Patheon UK Limited

Annual report and financial statements for the period ended 31 December 2017

Company registration number: 03764421

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PATHEON UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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PATHEON UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

L Andretta
N Plummer
A Robinson

Company Secretary

N Plummer

Registered office

Kingfisher Drive
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Swindon
Wiltshire
SN3 5BZ

Bankers

Barclays Bank
4th Floor
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Reading
RG1 1AX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Harefield Road
Uxbridge
UB8 1EX

PATHEON UK LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present their strategic report on the company for the period ended 31 December 2017.

Principal activities

The principal activity of the company is one of providing commercial manufacturing services (CMS) and pharmaceutical development services (PDS) to the international pharmaceutical and biotechnology industry.

Review of the business and future developments

On 29 August 2017 the Patheon Group, of which the company is a subsidiary, was acquired by Thermo Fisher Scientific Inc. As a result of the acquisition the company changed its year end from 31 October to 31 December to align with the rest of the group.

The company's performance in the period shows an increase in turnover and operating profit. The increase in turnover is partly due to the 14 month accounting period, although the 12 months to 31 October 2017 showed an increase in turnover of €41,567,000 in comparison to the same period in 2016, largely due to an increase in turnover from the business subcontracted to other group companies. The turnover attributable to UK site operations showed a decrease due to the 2014 strategy to change the business model to focus on niche drug product technologies requiring dedicated suites for individual clients.

During the latter half of 2017 the company signed for the UK site an additional client, bringing the total number of clients with dedicated suites in the UK to 4. These projects involve significant client investment in equipment to be located within the Swindon, UK manufacturing site together with infrastructure of the facility. The program to phase out legacy commercial products being manufactured on the Swindon site was completed during 2017.

The PDS facility in Milton Park, UK continues to build site capabilities in early phase development together with quick to clinic principles and scientific knowledge.

The company will continue to operate within its existing markets for the foreseeable future and expects to see growth in all business areas during the next financial year.

Turnover from the Swindon manufacturing site is expected to see an increase on an annual basis in 2018. The main contributing factor is commercialisation of client products in two of the dedicated suites, together with technical transfer activity for the new clients signed in the period. Another dedicated suite contract was signed early 2018 bringing the total to 5. During 2019 turnover is expected to further increase and accelerate year on year. This is in line with the company strategy to phase out legacy production line manufacturing and move towards dedicated production facilities built bespoke for clients.

The Milton Park R&D facility which offers pharmaceutical development services along with Phase I/II capabilities, is also expected to see annual growth in turnover in 2018. This is supported by general investment in the site and capabilities.

The turnover related to work subcontracted within the network is also expected to see annual growth through 2018. This growth is driven by new contracts and new business capabilities within the facilities, and the success of the Patheon OneSource^{tm} offering.

Patheon OneSource™ is an end to end development and commercial solution launched for our clients through FY16. It combines a drug substance and drug product development manufacturing into a single customised solution that simplifies the supply chain and accelerates development work

Review of the business and future developments (continued)

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

On 7th August 2018, as part of a group re-organisation, the immediate parent undertaking of the company changed from Patheon I B.V. to Thermo Fisher (PN1) UK Limited. The company also acquired interests in Thermo Fisher Scientific (PN) UK LLC, Thermo Fisher Scientific (PN) UK Limited Partnership and Patheon Calculus Merger LLC.

Post balance sheet events

On 1st January 2018, the company adopted a new accounting policy for revenue recognition aligned to the requirements adopted under ASC 606. The adoption was enacted to align with the Thermo Fisher Scientific Inc. group policy.

The change is a non-adjusting event in the financial statements for the period ended 31 December 2017. The financial statements for the year ended 31 December 2018 will be restated for this change in policy. The impact to turnover for the period ended 31 December 2017 would have been an increase of €562,000, and the impact to raw materials, consumables and change in work in progress would have been an increase of €1,757,000, with a resulting overall decrease in operating profit of €1,195,000.

Key performance indicators (KPI's)

The directors believe that the key performance indicators ('KPIs') are turnover growth and profitability.

Total turnover has increased from €175,523,000 to €265,508,000, partly due to the extension of the accounting period to 14 months and partly due to increase in turnover from subcontracted contracts within the network.

The Profit for the financial period was €29,374,000 (2016: €15,340,000) which will be transferred to reserves.

