

Catalent CTS (Edinburgh) Limited

Report and Financial Statements

For the year ended 30 June 2014

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COMPANIES HOUSE

Catalent CTS (Edinburgh) Limited

Registered No: 05277708

Directors

J G Hepburn

R Hopson (resigned 27 January 2014)

S Houlton

W Joseph (appointed 27 January 2014)

M Walsh

Secretary

R Hopson (resigned 27 January 2014)

W Joseph (appointed 27 January 2014)

Auditors

Ernst & Young LLP

10 George Street

Edinburgh

EH2 2DZ

Bankers

Barclays Bank PLC

1 Churchill Place

Canary Wharf

London

E14 5HP

Solicitors

Herbert Smith LLP

Exchange House

Primrose Street

London

EC2A 2HS

Registered Office

Unit 107

Deeside Industrial Park

Deeside

Flintshire

CH5 2U

Strategic Report

The directors present their Strategic report for the year ended 30 June 2014.

Principal activity, review of the business

The Company's principal activities during the year were the Contract Packaging and Distribution of clinical trial drug materials from its Clinical Supply Services operations in Bathgate, Scotland and Deeside, Wales.

The directors are pleased with the Company's performance in relation to its Clinical Supply Service operations which returned an operating profit of £7,191,208 (2013 : £6,552,522) for the period on turnover of £54,707,366 (2013 : £52,602,260)

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

	2014 £000	2013 £000	Change %
Turnover	54,707	57,602	-5%
Operating Profit	7,191	6,553	10%
Profit after Tax	7,368	6,552	12%
Shareholder funds	29,734	22,366	33%
Current Assets as a percentage of Current liabilities	241%	177%	36%
Average number of employees	293	366	-20%

Turnover decreased by 5% during the year. This is driven by a decrease in the manufacturing and packaging, and storage and distribution sales.

The increase in operating profit of 10% for the year reflects a movement in the sales mix and associated contribution margin. Additional contribution comes from controlling operating expenses.

During 2014 the ratio of current assets as a percentage of current liabilities increased by 36%. The amounts owed by group undertakings increased by £11.1 million in the year. Cash in hand decreased by £3.5 million as a result of timing of comparator related transactions, repatriation of funds to the parent entity Catalent Inc.

Labour efficiencies and natural attrition at both sites have resulted in a decrease in the average number of employees by 73, representing 20% of the workforce.

The company continues to receive all necessary financial backing from its parent company, Catalent Inc.

Strategic Report (continued)

Financial risk management objectives and policies

The main risks arising from the company's assets and liabilities are liquidity and foreign currency risks. The company has clear policies for managing each of these risks as summarised below.

Liquidity Risk

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to group board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

The company participates in the overall world-wide group's funding strategy managed at corporate treasury level. The objective is to maintain a balance between continuity of funding and flexibility.

Foreign Currency Risk

The company buys and sells goods and services denominated in currencies other than sterling. As a result of the value of the company's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

For very large currency transactions the company seeks to mitigate its exposure to currency movements by working with the Group's Treasury department who would, as appropriate, enter into hedging arrangements, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business

By order of the board



J G Hepburn
Director

7 May 2015

Registered No: 05277708

Directors' report

The directors present their report for the year ended 30 June 2014.

Directors and their interests

The directors who held office during the period were as follows:

J G Hepburn

S Houlton

R Hopson (resigned 27 January 2014)

W Joseph (appointed 27 January 2014)

M Walsh

None of the directors in office during the period held any beneficial interests in the share capital of the company.

Results and dividends

The profit for the year ended 30 June 2014 for the company, after taxation, amounted to £7,368,472 (2013: £6,552,374). The directors do not recommend a dividend for the year (2013: £nil).

Future Developments

The directors aim to improve on this year's sales performance to provide future growth in turnover.

The directors will maintain the management policies which have resulted in the improved performance in operating profits.

Going concern

In line with the Financial Reporting Council's guidance on going concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

After making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Employees

The company's policy is to consult and discuss with employees matters likely to affect employee's interests. Information on matters of concern to employees is given through employee quarterly meetings and monthly team briefings and involves all levels of staff. These meetings seek to achieve a common awareness of the financial and economic factors affecting the company's performance.

It is the company's policy to recruit the person best suited to the role including disabled workers for those vacancies that they are able to fill and all necessary assistance with initial training courses given. Once employed, a career plan is developed so as to ensure suitable opportunities for all employees.

