

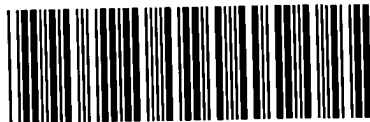
Strategic Report, Directors' Report and
Financial Statements
for the Year Ended 30 June 2018
for
Catalent CTS (Edinburgh) Limited

**COMPANIES HOUSE
EDINBURGH**

27 SEP 2018

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Contents of the Financial Statements
for the Year Ended 30 June 2018

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6
Income Statement	8
Other Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

Catalent CTS (Edinburgh) Limited

Company Information
for the Year Ended 30 June 2018

DIRECTORS: W Joseph
M Walsh (resigned 30th January 2018)
S Patel

SECRETARY: S Patel

REGISTERED OFFICE: Frankland Road
Blagrove
Swindon
Wiltshire
England
SN5 8YG

REGISTERED NUMBER: 05277708 (England and Wales)

AUDITOR: Ernst & Young LLP
144 Morrison Street
Edinburgh
EH2 2DZ

Strategic Report
for the Year Ended 30 June 2018

The directors present their strategic report for the year ended 30 June 2018.

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.

The Directors are pleased with the Company's performance in relation to its Clinical Supply Service operations which returned an operating profit of £13,558,993 (2017: £10,386,004) for the period on turnover of £54,067,315 (2017 £55,028,783).

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

	2018	2017	Change
	£'000	£'000	%
Turnover	54,067	55,028	-2%
Operating Profit	13,559	10,386	31%
Profit after Tax	16,583	9,172	81%
Exceptionals	(684)	1,131	-160%
Shareholder funds	70,046	53,490	31%
Current Assets as a percentage of Current liabilities	934%	562%	372%
Average number of employees	238	250	-5%

Turnover decreased by 2% during the year. Packaging revenue is impacted by the lifecycle of the clinical studies and timing of when packaging exercises are required. Distribution revenues are impacted by the type of shipments, such as controlled temperature or ambient, and the destinations of the shipments.

The increase in operating profit of 31% for the year reflects a movement in the sales mix and associated contribution margin. Additional contribution comes from controlling operating expenses.

The exceptional item is the associated release of costs related to the closure of the Deeside facility which ceased operations in June 2016 as detailed below in restructuring costs.

The average number of employees has reduced to 238.

The company has assessed the results of the European referendum and have in place a dedicated Clinical Supply Services Brexit planning team of cross-site and cross-functional clinical supply experts. This team is actively engaged in scenario planning to help our clients ensure continuity of product supply to patients post Brexit. Catalent CSS has also developed an industry white paper to support sponsors conducting evaluations with their internal teams and external partners.

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

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.

Strategic Report
for the Year Ended 30 June 2018

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.

Exceptionals

Exceptional costs are mainly related to the closure of the Deeside facility which ceased operation in June 2016. The credit relates to the onerous lease and dilapidation costs on two buildings of £823,321. One building was sold in July 17 the other in December 2017. There is no further lease liability. Redundancy costs of £80,039 and other closure costs of £59,475 include contractor costs related to closing the facility. Refer to note 7 to the annual financial statements.

ON BEHALF OF THE BOARD:



.....
S Patel - Director

Date: 10th September 2018

Directors' Report
for the Year Ended 30 June 2018

The directors present their report with the financial statements of the company for the year ended 30 June 2018.

RESULTS AND DIVIDENDS

The profit for the year ended 30 June 2018 for the company after taxation, amounted to £16,583,236 (2017 £9,172,287) The Directors do not recommend a dividend for the year (2017 £Nil).

FUTURE DEVELOPMENTS

The Directors aim to improve on this year's sales performance to provide future growth in turnover from continuing operations, particularly in the controlled temperature storage and distribution market.

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

DIRECTORS

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

W Joseph
S Patel

None of the directors in office during the year held any beneficiary interests in the share capital of the Company during the year

GOING CONCERN

In line with the Financial Reporting Council's guidance on going concern issued in April 2016, 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are 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.

ON BEHALF OF THE BOARD:



.....
S Patel – Director

Date: 10th September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Opinion

We have audited the financial statements of Catalent CTS (Edinburgh) Limited for the year ended 30 June 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the directors 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.

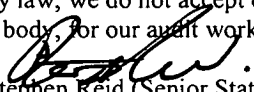
Auditor's responsibilities for the audit of the financial statements

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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.