Total operating profit increased in relation to turnover to 14% (2016: 11%). Materials and consumables increased as a percentage of turnover from 60% to 64%, whereas staff costs reduced from 14% to 9% and other operating charges reduced from 14% to 12% of revenue.

Employee numbers decreased to 312 (2016: 381) in the period.

Net assets at 31 December 2017 were €34,810,000 (2016: €4,771,000).

Principal risks and uncertainties

The management of the business is subject to a number of risks including competitive risks, legislative and regulatory risks, foreign currency exposure risks, and economic risks. The mitigation of these risks has been outlined below.

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:

Principal risks and uncertainties (continued)

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.

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.

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 was 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.

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.

BREXIT

The UK continues to be an important market for the company and Thermo Fisher as a whole and we remain focused on serving our customers and minimising disruption to our business and our employees. To ensure Thermo Fisher maintains a robust supply chain for our customers, the group has established a Brexit Governance Team comprising leaders across various functions within our businesses. The team is currently assessing any potential risks to our supply chain and is focused on ensuring that the appropriate contingency plans are in place.

As the industry leader, we have the scale and capabilities to navigate this environment and, whatever the outcome, we will take appropriate actions to make sure that we are in the best position to support our customers in the UK and across Europe.

We partner with our customers to ensure that we provide the products and services they rely on from Thermo Fisher, and we will communicate any specific actions to our customer base as appropriate.

Principal risks and uncertainties (continued)

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 financial statements.

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 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 immediate 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 period with positive cash flow self-funding site operations.

Transition to FRS 102

This is the first period that the company has presented its results under FRS 102. The last financial statements under FRS 101 were for the year ended 31 October 2016. The date of transition was 1 November 2015. Note 26 details the changes in accounting policies which reconcile the profit for the financial year ended 31 October 2016 and the total equity as at 1 November 2015 and 31 October 2016 between FRS 101 as previously reported and FRS 102.

On behalf of the board

A. Robinson

A Robinson
Director

7 September 2018

PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements of the company for the period ended 31 December 2017.

Future developments

Future developments are deemed to be of strategic importance to the company and as such have been outlined within the strategic report.

Dividends

The directors do not propose payment of a dividend (2016: €nil). Preference share dividends are treated as interest.

Financial risk management and research and development

Disclosures relating to these areas are included in the strategic report.

Directors

The directors who held office during the period and up to the date of signing the financial statements are given below:

L Andretta (appointed 25 January 2017)
N Plummer (appointed 25 January 2017)
A Robinson
D Wilson (resigned 28 February 2018)
M Botterill (resigned 23 December 2016)
A Jan Van Bijleveld (appointed 25 January 2017, resigned 31 August 2017)

Third party indemnity provision

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.

Post balance sheet events

Disclosures relating to these areas are included in the strategic report and note 25.

Employees

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements that include the following:

- systematic provision of relevant information to employees;
- regular consultation with employees or their representatives so that the employees' views may be taken into account in making decisions that are likely to affect their interests;
- encouragement of employees' participation in the group's performance by employee share schemes; and
- achieving awareness on the part of all employees of the financial and economic factors affecting the group's performance.

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 disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she should have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

Independent Auditors

PricewaterhouseCoopers LLP were appointed auditors. PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next meeting of the board of directors..

On behalf of the board

A Robinson
Director

7 September 2018

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

Report on the audit of the financial statements

Opinion

In our opinion, Patheon UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its Profit for the 14 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the 14 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

With respect to the Strategic Report and Directors' Report for the Period Ended 31 December 2017, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities on page 9 , the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Alex Crompton

Alex Crompton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
10 September 2018

PATHEON UK LIMITED

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

PROFIT AND LOSS ACCOUNT

	Note	Period ended 31/12/2017 €'000	31/10/2016 €'000 Restated
Turnover	5	**265,508**	175,523
Raw materials, consumables and change in work in progress		**(170,562)**	(104,513)
Staff costs	6	**(25,030)**	(23,758)
Depreciation and other amounts written off tangible and intangible fixed assets	6	**(823)**	(577)
Other operating expenses	6	**(30,692)**	(24,192)
Exceptional items - restructuring	6	**(2,025)**	(2,409)
Operating profit	6	**36,376**	20,074
Profit on ordinary activities before interest and taxation		**36,376**	20,074
Interest receivable and similar income	8	**431**	36
Interest payable and similar expenses	8	**(1,491)**	(1,326)
Profit before taxation		**35,316**	18,784
Tax on profit	9	**(5,942)**	(3,444)
Profit for the financial period		**29,374**	15,340

