the most recent full actuarial valuation as at 31 October 2016. Scheme assets are stated at their market values at the respective balance sheet dates.

The amount recognised in the Balance Sheet, Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2016	Restated 2015
<i>Amounts recognized in the balance sheet</i>	€'000	€'000
<i>Scheme assets at fair value</i>		
Equities	15,288	15,630
Diversified target return funds	27,569	31,885
Bonds	11,359	15,004
Other	405	-
Total market value of assets	54,621	62,519
Actuarial present value of liabilities	(82,227)	(79,228)
Deficit in the scheme	(27,606)	(16,709)
Unrecognised liability	-	-
Recognised liability	(27,606)	(16,709)

	2016	Restated 2015
<i>Analysis of movement in deficit during the year:</i>	€'000	€'000
Deficit in scheme at beginning of the year	(16,709)	(11,646)
<i>Movement in year:</i>		
Aggregate contributions paid	1,673	2,103
Other finance expense	(486)	(481)
Actuarial loss recognised in SOCI	(15,503)	(5,547)
Foreign exchange	3,419	(1,138)
Deficit in scheme at end of the year	(27,606)	(16,709)

	2016	Restated 2015
<i>Amounts recognised in the profit and loss</i>	€'000	€'000
Interest cost	2,432	3,080
Expected return on scheme assets	(1,946)	(2,599)
Total	486	481

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

22. PENSIONS (continued)

<i>Actual return on assets over the period</i>	<i>Restated</i>	
	<i>2016</i> <i>€'000</i>	<i>2015</i> <i>€'000</i>
Actual return	4,564	(642)
<i>Analysis of amount recognised in the SOCI</i>	<i>2016</i> <i>€'000</i>	<i>2015</i> <i>€'000</i>
Asset (loss)	2,618	(3,240)
Liability gain	-	1,902
Changes in assumptions for the valuation of liabilities	(18,121)	(4,209)
Actuarial loss recognised in SOCI	(15,503)	(5,547)
<i>Principal actuarial assumptions at the balance sheet date:</i>	<i>2016</i>	<i>2015</i>
Discount rate	2.7%	3.9%
Price inflation (RPI)	3.4%	3.3%
Price inflation (CPI)	2.2%	2.1%
Rate of increase for pensions in payment:		
In line with RPI capped at 5.0% p.a.	3.3%	3.2%
In line with RPI capped at 2.5% p.a.	2.2%	2.2%
Post retirement mortality (life expectancy):		
Current pensioners age 65 – males	22.0	22.2
Current pensioners age 65 – females	23.9	24.6
Future pensioners age 65 (currently age 45) – males	23.2	23.5
Future pensioners age 65 (currently age 45) – females	25.4	25.9
Commutation allowance	100%	100%
Expected return on assets:		
Equities	5.4%	6.1%
Diversified target return funds	4.9%	5.6%
Bonds	2.0%	3.9%
Other	0.5%	2.0%

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NOTES TO THE FINANCIAL STATEMENTS
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22. PENSIONS (continued)

		<i>Restated</i>
	<i>2016</i>	<i>2015</i>
	<i>€'000</i>	<i>€'000</i>
<i>Changes in the present value of scheme liabilities</i>		
Present value of scheme liabilities at the start of the period	79,228	69,593
Interest cost	2,432	3,080
Actuarial gain	18,121	2,307
Benefits paid	(1,340)	(2,551)
Exchange differences	(16,214)	6,799
Present value of scheme liabilities at the end of the period	<u>82,227</u>	<u>79,228</u>
		<i>Restated</i>
	<i>2016</i>	<i>2015</i>
	<i>€'000</i>	<i>€'000</i>
<i>Changes in the market value of assets</i>		
Market value of assets at the start of the period	62,519	57,947
Expected return on scheme assets	1,946	2,599
Actuarial (Loss)/Gain	2,618	(3,240)
Employer contributions (excl DIS premiums)	1,673	2,103
Benefits paid	(1,340)	(2,551)
Exchange difference	(12,795)	5,661
Market value of assets at the end of the period	<u>54,621</u>	<u>62,519</u>
		<i>Restated</i>
	<i>2016</i>	<i>2015</i>
	<i>€'000</i>	<i>€'000</i>
<i>History of experience gains and losses</i>		
<i>Difference between expected and actual return on scheme assets:</i>		
Amount - gain/ (loss)	(2,618)	3,241
Percentage of scheme assets	(5%)	5%
<i>Experience gain/(losses) arising on scheme liabilities:</i>		
Amount - gain/ (loss)	-	1,902
Percentage of the present value of the scheme liabilities	0%	2%
<i>Total actuarial gain/(loss) recognised in the statement of total</i>		
<i>Recognised gains and losses</i>		
Amount - (loss)/gain	(15,503)	(5,547)
Percentage of the present value of the scheme liabilities	(19%)	(7%)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2016

