

REGISTERED NUMBER: 05277708 (England and Wales)

Strategic Report, Directors' Report and
Financial Statements
for the Year Ended 30 June 2019
for
Catalent CTS (Edinburgh) Limited



Catalent CTS (Edinburgh) Limited (Registered number: 05277708)

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for the Year Ended 30 June 2019

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Catalent UKS (Edinburgh) Limited

Company Information
for the Year Ended 30 June 2019

DIRECTORS: W Joseph (resigned 27 May 2019)
S Patel (resigned 3 May 2019)
P Hegwood (appointed 27 May 2019)
R De Nobel (appointed 12 June 2019)

SECRETARY: S Patel (resigned 3 May 2019)
R De Nobel (appointed 12 June 2019)

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

REGISTERED NUMBER: 05277708 (England and Wales)

AUDITOR: Ernst & Young LLP
144 Morrison Street
Edinburgh
EH3 8EX

Strategic Report
for the Year Ended 30 June 2019

The Directors present their strategic report for the year ended 30 June 2019.

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 £13,458,724 (2018: £13,558,993) for the period on turnover of £46,313,661 (2018 £54,067,315).

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

	2019	2018	Change
	£'000	£'000	%
Turnover	46,314	54,067	-14%
Operating Profit	13,459	13,559	-1%
Profit after Tax	11,765	16,583	-29%
Exceptionals	125	(684)	-118%
Shareholder funds	81,811	70,046	17%
Current Assets as a percentage of Current liabilities	2309%	934%	1398%
Average number of employees	223	238	-6%

Turnover decreased by 14% 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 decrease in operating profit of 1% for the year reflects a movement in the sales mix and associated contribution margin. Additional contribution comes from controlling operating expenses.

The average number of employees has reduced to 223.

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 directors have assessed the impact of the COVID-19 pandemic in detail in the Directors' Report. In summary, the company trades in an industry that has been listed by all governments as essential businesses to continue trading during the pandemic. Demand for clinical supply services the company has remained stable to increasing. The strategic outlook remains unchanged despite the pandemic and the directors are continuing to execute and commit to long term investments with the backdrop of a strong balance sheet.

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.

Strategic Report
for the Year Ended 30 June 2019

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.

Exceptionals

Exceptional costs are related redundancy costs due to internal restructuring within the business of £125,455.

ON BEHALF OF THE BOARD:

Rol de Nobel

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R De Nobel - Director

Date: 30 June 2020

Directors' Report
for the Year Ended 30 June 2019

The Directors present their report with the financial statements of the Company for the year ended 30 June 2019.

RESULTS AND DIVIDENDS

The profit for the year ended 30 June 2019 for the Company after taxation, amounted to £11,764,891 (2018 £16,583,236) The Directors do not recommend a dividend for the year (2018 £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
P Hegwood
R De Nobel

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

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The COVID-19 pandemic has brought exceptional trading conditions that are having a devastating effect on many diverse businesses in different business sectors. The directors have assessed the impact of the trading environment on the company and draw the following comments:

The company trades in Contract Packaging and Distribution of clinical trial drug materials and this industry has been listed by all governments as essential businesses to continue trading during the pandemic. Consequently, the short-term impact of COVID-19 has not caused significant widespread disruption to the continued demand for clinical supply services and trading has proceeded at / above the same levels as before the outbreak. As a service provider the company is not reliant on a supply chain of raw materials or drug product, but the ability to deliver drugs to patients in a timely and temperature-controlled condition. The company has expanded its 3rd party distribution network and capabilities in being able to deliver to clinics even where there are restrictions on movement. It can also utilise the full CSS (Clinical supply services) network to ensure patient delivery. This includes 9 clinical supply facilities across the US, Europe and Asia Pacific which remain fully operational.

The directors do not consider the company has an inability to continue distribution during the pandemic and this has been demonstrated through to the date of signing of these accounts.

The market has expanded due to the high demand for COVID-19 studies. A key priority for the business is to maintain supplies to patients and the company believes the actions it has taken has allowed it to safeguard ongoing operations which continue at pre COVID-19 levels.

The company's balance sheet is strong with significant cash reserves in the bank that can easily cover any short-term funding required. The directors are continuing to execute and commit to long term investments and the strategic outlook remains unchanged despite the pandemic.