PATHEON UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 31/12/2017 €'000	31/10/2016 €'000 Restated
Profit for the period		**29,374**	15,340
Actuarial gain/(loss) on post retirement healthcare provision	20	**647**	(15,503)
Movement on deferred tax relating to pension deficit	18	**18**	2,538
Total tax on components of other comprehensive income/ (expense)	9	**18**	2,538
Other comprehensive income/ (expense) for the period, net of tax		**665**	(12,965)
Total comprehensive income for the period		**30,039**	2,375

PATHEON UK LIMITED

BALANCE SHEET

	Note	As at 31/12/2017 €'000	31/10/2016 €'000 Restated
Fixed assets			
Intangible assets	10	**1,016**	5
Tangible assets	11	**35,032**	28,347
Investments	12	**—**	—
		36,048	28,352
Current assets			
Inventories	13	**1,923**	832
Debtors	14	**101,832**	62,848
Cash at bank and in hand		**5,729**	15,472
		109,484	79,152
Creditors: amounts falling due within one year	15	**(54,420)**	(46,832)
Net current assets		**55,064**	32,320
Total assets less current liabilities		**91,112**	60,672
Creditors: amounts falling due after more than one year	16	**(33,004)**	(28,295)
Post-employment benefits	17	**(23,298)**	(27,606)
Net assets		**34,810**	4,771
Capital and reserves			
Called up share capital	20	**128**	128
Other reserves		**43,147**	43,147
Foreign currency translation reserve		**(190)**	(190)
Accumulated losses		**(8,275)**	(38,314)
Total equity		**34,810**	4,771

Called up share capital and creditors: amounts falling due after more than one year do not correspond to the 2016 financial statements because they have been adjusted by equal and opposite amounts. See Note 3.

The notes on pages 18 to 44 are an integral part of these financial statements.

The financial statements on pages 14 to 44 were authorised for issue by the board of directors on 7 September 2018 and were signed on its behalf

A Robinson

Director

Patheon UK Limited

Company registration number: 03764421

PATHEON UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	Called-up share capital Restated	Other reserves [1]	Foreign currency translation reserve [2]	Accumulated losses [3]	Total equity
		€'000	€'000	€'000	€'000	€'000
Balance as at 1 November 2015		128	43,147	(190)	(40,689)	2,396
Profit for the financial year		—	—	—	15,340	15,340
Other comprehensive expense for the year		—	—	—	(12,965)	(12,965)
Total comprehensive income for the year		—	—	—	2,375	2,375
Balance as at 31 October 2016		128	43,147	(190)	(38,314)	4,771
Balance as at 1 November 2016		128	43,147	(190)	(38,314)	4,771
Profit for the financial period		—	—	—	29,374	29,374
Other comprehensive income for the period		—	—	—	665	665
Total comprehensive income for the period		—	—	—	30,039	30,039
Balance as at 31 December 2017		**128**	**43,147**	**(190)**	**(8,275)**	**34,810**

[1] Other reserves represents the capital contributions received from parent companies within the group.

[2] Foreign currency translation reserve arose on translation from GBP to EURO reporting currency effective from 1 November 2014.

[3] Accumulated losses represents accumulated comprehensive income for the current financial period and prior financial years less any dividends paid.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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. The company has manufacturing and development facilities in the UK and sells primarily to Europe and the United States.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Kingfisher Drive, Covingham, Swindon, Wiltshire, SN3 5BZ.

2. Statement of compliance

The individual financial statements of Patheon UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-size Companies and Groups (Financial statements and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition are disclosed in note 26.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention. The company transitioned from FRS 101 to FRS 102 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 26.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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 has access to adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Prior period adjustment

In the financial statements for the year ended 31 October 2016, preference shares were classified as equity. Reassessment of the terms attached to these preference shares resulted in reclassification from equity to creditors of €2,554,000. There is no impact on reported profit from this adjustment.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

Cash flow statement and related party disclosures

The company is included in the consolidated financial statements of Thermo Fisher Scientific Inc. which are publicly available. Consequently, as the company is a 100% owned subsidiary, the company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Thermo Fisher Scientific Inc, includes the company's cash flows in its own consolidated financial statements. The company is also exempt under the terms of FRS 102 paragraph 33.1 from disclosing related party transactions with entities that are part of the Thermo Fisher Scientific Inc. group (see note 23).