22. PENSIONS (continued)

Results under the reporting standards can change dramatically depending on market conditions. The liabilities are linked to yields on AA rated corporate bonds, whereas a large proportion of the assets of the Plan are invested in equities or investments that target equity-type returns. It is important to note that it is the difference between the assumptions used to project future cashflows and those used to discount them that are important, rather than the absolute value of the individual assumptions.

To illustrate sensitivity, should the discount rate be 0.1% lower, the effect will be to increase the liabilities at 31 October 2016 by £1.6m. Similarly, an increase of 0.1% to both the RPI and CPI assumptions would increase the liabilities by £1.3m.

The expected future cashflows from the Plan have a mean term of circa 22 years and this has been reflected in the choice of discount rate.

No allowance has been made in these calculations for equalising benefits to allow for the inequalities associated with GMPs.

The company expects to pay £2,800,000 into the pension scheme in the year ended 31 October 2017.

23. RELATED PARTY TRANSACTIONS

Patheon UK Limited, as a wholly owned subsidiary undertaking of Patheon N.V., has taken exemption from disclosing transactions with other wholly owned Patheon N.V. subsidiaries available from the related party disclosure requirements of IAS 24. There were no other related party transactions.

24. POST BALANCE SHEET EVENTS

Patheon N.V., the ultimate parent company was acquired by Thermo Fisher Scientific Inc, a public company incorporated in the United States, on 28 August 2017.

25. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to €8.2 million as at 31 October 2016 (2015; €2.8 million).

26. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Patheon B.V., a company incorporated in the Netherlands. The ultimate parent company was at the balance sheet date Patheon N.V., a public company incorporated in the Netherlands. The smallest and largest group of which the company was a member and for which group financial statements are prepared was Patheon N.V. and interested parties may obtain a copy at www.ir.patheon.com/information-request.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2016

27. TRANSITION TO FRS 101

This is the first year that the company has presented its results under FRS 101. The last financial statements under the UK GAAP were for the year ended 31 October 2015. The date of transition to FRS 101 was 1 November 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 October 2015 and total equity as at 1 November 2014 and 31 October 2015 between UK GAAP as previously reported and FRS 101. There was a change in classification of the deferred tax asset in relation to the defined benefit pension scheme as a result of adopting FRS 101.

Reconciliation of equity as at 1 November 2014 (date of transition to FRS 101)

Notes	UK GAAP £'000	UK GAAP €'000	Reclassifications €'000 (note B)	FRS 101 €'000
FIXED ASSETS				
Investments	-	-	-	-
Intangible assets	-	-	-	-
Tangible assets	6,256	7,990	-	7,990
	6,256	7,990	-	7,990
CURRENT ASSETS				
Stocks	6,099	7,789	-	7,789
Deferred taxation	1,624	2,074	2,329	4,403
Debtors	24,340	30,896	-	30,896
Cash	6,363	8,127	-	8,127
	38,426	48,886	2,329	51,215
CREDITORS: amounts falling due within one year	(28,019)	(35,785)	-	(35,785)
NET CURRENT ASSETS	10,407	13,101	2,329	15,430
TOTAL ASSETS LESS CURRENT LIABILITIES	16,663	21,091	2,329	23,420
CREDITORS: amounts falling due after more than one year				
Bank and other loans	(19,283)	(24,627)	-	(24,627)
Long term deferred revenue	(7,665)	(9,789)	-	(9,789)
	(26,948)	(34,416)	-	(34,416)
NET ASSETS EXCLUDING PENSION LIABILITY	(10,285)	(13,325)	2,329	(10,996)
Pension liability	(7,295)	(9,317)	(2,329)	(11,646)
NET ASSETS	(17,580)	(22,642)	-	(22,642)
CAPITAL AND RESERVES				
Called-up share capital	2,100	2,682	-	2,682
Other reserves	26,520	33,869	-	33,869
Foreign currency translation reserve	-	(190)	-	(190)
Retained earnings	(46,200)	(59,003)	-	(59,003)
TOTAL EQUITY	(17,580)	(22,642)	-	(22,642)