The directors therefore conclude that there has been limited short term nor long term impact that would impact the company's ability to continue as a going concern.

Directors' Report
for the Year Ended 30 June 2019

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 AUDITOR

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 auditor 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 auditor are aware of that information.

AUDITOR

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

ON BEHALF OF THE BOARD:

Rol de Nobel

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R De Nobel – Director

Date: 30 June 2020

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 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes 1 to 22, 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 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.

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.

Emphasis of matter – effects of COVID-19

We draw attention to Note 2 and Note 22 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

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 5, 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.

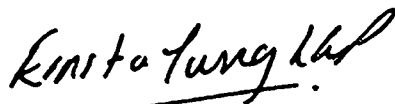
Auditor's responsibilities for the audit of the financial statements

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

30 June 2020

Income Statement
for the Year Ended 30 June 2019

	Notes	2019 £	2018 £
TURNOVER	3	46,313,661	54,067,315
Cost of sales		<u>22,721,618</u>	<u>30,111,616</u>
GROSS PROFIT		23,592,043	23,955,699
Administrative expenses	9	<u>10,133,319</u>	<u>10,396,706</u>
OPERATING PROFIT	8	13,458,724	13,558,993
Non-operating exceptional item	6	125,455	(683,807)
Interest receivable and similar income	5	737,231	1,027,664
Interest Payable		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,070,500	15,270,464
Tax charge/(credit) on profit on ordinary activities	10	<u>2,305,609</u>	<u>(1,312,771)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>11,764,891</u>	<u>16,583,236</u>

All turnover and operating profit is derived from continuing operations

**Other Comprehensive Income
for the Year Ended 30 June 2019**

	Notes	2019 £	2018 £
PROFIT FOR THE YEAR		11,764,891	16,583,236
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,764,891	16,583,236

Catalent CTS (Edinburgh) Limited (Registered number: 05277708)**Balance Sheet**
30 June 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	11	<u>5,691,867</u>	<u>5,794,581</u>
CURRENT ASSETS			
Debtors	12	77,840,323	70,361,232
Cash at bank		3,153,318	1,633,027
Stocks		<u>258,209</u>	<u>172,572</u>
		81,251,851	72,166,831
CREDITORS			
Amounts falling due within one year	13	<u>5,133,106</u>	<u>7,915,691</u>
NET CURRENT ASSETS		<u>76,118,744</u>	<u>64,251,140</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>81,810,612</u>	<u>70,045,721</u>
PROVISIONS FOR LIABILITIES		-	-
NET ASSETS		<u>81,810,612</u>	<u>70,045,721</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,508,325	4,508,325
Retained earnings	16	<u>77,302,287</u>	<u>65,537,396</u>
SHAREHOLDERS' FUNDS		<u>81,810,612</u>	<u>70,045,721</u>

The notes on pages 12 to 20 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 30 June 2020.

Rol de Nobel

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R De Nobel - Director

Statement of Changes in Equity
for the Year Ended 30 June 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 July 2017	4,508,325	48,982,113	53,490,438
Changes in equity			
Total comprehensive income	<u>-</u>	<u>16,555,283</u>	<u>16,555,283</u>
Balance at 30 June 2018	<u>4,508,325</u>	<u>65,537,396</u>	<u>70,045,721</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>11,764,891</u>	<u>11,764,891</u>
Balance at 30 June 2019	<u><u>4,508,325</u></u>	<u><u>77,302,287</u></u>	<u><u>81,810,612</u></u>

Notes to the Financial Statements
for the Year Ended 30 June 2019

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 2019.

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 30 June 2020.

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.

Going concern

The COVID-19 pandemic has brought exceptional trading conditions that are having a devastating effect on many diverse businesses in different business sectors. The directors have assessed the impact of the trading environment on the company and draw the following comments:

The company trades in Contract Packaging and Distribution of clinical trial drug materials and this industry has been listed by all governments as essential businesses to continue trading during the pandemic. Consequently, the short-term impact of COVID-19 has not caused significant widespread disruption to the continued demand for clinical supply services and trading has proceeded at / above the same levels as before the outbreak. As a service provider the company is not reliant on a supply chain of raw materials or drug product, but the ability to deliver drugs to patients in a timely and temperature-controlled condition. The company has expanded its 3rd party distribution network and capabilities in being able to deliver to clinics even where there are restrictions on movement. It can also utilise the full CSS (Clinical supply services) network to ensure patient delivery. This includes 9 clinical supply facilities across the US, Europe and Asia Pacific which remain fully operational.