Key Management Compensation

The company has taken advantage of the exemption under FRS 102 para 33.7 from disclosing its key management personnel compensation in total as this is disclosed in full in the consolidated group financial statements.

Share-based payments

The company has taken advantage of the exemption under FRS 102 para 26.16 where the company is a member of a group share-based payment arrangement and where the company's expense is based on a reasonable allocation and disclosed in full in the consolidated group financial statements.

Consolidated financial statements

The financial statements contain information about Patheon UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent company, Thermo Fisher Scientific Inc., a company incorporated in the United States of America (see note 24). The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Thermo Fisher Scientific Inc.. the address of the ultimate parent's registered office is 168 Third Avenue, Waltham, MA 02451, USA.

Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the Euro.

(ii) Transactions and balances

Transactions in foreign currencies are translated into Euros at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the Profit and Loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary items measured at historical costs are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss account within 'Finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses) / gains'.

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 collection 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.

Interest income

Intercompany interest income is recognised using the rates identified in the intercompany loan agreements.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the period. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

(iii) Defined benefit pension plan

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 Hoechst Marion Roussel Swindon facility. In the financial year ended 31 October 2006 a bulk transfer of assets from the Hoechst Marion Roussel scheme to the Patheon UK Scheme occurred to cover pension liabilities associated with the past service to the date of acquisition of members transferring to the new scheme. 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 17.

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Share-based payments

Where the company participates in a share-based payment arrangement established by a group company the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity.

Where the company is charged for the cost of share-based payments arrangements the amounts are treated as a reduction to retained earnings.

These financial statements include no disclosure in regards to share-based payments because the amounts are not material.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under the FRS102 section 18 and 19, goodwill arising on acquisitions has been capitalised and is to be amortised over period expected to benefit. The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the directors, its useful economic life. 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.

Licences and technology

Licences are stated at cost, and are amortised over their useful economic life, which can be set out as follows:

Licences	–	3 years

Tangible 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

Depreciation (continued)

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.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction

Assets under the course of construction are depreciated when they first come into use.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 November 2015) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Inventories
Inventories 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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Provisions and contingencies

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(i) Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

(ii) Provision is not made for future operating losses.

(iii) Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. Critical accounting judgements and estimation 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.

(a) Critical judgements in applying the entity's accounting policies

(i) Exemptions on transition to FRS 102

The company has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition (1 November 2015) in accordance with the company's accounting policies.

(b) 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.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

(ii) Inventory provisioning

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated sale ability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

(iv) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures relating to the defined benefit pension scheme.

5. Turnover

Turnover by geography	**2017**	2016
	€'000	€'000
United Kingdom	**6,028**	4,295
Rest of Europe	**145,234**	96,246
Rest of World	**114,246**	74,982
	265,508	175,523

Turnover by nature	**2017**	2016
	€'000	€'000
Rendering of services	**265,508**	175,523
	265,508	175,523

6. Operating profit

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

	Note	2017 €'000	2016 €'000
Wages and salaries		**22,320**	21,312
Social security costs		**2,500**	2,274
Other pension costs	17	**210**	172
Staff costs		**25,030**	23,758
(Profit) / loss on disposal of tangible fixed assets		**(15)**	5
Impairment of trade debtors		**2,378**	14
Impairment of inventory (included in 'cost of sales')		**(758)**	2,533
Operating lease charges			
- Plant and machinery		**127**	118
- Other		**—**	—
Amortisation of intangible assets		**19**	20
Depreciation of tangible fixed assets			
- Owned assets		**782**	557
- Finance lease assets		**22**	—
Foreign exchange loss / (gain)		**1,220**	32
Audit fees payable to the company's auditors		**179**	222
Research and development expenditure		**3,065**	2,683

Exceptional items	2017 €'000	2016 €'000
Restructuring costs	**2,025**	2,409

7. Employees and directors

By activity	2017 Number	2016 Number
Average monthly numbers of persons employed (including directors) by the company during the period was:		
Production and service	**96**	154
Administration and other	**216**	227
	312	381

Directors

	2017 €'000	2016 €'000
Aggregate emoluments	**552**	344
Compensation for loss of office	**315**	—
Company contributions to defined contribution pension scheme	**99**	29
	966	373

During the period the company paid pension contributions of €99,000 (2016: €29,000) under a defined contribution scheme on behalf of the directors.