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2016

27. TRANSITION TO FRS 101 (continued)

Reconciliation of equity as at 31 October 2015

	Notes	UK GAAP £'000	UK GAAP €'000	Reclassifications €'000 (note B)	FRS 101 €'000
FIXED ASSETS					
Investments	11	-	-	-	-
Intangible assets	12	-	-	-	-
Tangible assets	13	15,418	21,615	-	21,615
		<u>15,418</u>	<u>21,615</u>	<u>-</u>	<u>21,615</u>
CURRENT ASSETS					
Stocks	14	2,661	3,730	-	3,730
Deferred taxation	19	5,519	7,737	3,007	10,744
Debtors	15	31,488	44,144	-	44,144
Cash		10,284	14,417	-	14,417
		<u>49,952</u>	<u>70,028</u>	<u>3,007</u>	<u>73,035</u>
CREDITORS: amounts falling due within one year		<u>(29,394)</u>	<u>(41,161)</u>	<u>-</u>	<u>(41,161)</u>
NET CURRENT ASSETS		<u>20,558</u>	<u>28,867</u>	<u>3,007</u>	<u>31,874</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>35,976</u>	<u>50,482</u>	<u>3,007</u>	<u>53,489</u>
CREDITORS: amounts falling due after more than one year					
Bank and other loans	17	(7,078)	(9,922)	-	(9,922)
Long term deferred revenue		(15,627)	(21,908)	-	(21,908)
		<u>(22,705)</u>	<u>(31,830)</u>	<u>-</u>	<u>(31,830)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>13,271</u>	<u>18,652</u>	<u>3,007</u>	<u>21,659</u>
Pension liability	22	(9,774)	(13,702)	(3,007)	(16,709)
NET ASSETS		<u>3,497</u>	<u>4,950</u>	<u>-</u>	<u>4,950</u>
CAPITAL AND RESERVES					
Called-up share capital	20	2,100	2,682	-	2,682
Other reserves		33,375	43,147	-	43,147
Foreign currency translation reserve		-	(190)	-	(190)
Retained earnings		(31,978)	(40,689)	-	(40,689)
TOTAL EQUITY		<u>3,497</u>	<u>4,950</u>	<u>-</u>	<u>4,950</u>

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for the year ended 31 October 2016

27. TRANSITION TO FRS 101 (continued)

Reconciliation of total comprehensive income for the year ended 31 October 2015

	£'000	€'000
Total comprehensive income for the year ended 31 October 2015 under UK GAAP	14,222	(note A) 18,314
Total comprehensive income for the year ended 31 October 2015 under FRS 101		18,314

Notes to the reconciliation of equity as at 1 November 2014 and 31 October 2015 and total comprehensive income for the year ended 31 October 2015

A. Foreign currency translation

On transition to FRS 101, the company's presentation currency has been changed from GBP Sterling to the company's functional currency of EUROS, effective from 1 November 2014. The 2015 comparatives disclosed in these financial statements have been restated accordingly.

The net assets reported under previous UK GAAP in GBP Sterling were translated to the new EUROS presentation currency at closing rate (EURO 1.2771 = £1 at 1 November 2014 and EURO 1.4019 = £1 at 31 October 2015) or were reported at the historic EURO values where applicable. Upon adoption of FRS 101 and the retrospective change in presentation currency the above recognition adjustment has been accounted for.

B. Pensions: deferred tax

Under previous UK GAAP, the pension liability was required to be shown net of the related deferred tax asset or liability. Under FRS 101 the pension liability or asset is required to be shown gross and the related deferred tax included within deferred tax asset or liability line on the balance sheet.