Registered No: 05277708

Directors' report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor is unaware. Having made enquiries of fellow directors and the auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



J G Hepburn
Director

7 May 2015

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws 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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for 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 to 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 Auditor's Report to the Members of Catalent CTS (Edinburgh) Limited

We have audited the financial statements of Catalent CTS (Edinburgh) Limited for the year ended 30 June 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. 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).

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 6, 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 Directors Report 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 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the Members of Catalent CTS (Edinburgh) Limited (continued)

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

Mark Harvey (senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

8 May 2015

Profit and Loss Account

For the year ended 30 June 2014

	<i>Notes</i>	Total 2014 £	Total 2013 £
<i>Turnover</i>	2	54,707,366	57,602,260
Cost of sales		(29,897,444)	(34,096,257)
<i>Gross profit</i>		24,809,922	23,506,003
Operating expenses	3	(17,618,714)	(16,953,481)
<i>Operating profit</i>	4	7,191,208	6,552,522
Interest receivable / (payable)	7	177,264	(148)
<i>Profit on ordinary activities before taxation</i>		7,368,472	6,552,374
Taxation	8	-	-
<i>Profit for the period after taxation</i>		7,368,472	6,552,374

Statement of total recognised gains and losses

For the year ended 30 June 2014

There are no recognised gains and losses other than the profit for the period.

The notes on pages 11 to 18 form part of these financial statements.

There is no difference between the historical cost profit and loss and the result shown above

Balance Sheet

As at 30 June 2014

	<i>Notes</i>	2014 £	2013 £
Fixed assets			
Tangible assets	9	8,368,882	9,234,272
		<u>8,368,882</u>	<u>9,234,272</u>
Current assets			
Cash at bank and in hand		2,313,590	5,814,194
Debtors due within one year	10	34,168,105	24,599,590
		<u>36,481,695</u>	<u>30,413,784</u>
Liabilities falling due within one year			
Creditors	11	(15,116,420)	(17,282,371)
		<u>21,365,275</u>	<u>13,131,413</u>
Net current assets			
		<u>29,734,157</u>	<u>22,365,685</u>
Net Assets			
		<u>29,734,157</u>	<u>22,365,685</u>
Capital and reserves			
Called up share capital	14	4,508,325	4,508,325
Profit and loss account	15	25,225,832	17,857,360
		<u>29,734,157</u>	<u>22,365,685</u>
Equity shareholders' funds			
		<u>29,734,157</u>	<u>22,365,685</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7th May 2015.



J G Hepburn
Director

The notes on pages 11 to 18 form part of these financial statements.

Notes to the Financial Statements

At 30 June 2014

1. Accounting policies

Accounting convention

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

The accounts have been prepared on a going concern basis.

Cash flow statement

As permitted by FRS 1 (Revised), no cash flow statement has been prepared as the company is a wholly owned subsidiary of Catalent Pharma Inc., whose group financial statements includes a consolidated cash flow statement and is publicly available.

Tangible fixed assets

The assets acquired by the company are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life. Asset useful life should be determined by each site based on the expected period of economic benefit to Catalent. Useful life determinations for new assets should fall within the following ranges:

Buildings	- 5 - 50 years
Plant and machinery	- 3-15 years
Fixtures, fittings and equipment	- 3-10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be reasonable.

Amounts payable/recoverable on long term contracts

Customer billings are established by contractual provisions, including predetermined payment schedules, the achievement of contractual milestones or submission of appropriate billing detail. Unbilled services arise when services have been rendered and revenue has been recognised but customers have not been billed. Unbilled accounts receivable represent revenues on contracts to be billed, in subsequent periods, as per the terms of the related contracts. Conversely, unearned revenue represents amounts billed in excess of revenue recognised

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements

At 30 June 2014

1. Accounting policies (continued)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Leasing and hire purchase agreements

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

The rental costs of all operating leases are charged to the profit and loss account as incurred.

Pensions

Contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they become payable.

Related party transactions

In accordance with the exemption permitted by FRS 8, Related Party Transactions, transactions with fellow wholly owned group companies have not been disclosed.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts receivable for goods and services supplied during the period. A majority of the Company's revenues have been earned under contracts which range in duration from a few months to several years, depending on the service rendered. Service contracts generally take the form of fee-for-service or fixed-price agreements. In the case of fee-for-service contracts, revenue is recognised as contractual milestones are achieved based on output measures recognising our effort as work is incurred.