During the period 0 directors (2016: 0 directors) exercised options over shares of Thermo Fisher Scientific Inc.

In 2017 4 (2016: 0) directors were entitled to shares under a long-term incentive scheme.

Highest paid director	2017 €'000	2016 €'000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**280**	202
Company contributions to defined contribution pension scheme	**76**	17

The overseas directors' 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 year ended 31 October 2016 and the period ended 31 December 2017.

8. Net interest income

Interest receivable and similar income	2017 €'000	2016 €'000
Bank interest receivable	**8**	36
Interest receivable from group undertakings	**423**	—
Total interest receivable and similar income	**431**	36

Interest payable and similar expenses	2017 €'000	2016 €'000
Interest payable to group undertakings	**—**	544
Finance costs/amortisation	**544**	294
Interest payable on defined benefit pension scheme	**809**	488
Preference share dividend	**138**	—
Total interest payable and similar expenses	**1,491**	1,326

Net interest income	2017 €'000	2016 €'000
Total interest receivable and similar income	**431**	36
Total interest payable and similar charges	**(1,491)**	(1,326)
Net interest income	**(1,060)**	(1,290)

9. Tax on profit

Tax expense included in profit and loss

	Note	2017 €'000	2016 €'000
Current tax			
UK corporation tax on profits for the period		**3,152**	29
Adjustment in respect of previous periods		**(183)**	3
Total current tax		**2,969**	32
Deferred tax			
Origination and reversal of timing differences		**3,309**	3,502
Impact of changes in tax rates		**23**	—
Adjustments in respect of previous periods		**(359)**	(90)
Total deferred tax	18	**2,973**	3,412
Tax on profit		**5,942**	3,444

Tax expense included in other comprehensive income

	2017 €'000	2016 €'000
Current tax	**—**	—
Deferred tax		
- Actuarial loss on defined benefit pension plans	**123**	(3,101)
- Impact of change in tax rates	**(141)**	563
Total tax expense included in other comprehensive income	**(18)**	(2,538)

9. Tax on profit (continued)

Reconciliation of tax charge:

The tax assessed for the period is lower (2016: lower) than the standard rate of corporation tax in the UK 19.36% (2016: 20.00%). The differences are outlined below:

	2017	2016
	€'000	€'000
Profit before taxation	**35,316**	18,784
Profit multiplied by the standard rate of corporation tax in the UK 19.36% (2016: 20%)	**6,837**	3,757
Effects of:		
Expenses not deductible for tax purposes	**52**	12
Utilisation of brought forward tax losses	**212**	—
Movement on unrecognised deferred tax asset	**(435)**	(267)
R & D tax relief	**(182)**	29
Adjustments in respect of previous periods	**(542)**	(87)
Total tax charge for the period	**5,942**	3,444

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profit for this accounting period are taxed at an effective rate of 19.36%.

Factors that may affect future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2016) and Finance Bill 2016 (on 7 September). The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

10. Intangible assets

	Negative Goodwill €'000	Computer software €'000	Total €'000
Cost			
At 1 November 2016	(24,651)	1,862	(22,789)
Additions	—	1,030	1,030
At 31 December 2017	(24,651)	2,892	(21,759)
Accumulated amortisation			
At 1 November 2016	(24,651)	1,857	(22,794)
Charge for the period	—	19	19
At 31 December 2017	(24,651)	1,876	(22,775)
Net book value			
At 31 December 2017	—	1,016	1,016
At 31 October 2016	—	5	5

Negative goodwill arising on the acquisition of the trade and assets of Hoechst Marion Roussel (HMR) Swindon was written back to the profit and loss account 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.

The software intangible assets include the company's ERP and inventory management system. The asset is carried at a net book value of €947,000 which is the value of the technical upgrade which was carried out during the current financial period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

11. Tangible assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 November 2016	41,567	93,395	5,629	140,591
Additions	161	2,631	4,697	7,489
Disposals	—	(390)	—	(390)
At 31 December 2017	**41,728**	**95,636**	**10,326**	**147,690**
Accumulated depreciation				
At 1 November 2016	37,485	69,529	5,230	112,244
Charge for the period	49	474	281	804
Disposals	—	(390)	—	(390)
At 31 December 2017	**37,534**	**69,613**	**5,511**	**112,658**
Net book value				
At 31 December 2017	**4,194**	**26,023**	**4,815**	**35,032**
At 31 October 2016	4,082	23,866	399	28,347

Land and buildings

The net book value of land and buildings include €2,502,000 of freehold land as at 31 December 2017 (2016: €2,502,000).