Stephen Reid (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Edinburgh

Date: 14 September 2018

Income Statement
for the Year Ended 30 June 2018

	Notes	2018 £	2017 £
TURNOVER	3	54,067,315	55,028,793
Cost of sales		<u>30,111,616</u>	<u>34,254,207</u>
GROSS PROFIT		23,955,699	20,774,586
Administrative expenses	10	<u>10,396,706</u>	<u>10,388,582</u>
OPERATING PROFIT	9	13,558,993	10,386,004
Non-operating exceptional item	7	(683,807)	1,130,840
Interest receivable and similar income	5	1,027,664	774,618
Interest Payable	6	-	(62,547)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,270,464	9,967,235
Tax on profit on ordinary activities	11	<u>(1,312,771)</u>	<u>794,948</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>16,583,236</u></u>	<u><u>9,172,287</u></u>

All turnover and operating profit is derived from continuing operations

Other Comprehensive Income
for the Year Ended 30 June 2018

	Notes	2018 £	2017 £
PROFIT FOR THE YEAR		16,583,236	9,172,287
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		16,583,236	9,172,287

Balance Sheet
30 June 2018

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Tangible assets	12	5,794,581	<u>5,794,581</u>	6,097,882	<u>6,097,882</u>
CURRENT ASSETS					
Debtors	13	70,361,232		53,813,585	
Cash at bank		1,633,027		5,693,368	
Stocks		<u>172,572</u>		<u>-</u>	
		72,166,831		59,506,953	
CREDITORS					
Amounts falling due within one year	14	<u>7,915,691</u>		<u>10,593,729</u>	
NET CURRENT ASSETS			<u>64,251,140</u>		<u>48,913,224</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>70,045,721</u>		<u>55,011,106</u>
PROVISIONS FOR LIABILITIES	15		-		1,520,668
NET ASSETS			<u><u>70,045,721</u></u>		<u><u>53,490,438</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		4,480,372		4,508,325
Retained earnings	17		<u>65,565,349</u>		<u>48,982,113</u>
SHAREHOLDERS' FUNDS			<u><u>70,045,721</u></u>		<u><u>53,490,438</u></u>

The notes on pages 12 to 21 form part of these financial statements

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on

10th September 2018


.....
S Patel - Director

Statement of Changes in Equity
for the Year Ended 30 June 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 July 2016	4,508,325	39,809,826	44,318,151
Changes in equity			
Total comprehensive income	-	9,172,287	9,172,287
Balance at 30 June 2017	<u>4,508,325</u>	<u>48,982,113</u>	<u>53,490,438</u>
Changes in equity			
Total comprehensive income	(27,953)	16,583,236	16,555,283
Balance at 30 June 2018	<u>4,480,372</u>	<u>65,565,349</u>	<u>70,045,721</u>

Notes to the Financial Statements
for the Year Ended 30 June 2018

1. STATEMENT OF COMPLIANCE

Catalent CTS (Edinburgh) Limited is a limited liability company incorporated in England.
The Registered Office is Frankland Road, Blagrove, Swindon, Wiltshire, England, SN5 8YG

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 30 June 2018.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

The financial statements of Catalent CTS (Edinburgh) Limited were authorised for issue by the Board of Directors on Monday 10th September 2018.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest pound.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements. As permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" no cash flow statement has been prepared as the Company is a wholly owned subsidiary of Catalent Inc, whose group financial statements includes a consolidated cash flow statement and is publicly available.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. These estimates will, by definition, seldom equal the related actual results particularly given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important estimates and judgements are set out below:

Impairment

The Company is required to carry out impairment testing on any assets that show indications of impairment. This testing involves exercising management judgement about future cash flows and other events which are by their nature uncertain.

Taxation

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

Turnover recognition

Judgement must be exercised to ensure that turnover is recognised in accordance with contractual terms.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Earning activities involve the manufacturing and packaging of goods, storage and distribution services or other third-party activities that constitute its ongoing major or central operations. Revenues are considered to be earned only when the Company has accomplished what it must do to be entitled to the benefits represented by the revenues.