Turnover is wholly attributable to the principal activity of the company.

	2014 Year to 30 June £	2013 Year to 30 June £
Analysis by geographical market:		
United Kingdom	5,559,572	6,201,971
Rest of Europe	28,203,534	33,299,963
Rest of World	20,944,260	18,100,326
	54,707,366	57,602,260

Notes to the Financial Statements

At 30 June 2014

3. Operating Expenses

	2014 Year to 30 June £	2013 Year to 30 June £
Marketing and distribution	-	829
Contract Services	689,470	724,507
Computer Expenses	26,652	21,861
Administrative expenses		
- Administrative expenses	11,188,516	8,373,349
- Management Fee	5,714,076	7,832,935
	<u>17,618,714</u>	<u>16,953,481</u>

4. Operating profit

	2014 Year to 30 June £	2013 Year to 30 June £
This is stated after charging / (crediting):		
Depreciation (note 10)	1,136,993	1,195,033
Operating lease rentals - buildings	473,864	472,169
Operating lease rentals - other	5,916	6,699
Auditor's remuneration - audit services	103,414	99,000
Auditor's remuneration - taxation	20,150	49,340
Foreign Exchange Loss / (Gain)	<u>1,295,294</u>	<u>(424,441)</u>

Notes to the Financial Statements

At 30 June 2014

5. Directors' emoluments

	2014 Year to 30 June £	2013 Year to 30 June £
Emoluments	<u>238,634</u>	<u>294,618</u>

Company contributions paid to defined contribution pension schemes	<u>14,765</u>	<u>14,813</u>
The Directors emoluments for one Director were paid by the company.		

The company's ultimate parent undertaking, Catalent Pharma Solutions Inc. charged the company £5,714,076 (2013: £7,832,935) in respect of administration costs. The charge includes directors' remuneration for 3 of the company's directors that is not possible to identify separately.

	2014 No.	2013 No.
Members of defined contribution pension schemes	<u>1</u>	<u>1</u>

The remuneration of the highest paid director was £253,399 including £14,765 Company contributions paid to a defined contribution pension scheme.

6. Staff costs

	2014 Year to 30 June £	2013 Year to 30 June £
Wages and salaries	6,735,497	7,723,783
Social security costs	585,953	660,367
Other pension costs	309,361	334,976
Bonuses and commission	88,990	28,146
Other Benefits	227,653	190,492
	<u>7,947,454</u>	<u>8,937,764</u>

"Other Pension Costs" relate to amounts payable to the company defined contribution pension scheme
The average monthly number of employees during the period was made up as follows:

	2014 No.	2013 No.
Directors	1	1
Management and administration	145	131
Production	147	234
	<u>293</u>	<u>366</u>

Notes to the Financial Statements

At 30 June 2014

7. Interest receivable / (payable)

	2014 Year to 30 June £	2013 Year to 30 June £
Interest receivable from loans to group companies	227,859	-
Interest Receivable	227,859	-
Interest payable to trade creditors	(211)	(148)
Interest payable on loans from group companies	(50,384)	-
Interest payable	(50,595)	(148)
Net interest receivable / (payable)	177,264	(148)

8. Tax

(a) Tax on profit on ordinary activities:

	Year to 30 June 2014 £	Year to 30 June 2013 £
UK Corporation tax:		
Corporation tax on profit for the period	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
Original and reversal of timing differences	-	-
Impact of changes in tax rate	-	-
Total tax charge	-	-

(b) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 22.50% (2013: 23.50%). The differences are reconciled below:

	Year to 30 June 2014 £	Year to 30 June 2013 £
Profit on ordinary activities	7,368,472	6,552,374
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.50% (2013: 23.5%)	1,657,906	1,539,808
Expenses not deductible for tax	45,285	91,905
Other timing differences	(81,016)	-
Depreciation in excess of capital allowances	(147,168)	32,276
Utilisation of unrecognised tax losses	-	(994,501)
Group relief for nil payment	(1,475,007)	(669,488)
Total current tax	-	-

Notes to the Financial Statements

At 30 June 2014

8. Tax (continued)

(c) Factors affecting future tax charge

The rate of corporation tax reduced from 23% to 21% effective from 1 April 2014. A further reduction to 20%, effective from 1 April 2015, was included in the Finance Act 2013 which was enacted on 17 July 2013. The deferred tax balances as at 30 June 2014 have been calculated at a rate of 20% as this is the rate at which deferred tax is expected to reverse.