The net book value of buildings comprises:

	2017	2016
	€'000	€'000
Freehold	1,205	1,080
Short leasehold	487	500
	1,692	1,580

12. Investments

	Subsidiary undertakings €'000
At 1 November 2016 and 31 December 2017	—

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The company's subsidiaries were as follows:

	Incorporated in	Share Class	Percentage held	Activity
Patheon UK Pension Trustees Limited	UK	Ordinary	100%	Dormant

Registered office:
Kingfisher Drive, Covingham, Swindon, Wiltshire, SN3 5BZ

13. Inventories

	2017 €'000	2016 €'000
Raw materials and engineering stores	**532**	779
Work in progress	**—**	1
Finished goods and goods for resale	**1,391**	52
	1,923	832

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of €6,421,000 (2016: €7,179,000).

14. Debtors

	2017 €'000	2016 €'000
Trade debtors	**53,888**	35,294
Amounts owed by group undertakings	**28,877**	5,615
Other debtors	**11,939**	11,186
Deferred tax asset	**4,799**	7,754
Prepayments and accrued income	**2,007**	1,603
Taxes recoverable	**322**	1,396
	101,832	62,848

The inter-company loan to Patheon Holdings I B.V. (formally DPx Holdings B.V.) of €4,502,000 (2016: €4,460,000) had a maturity date of 31st October 2017, extended to 31st October 2018 during FY18, with interest payable at the greater of LIBOR or 1%, plus 0.525%.

The inter-company loan to Patheon Holdings I B.V. of €4,959,000 (2016: Nil) has a maturity date of 10 May 2018, with interest payable at the greater of LIBOR or 1%, plus 2%.

The inter-company loan to Patheon Holdings I B.V. of €1,249,000 (2016: Nil) has a maturity date of 19 July 2018, with interest payable at the greater of LIBOR or 1%, plus 2%.

The inter-company loan to Patheon Holdings I B.V. of €3,000,000 (2016: Nil) has a maturity date of 17 July 2018, with interest payable at the greater of LIBOR or 1%, plus 2%.

The inter-company loan to Patheon Holdings I B.V. of €1,666,000 (2016: Nil) has a maturity date of 18 August 2018, with interest payable at the greater of LIBOR or 1%, plus 2%.

The inter-company loan to Patheon Holdings I B.V. of €2,500,000 (2016: Nil) has a maturity date of 21 August 2018, with interest payable at the greater of LIBOR or 1%, plus 2%.

The inter-company loan to Patheon I B.V. of €8,442,000 (2016: Nil) has a maturity date of 28 June 2018, with interest payable at the greater of LIBOR or 1%, plus 0.55%.

All other amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

15. Creditors: amounts falling due within one year

	2017 €'000	2016 €'000
Trade creditors	**4,114**	6,488
Amounts owed to group undertakings	**19,363**	22,578
Finance leases	**64**	—
Corporation tax	**1,418**	—
Other taxation and social security	**709**	527
Accruals and deferred income	**28,752**	17,239
	54,420	46,832

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The company has no access to a credit facility (2016: $200m Parent Company revolving credit facility in place with UBS). Additionally the letter of credit from Barclays also contains guarantees in favour of HMRC for £500,000 (2016: UBS £500,000).

16. Creditors: amounts falling due after more than one year

	2017 €'000	2016 Restated €'000
Contract advances	**30,250**	25,741
Preference shares	**2,554**	2,554
Finance leases	**200**	—
	33,004	28,295

Contract advance are released when project milestones are fulfilled if the advance is in relation to a technical transfer project, or over the life of the contract to which they relate, the duration of which is typically up to 5 years.

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. Preference shares have been classified as debt rather than equity on the basis that dividend payments are non-discretionary.