Revenue is considered realized and earned when product is delivered, or services are rendered to customers in accordance with contract terms

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Leasing arrangements

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Intangible assets

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value on intangible assets is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold buildings	- 5 - 50 years
Plant and equipment	- 3 - 15 years
Fixtures, fittings and equipment	- 3 - 10 years

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

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

2. ACCOUNTING POLICIES - continued

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing difference between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable timing difference. Deferred tax assets are generally recognised for all deductible timing differences to the extent that it is probable that taxable profits will be available against which those deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

Transactions and balances

In preparing the financial statements of the entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Pension costs and other post-retirement benefits

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

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has chosen to adopt the requirements of sections 11 and 12 of FRS102 in respect of the measurement and disclosure of financial instruments.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The company recognises an accrual for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The accrual is measured at the salary cost payable for the period of absence.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

The company does not have any 'other' financial instruments.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2018 £	2017 £
United Kingdom	4,789,285	2,243,476
Rest of Europe	24,883,364	33,576,262
Rest of World	24,394,666	19,209,055
	<u>54,067,315</u>	<u>55,028,793</u>

4. STAFF COSTS

	2018 £	2017 £
Wages and salaries	5,973,759	6,260,368
Social security costs	608,323	565,020
Other pension costs	276,660	221,786
Bonuses and commission	252,217	129,853
Other Benefits	138,344	2,967
	<u>7,249,302</u>	<u>7,179,994</u>

"Other Pension Costs" relate to amounts payable to the Company defined contribution pension scheme.

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

	2018	2017
Directors	1	1
Management and administration	114	97
Production	124	152
	<u>238</u>	<u>250</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Deposit account interest	<u>1,027,664</u>	<u>774,618</u>

6. INTEREST PAYABLE

	2018 £	2017 £
Interest Payable	<u>-</u>	<u>(62,547)</u>

7. EXCEPTIONAL ITEMS

	2018 £	2017 £
Onerous Leases and Dilapidations	(823,321)	1,039,791
Redundancy and Outplacement support	80,039	18,728
Other Closure related costs	59,475	72,321
	<u>(683,807)</u>	<u>1,130,840</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

7. EXCEPTIONAL ITEMS - continued

Exceptional costs are mainly related to the closure of the Deeside facility which ceased operation in June 2016. The credit relates to the onerous lease and dilapidation costs on two buildings of £823,321. One building was sold in July 17 the other in December 2017. There is no further lease liability. Redundancy costs of £80,039 and other closure costs of £59,475 include contractor costs related to closing the facility.

8. DIRECTORS' EMOLUMENTS

	2018	2017
	£	£
Emoluments	<u>180,083</u>	<u>410,428</u>

Company contributions paid to defined contribution pension schemes	<u>6,513</u>	<u>12,428</u>
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A management charge of £3,216,492 (2016: £5,060,457) in respect of administration costs has been made by Catalent Inc. to Catalent CTS (Edinburgh) Limited, the Company's subsidiary which includes Directors' remuneration for 2 of the Company's Directors that is not possible to identify separately.

	2018	2017
	No.	No.
Members of defined contribution pension schemes	<u>1</u>	<u>2</u>

The remuneration of the highest paid Director was £186,585 (2017:£388,641) including £6,513 (2017: £10,826) Company contributions paid to a defined contribution pension scheme.

9. OPERATING PROFIT

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

	2018	2017
	£	£
Depreciation - owned assets	593,794	636,348
Auditor's remuneration - audit services	68,312	73,380
Auditor's remuneration - taxation	18,604	22,700
Operating lease rentals - buildings	127,464	422,864
Operating lease rentals - other	57,651	66,728
Foreign Exchange Gain/(Loss)	<u>1,005,461</u>	<u>(595,892)</u>

10. OPERATING EXPENSES

	2018	2017
	£	£
Contract Services	616,409	600,747
Computer Expenses	53,902	45,778
Administrative expenses		
- Administrative expenses	6,509,903	4,681,601
- Management Fee	<u>3,216,492</u>	<u>5,060,456</u>
	<u>10,396,706</u>	<u>10,388,582</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

11. TAXATION

Analysis of charge in the year

	2018 £	2017 £
Current tax:		
UK Corporation Tax on profit for the period	-	-
Adjustment in respect of prior periods	(1,463,173)	698,506
Total Current Tax	<u>(1,463,173)</u>	<u>698,506</u>
Deferred tax		
Original and reversal of timing differences	(20,280)	74,798
Impact of Change in tax rate	-	36,718
Adjustment in respect of prior periods	170,682	(15,074)
Total Tax Charge	<u>(1,312,771)</u>	<u>794,948</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>15,270,464</u>	<u>9,967,235</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.75%)	2,901,388	1,968,529
Effects of:		
Expenses not deductible for tax purposes	32,267	37,245
Impact in change of Tax rate	(2,386)	24,619
Prior Year adjustment	(1,292,492)	683,432
Group relief for nil payment	(2,951,549)	(1,918,878)
Recognition of previously unrecognised deferred tax asset	-	-
Total tax charge	<u>(1,312,771)</u>	<u>794,948</u>