9. Tangible fixed assets

	Freehold Land & Buildings	Plant & machinery	Fixtures & fittings	Total
	£	£	£	£
Cost:				
At 1 July 2013	13,250,551	4,789,440	3,433,168	21,473,159
Additions	10,744	25,595	235,265	271,604
At 30 June 2014	13,261,295	4,815,035	3,668,433	21,744,763
Depreciation:				
At 1 July 2013	5,179,761	4,491,078	2,568,049	12,238,888
Provided during period	673,624	98,820	364,549	1,136,993
At 30 June 2014	5,853,385	4,589,898	2,932,598	13,375,881
Net book value:				
At 30 June 2014	7,407,910	225,137	735,835	8,368,882
At 30 June 2013	8,070,790	298,363	865,119	9,234,272

Notes to the Financial Statements

At 30 June 2014

10. Debtors

	2014 £	2013 £
Amounts receivable within one year:		
Trade debtors	10,422,804	12,548,940
Amounts owed by group undertakings - Loan notes	12,222,058	-
Amounts owed by group undertakings - Trade	7,645,302	8,728,220
Amounts recoverable on contracts	1,036,126	2,006,204
Prepayments and accrued income	1,878,785	188,281
VAT Recoverable	717,750	729,713
Other debtors	245,280	398,232
	<u>34,168,105</u>	<u>24,599,590</u>

11. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	3,074,292	3,079,941
Taxation and Social Security	73,071	209,230
Amounts owed to group undertakings	1,220,304	7,177,553
Payments on account	5,754,188	1,350,853
Accruals and deferred income	4,994,565	5,464,794
	<u>15,116,420</u>	<u>17,282,371</u>

12. Obligations under leases and hire purchase contracts

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings		Other	
	2014 £	2013 £	2014 £	2013 £
Operating leases which expire:				
Within one year	191,250	191,250	-	-
In two to five years	-	-	18,037	488
In over five years	218,864	210,000	-	-
	<u>410,114</u>	<u>401,250</u>	<u>18,037</u>	<u>488</u>

13. Provisions for liabilities and charges

Deferred tax

	2014 Provided £	2014 Unprovided £	2013 Provided £	2013 Unprovided £
Deferred tax liability / (asset)				
Accelerated capital allowances	-	(919,163)	-	(407,055)
Short term timing difference	-	(33,921)	-	(138,106)
Tax losses	-	-	-	-
	<u>-</u>	<u>(953,084)</u>	<u>-</u>	<u>(545,161)</u>

Notes to the Financial Statements

At 30 June 2014

14. Share capital

Authorised, Allotted and fully paid	2014 £	2013 £
Ordinary shares of £1.00 each	<u>4,508,325</u>	<u>4,508,325</u>

15. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Profit and loss account £	Total £
At 1 July 2013	4,508,325	17,857,360	22,365,685
Profit for the period	-	7,368,472	7,368,472
At 30 June 2014	<u>4,508,325</u>	<u>25,225,832</u>	<u>29,734,157</u>

16. Contingent liabilities

As part of the sale of the Company by Aptuit to Catalent Inc. agreements were put in place whereby Aptuit indemnified the Company against certain potential liabilities. These agreements were supported by an Escrow arrangement, which was settled on 19th July 2013. As a result of this settlement, there are no contingent liabilities to report as at 30 June 2014.

17. Pensions

The company makes contributions to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £309,361 (2013: £334,976).

At the balance sheet date outstanding contributions amounted to £69,604 (2013: £61,045).

18. Commitments

The company had contracted capital expenditure at 30 June 2014 of £43,750 (2013: £nil). The contract is for the provision of services in relation to an energy reduction programme for the Bathgate site.

19. Ultimate parent undertaking

The ultimate parent undertaking is Catalent Inc., which is incorporated in the United States of America. The Company's immediate parent undertaking is Catalent CTS (Wales) Limited.

A copy of the consolidated financial statements of Catalent Inc. can be obtained from Catalent Pharma Solutions, 14 Schoolhouse Road, Somerset, NJ 08873