17. Post-employment benefits

The company operates a defined benefit and a defined contribution pension scheme for its employees. The amount recognised in the Balance Sheet is as follows:

	2017	2016
	€'000	€'000
Defined benefit scheme liability	**23,298**	27,606

The amount recognised in the profit and loss account is as follows:

	2017	2016
	€'000	€'000
Defined benefit scheme		
- Current service cost	**—**	—
- Past service cost	**—**	—
Defined contribution scheme	**974**	953
Total charge in operating profit	**974**	953
Defined benefit scheme		
- Net interest expense	**804**	486
Total charge	**1,778**	1,439

The total charge for defined contribution plans was €953,000 (2016: €974,000).

The liability at the period end for the contributions payable to the defined contribution scheme is €11,365 (2016: €2,432).

Defined benefit section

The Patheon UK Pension Plan, a defined benefit scheme, was established by the company following the acquisition by Patheon UK Limited of the Hoechst Marion Roussel 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 total cost of the Patheon UK Pension Plan contributions to the scheme amounted to €4,728,000 (2016: €1,673,000). An amount of €nil remains outstanding for the Patheon UK Pension Plan group to the scheme at 31 December 2017 (2016: €nil).

17. Post-employment benefits (continued)

Principal actuarial assumptions at the balance sheet date

	2017	2016	2015
	%	%	%
Discount rate	**2.57%**	2.70%	3.90%
Expected return on scheme assets at the end of the period	**2.57%**	2.70%	3.90%
Price inflation (RPI)	**3.25%**	3.40%	3.30%
Price inflation (CPI)	**2.25%**	2.20%	2.10%
Pension increases (LPI5)	**3.25%**	3.30%	3.20%

The mortality assumptions used were as follows:

	2017	2016
	Years	Years
Longevity at age 65 for current pensioners		
- Men	**22.0**	22.0
- Women	**23.8**	23.9
Longevity at age 65 for future pensioners		
- Men	**23.0**	23.2
- Women	**25.0**	25.4

The actuarial loss on the liabilities is made up of a loss in respect of the change of assumptions and no experience gain or loss.

Analysis of the defined benefit obligation

	2017	2016
	€'000	€'000
Present value of funded defined benefit obligation	**83,757**	82,227

17. Post-employment benefits (continued)

Reconciliation of scheme assets and liabilities

	Assets €'000	Liabilities €'000	Total €'000
At 1 November 2016	54,621	(82,227)	**(27,606)**
Benefits paid	(3,592)	3,592	—
Contributions by the group	4,728	—	**4,728**
Current service cost	—	—	—
Past service cost	—	—	—
Interest income/(expense)	1,752	(2,556)	**(804)**
Remeasurement gains / (losses)	—	—	—
Actuarial gain/(loss) on scheme assets	2,431	(1,784)	**647**
Expected return on scheme assets	—	—	—
Exchange differences	519	(782)	**(263)**
At 31 December 2017	60,459	(83,757)	**(23,298)**

Total (income) / cost recognised as an (income) / expense

	2017 €'000	2016 €'000
Current service cost	—	—
Past service cost	—	—
Net interest on pension assets	**2,556**	2,432
Expected return on scheme assets	**(1,752)**	(1,946)
	804	486

No amounts (2016: nil) were included in cost of assets.

Total cost recognised in the Statement of Comprehensive Income

	2017 €'000	2016 €'000
Gains during the period	**2,431**	2,618
Change in assumptions for the valuation of liabilities	**(1,784)**	(18,121)
	647	(15,503)

Actual return on assets

	2017 €'000	2016 €'000
Actual return on scheme assets	**4,184**	4,564

17. Post-employment benefits (continued)

The fair value of the plan assets was:

	2017 €'000	**2017 %**	2016 €'000	2016 %	2015 €'000	2015 %
Equities	**13,999**	**23%**	15,288	28%	15,630	25%
Diversified target return funds	**26,035**	**43%**	27,569	50%	31,885	51%
Bonds	**9,567**	**16%**	11,359	21%	15,004	24%
Other	**1,530**	**3%**	405	1%	—	0%
Alternatives	**9,328**	**15%**	—	—	—	—
Total scheme assets	**60,459**	**100%**	54,621	100%	62,519	100%

The company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to €953,000 (2016: €974,000). The liability at the period end for the contributions payable to the defined contribution scheme is €11,365 (2016: €2,432).