The directors do not consider the company has an inability to continue distribution during the pandemic and this has been demonstrated through to the date of signing of these accounts.

The market has expanded due to the high demand for COVID-19 studies. A key priority for the business is to maintain supplies to patients and the company believes the actions it has taken has allowed it to safeguard ongoing operations which continue at pre COVID-19 levels.

The company's balance sheet is strong with significant cash reserves in the bank that can easily cover any short-term funding required. The directors are continuing to execute and commit to long term investments and the strategic outlook remains unchanged despite the pandemic.

The directors therefore conclude that there has been limited short term nor long term impact that would impact the company's ability to continue as a going concern.

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 2019

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.

Catalent CTS (Edinburgh) Limited (Registered number: 05277708)

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

2. ACCOUNTING POLICIES - continued

Stock

Gross inventories values are based on fully absorbed costs. Standard costing is used to establish cost of components which includes Materials, Labour and overheads. The policy requires a full Physical Inventory count for all raw material, work in progress and finished goods on an annual basis.

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 2019

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 2019**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:

	2019 £	2018 £
United Kingdom	5,609,590	4,789,285
Rest of Europe	15,130,747	24,883,364
Rest of World	25,573,324	24,394,666
	<u>46,313,661</u>	<u>54,067,315</u>

4. STAFF COSTS

	2019 £	2018 £
Wages and salaries	6,514,908	5,973,759
Social security costs	627,879	608,323
Other pension costs	295,185	276,660
Bonuses and commission	283,078	252,217
Other Benefits	230,810	138,344
	<u>7,951,860</u>	<u>7,249,302</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:

	2019	2018
Directors	1	1
Management and administration	96	114
Production	<u>126</u>	<u>124</u>
	<u>223</u>	<u>238</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Deposit account interest	<u>737,231</u>	<u>1,027,664</u>

6. EXCEPTIONAL ITEMS

	2019 £	2018 £
Onerous Leases and Dilapidations	-	(823,321)
Redundancy and Outplacement support	125,455	80,039
Other Closure related costs	<u>-</u>	<u>59,475</u>
	<u>125,455</u>	<u>(683,807)</u>

Redundancy costs due to internal restructuring within the business of £125,455

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019**7. DIRECTORS' EMOLUMENTS**

	2019 £	2018 £
Emoluments	<u>174,418</u>	<u>180,072</u>
Company contributions paid to defined contribution pension schemes	<u>6,095</u>	<u>6,513</u>

A management charge of £3,875,963 (2018: £3,216,492) 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.

	2019 No.	2018 No.
Members of defined contribution pension schemes	<u>1</u>	<u>1</u>

The remuneration of the highest paid Director was £180,072 (2018: £186,485) including £6,095 (2018: £6,513) Company contributions paid to a defined contribution pension scheme.

8. OPERATING PROFIT

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

	2019 £	2018 £
Depreciation - owned assets	492,900	593,794
Auditor's remuneration - audit services	73,846	68,312
Auditor's remuneration - taxation	0	18,604
Operating lease rentals - buildings	67,034	127,464
Operating lease rentals - other	29,211	57,651
Foreign Exchange (Loss)/Gain	(234,732)	1,005,461

9. OPERATING EXPENSES

	2019 £	2018 £
Contract Services	371,018	616,409
Computer Expenses	6,140	53,902
Administrative expenses		
- Administrative expenses	5,880,198	6,509,903
- Management Fee	<u>3,875,963</u>	<u>3,216,492</u>
	<u>10,133,319</u>	<u>10,396,706</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019**10. TAXATION**

Analysis of charge in the year

	2019 £	2018 £
Current tax:		
UK Corporation Tax on profit for the period	559,637	-
Adjustment in respect of prior periods	1,645,709	(1,463,173)
Total Current Tax	2,205,346	(1,463,173)
Deferred tax		
Original and reversal of timing differences	86,043	(20,280)
Impact of Change in tax rate	(9,057)	-
Adjustment in respect of prior periods	23,277	170,682
Total Tax Charge	2,305,609	(1,312,771)

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:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>14,070,500</u>	<u>15,270,464</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	2,673,395	2,901,388
Effects of:		
Expenses not deductible for tax purposes	65,421	32,267
Employee share acquisition relief	(13,259)	-
Impact in change of Tax rate	(9,057)	(2,386)
Prior Year adjustment	1,668,986	(1,292,492)
Group relief for nil payment	(2,079,877)	(2,951,549)
Total tax charge	2,305,609	(1,312,771)

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 2019.