The main UK corporation tax rate reduced from 20% to 19% on 1 April 2017. The Finance Act 2016 included legislation to further reduce the rate to 17% from 1 April 2020. The Finance Act 2016 was substantively enacted on 6 September 2016 and received Royal Assent on 15 September 2016. Accordingly, these rates have been applied in the measurement of the company's deferred tax assets and liabilities as at 30 June 2018.

The deferred tax asset at the year end consists of the following timing differences;

	2017 £	2016 £
Accelerated capital allowances	(343,007)	(473,399)
Tax losses	-	-
Other timing differences	<u>(71,080)</u>	<u>(91,089)</u>
Total Deferred Tax	<u>(414,086)</u>	<u>(564,599)</u>

The company expects the deferred tax asset in relation to accelerated capital allowances to reverse by £32,267 in the year ended 30 June 2018. It is not possible to estimate the expected reversal of the other elements of deferred tax.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

12. TANGIBLE FIXED ASSETS

	Freehold property £	Assets under construction £	Plant and machinery £	Fixtures and fittings £	Totals £
COST					
At 1 July 2017	11,791,495	94,594	4,154,094	991,345	17,031,528
Additions	175,027	-	77,615	63,533	316,175
Transfers		(25,682)			(25,682)
At 30 June 2018	11,966,522	68,912	4,231,709	1,054,878	17,322,021
DEPRECIATION					
At 1 July 2017	6,325,793	-	4,023,033	584,850	10,933,646
Charge for year	463,459	-	37,436	92,899	593,794
At 30 June 2018	6,789,222	-	4,060,469	677,749	11,527,440
NET BOOK VALUE					
At 30 June 2018	5,177,300	68,912	171,240	377,129	5,794,581
At 30 June 2017	5,465,732	94,594	131,061	406,495	6,097,882

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	11,822,439	11,506,158
Amounts owed by group undertakings from trading	17,000,237	14,017,379
Amounts recoverable on contract	3,403,163	1,429,317
Other debtors	(1,905,155)	127,500
Deferred tax asset	414,086	564,488
Amounts owed by group undertakings - Loan notes	37,751,878	25,689,834
VAT	1,861,627	436,400
Prepayments and accrued income	12,957	42,509
	70,361,232	53,813,585

Loan notes are interest bearing at libor plus 175bps and redeemable on 1st October 2035

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Payments on account	580,092	2,557,186
Trade creditors	1,898,881	876,213
Corporation tax payable	265,848	1,871,157
Other taxes	22,500	65,368
Amounts owed to group undertakings	2,046,119	1,976,130
Accruals and deferred income		
	3,102,250	3,247,675
	7,915,691	10,593,729

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

15. PROVISIONS FOR LIABILITIES

RESTRUCTURING	Redundancy £	Onerous Lease Cost £	Total £
Opening Balance as at 1 July 2017	-	1,520,668	1,520,668
Arisen during the period	80,039	(823,321)	(743,282)
Utilised during the period	(80,039)	(697,347)	(777,386)
Closing Balance as at 30 June 2018	-	-	-

Initial Measurement of contract termination cost related to operating lease obligation is accounted for at fair value at the date the entity stopped using the leased property. Fair value of the liability is estimated using the present value of the remaining lease payments discounted at the credit adjusted risk free rate.

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
4,480,373	Ordinary	£1.00	<u>4,480,373</u>	<u>4,508,325</u>

17. RESERVES

Retained earnings - includes all current and prior period retained profits and losses.

18. 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 £276,660 (2017:£221,786).

At the balance sheet date outstanding contributions amounted to £34,083 (2017: £36,719).

19. COMMITMENTS

The Company had £68,912 contracted capital expenditure at 30 June 2018 (2017: £94,594)

20. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Amounts Payable :		
Not later than one year	185,115	370,749
Later than one year but not later than five years	27,362	295,889
Later than five years	-	-
	<u>212,477</u>	<u>666,638</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2018

21. ULTIMATE PARENT COMPANY

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

22. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel.

Key management personnel compensation in total for the year was £186,585 (2017: £422,856).