18. Deferred tax asset

	2017 €'000 *Recognised*	**2017 €'000** *Unrecognised*	2016 €'000 *Recognised*	2016 €'000 *Unrecognised*
Accelerated capital allowances	—	**599**	—	818
Available losses	—	—	3,061	—
Pension timing differences	**4,316**	—	4,693	—
Other timing differences	**483**	**131**	—	138
Deferred tax asset	**4,799**	**730**	7,754	956

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

Provision for deferred taxation	**Deferred tax asset €'000**
At 1 November 2016	7,754
Charge to profit and loss account	(2,973)
Debit to other comprehensive income	18
Adjustment in respect of prior years	—
At 31 December 2017	4,799

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

19. Financial Instruments

The company has the following financial instruments:

	Note	2017 €'000	2016 €'000
Financial assets at fair value through profit or loss		—	—
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors	14	**53,888**	35,294
– Amounts owed by group undertakings	14	**28,877**	5,615
– Other debtors	14	**11,939**	11,186
		94,704	52,095
Financial assets that are equity instruments measured at cost less impairment		—	—
Financial liabilities measured at fair value through profit or loss			
– Derivative financial instruments		—	—
Financial liabilities measured at amortised cost			
– Trade creditors	15	**4,114**	6,488
– Amounts owed to group undertakings	15	**19,363**	22,578
– Finance leases	15-16	**264**	—
		23,741	29,066

Derivative financial instruments

The company has no derivative financial instruments (2016: none).

20. Called up share capital

	2017	2016 Restated
	€'000	€'000
Allotted and fully paid		
100,000 (2016: 100,000) ordinary shares of £1 each	**128**	128
	128	128

As the preference shares include a non-discretionary requirement to pay dividends, they have been classified as debt rather than equity.

21. Contingent assets and liabilities

At 31 December 2017, the company had letters of credit totalling £500,000 (2016: £500,000) in favour of HM Revenue and Customs.

The company receives a recharge from the ultimate parent in respect of share-based payment awards. This recharge is recorded in the financial statements when it is paid. The recharge is based on the exercise of awards by employees, so the timing and amount of the recharge for future years is reliant on uncertain future events, and the liability is therefore disclosed as contingent.

22. Capital and other commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to €1,261,000 (2016: €8,194,000).

The company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017	2016
	€'000	€'000
Land and buildings		
Within one year	—	—
Within two to five years	**428**	604
After five years	—	—
	428	604
Plant and machinery and vehicles		
Within one year	**12**	27
Within two to five years	**79**	21
After five years	—	—
	91	48

The company has no other off-balance sheet arrangements.

23. Related party transactions

See note 7 for disclosure of the directors' remuneration.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

24. Controlling parties

On 7th August 2018 the immediate parent undertaking of the company changed from Patheon I B.V. to Thermo Fisher Scientific (PN1) UK Limited as a result of group reorganisation. Thermo Fisher Scientific (PN1) UK Limited is a company incorporated in the United Kingdom whose registered office is 3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The ultimate parent undertaking and controlling party is Thermo Fisher Scientific Inc. which is the largest and smallest group to consolidate these financial statements. The company is incorporated in the United States of America and its common stock is listed on the New York Stock Exchange. Copies of the financial statements of the ultimate parent company are publicly available and can be obtained from its headquarters at 168 Third Avenue, Waltham, MA 02451, USA.

25. Events after the end of the reporting period

On 1st January 2018, the company adopted a new accounting policy for revenue recognition aligned to the requirements adopted under ASC 606. The adoption was enacted to align with the Thermo Fisher Scientific Inc. group policy.

The change is a non-adjusting event in the financial statements for the period ended 31 December 2017. The financial statements for the year ended 31 December 2018 will be restated for this change in policy. The impact to turnover for the period ended 31 December 2017 would have been an increase of €562,000, and the impact to raw materials, consumables and change in work in progress would have been an increase of €1,757,000, with a resulting overall decrease in operating profit of €1,195,000.

26. Transition to FRS 102

This is the first period that the company has presented its results under FRS 102. The last financial statements were under FRS 101 for the year ended 31 October 2016. The date of transition to FRS 102 was 1 November 2015. There were no changes in accounting policies which resulted in a change to the profit for the financial year ended 31 October 2016, or the total equity as at 1 November 2015 and 31 October 2016 between FRS 101 as previously reported and FRS 102.

Other adjustments arising on transition to FRS 102

On transition to FRS 102, computer software with a net book value of €25,000 at 1 November 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net asset nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.