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

	2019 £	2018 £
Accelerated capital allowances	(218,116)	(343,007)
Tax losses	-	-
Other timing differences	(95,708)	(71,080)
Total Deferred Tax	(313,824)	(414,087)

The Company expects the deferred tax asset in relation to accelerated capital allowances to reverse by £65,421 in the year ended 30 June 2019. 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 2019

11. TANGIBLE FIXED ASSETS

	Freehold property £	Assets under construction £	Plant and machinery £	Fixtures and fittings £	Totals £
COST					
At 1 July 2018	11,966,522	68,912	4,231,709	1,054,878	17,322,021
Additions	191,103	-	106,015	65,345	390,187
Transfers	2,750	(61,149)	58,399	-	-
	<u>12,160,375</u>	<u>35,487</u>	<u>4,396,124</u>	<u>1,120,223</u>	<u>17,712,208</u>
DEPRECIATION					
At 1 July 2018	6,789,222	-	4,060,469	677,749	11,527,440
Charge for year	344,317	-	79,698	68,886	492,900
	<u>7,133,539</u>	<u>-</u>	<u>4,140,167</u>	<u>746,635</u>	<u>12,020,340</u>
NET BOOK VALUE					
At 30 June 2019	<u>5,026,836</u>	<u>35,487</u>	<u>255,957</u>	<u>373,588</u>	<u>5,691,867</u>
At 30 June 2018	<u>5,177,300</u>	<u>68,912</u>	<u>171,240</u>	<u>377,129</u>	<u>5,794,581</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	10,819,614	9,917,284
Amounts owed by group undertakings from trading	28,937,549	17,000,237
Amounts recoverable on contract	1,548,538	3,403,163
Corporation Tax	364,494	0
Deferred tax asset	313,824	414,086
Amounts owed by group undertakings - Loan notes	34,015,383	37,751,878
VAT	1,773,591	1,861,627
Prepayments and accrued income	67,330	12,957
	<u>77,840,323</u>	<u>70,361,232</u>

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Payments on account	252,083	580,092
Trade creditors	888,191	1,898,881
Corporation tax payable	-	265,848
Other taxes	22,500	22,500
Amounts owed to group undertakings	1,391,113	2,046,119
Accruals and deferred income	<u>2,579,218</u>	<u>3,102,250</u>
	<u>5,133,106</u>	<u>7,915,691</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
4,508,326	Ordinary	£1.00	<u>4,508,326</u>	<u>4,508,3326</u>

16. RESERVES

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

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 £295,185 (2018:£276,660).

At the balance sheet date outstanding contributions amounted to £37,159 (2018: £34,083).

18. COMMITMENTS

The Company had £35,486 contracted capital expenditure at 30 June 2019 (2018: £68,912)

19. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

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

	2019 £	2018 £
Amounts Payable:		
Not later than one year	81,700	185,115
Later than one year but not later than five years	<u>19,730</u>	<u>27,362</u>
	<u>101,430</u>	<u>212,477</u>

20. 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

21. 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 £174,418 (2018: £186,585).

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

22. SUBSEQUENT EVENTS

The World Health Organisation officially declared Covid19 a global pandemic on March 11th, 2020. On the 23rd March 2020 the UK Government initiated a UK wide lockdown with immediate effect.

As noted in Note 1, the short-term impact of Covid19 has not caused significant widespread disruption to the continued trading of the company. It has provided additional opportunities due to the increased clinical trials market and pharmaceutical companies developing their treatments and vaccines for the virus.

The developments surrounding COVID-19 represent a non-adjusting post balance sheet event and are not reflected in the carrying value of tangible assets, stocks or debtors shown in the financial statement. If the pandemic continues for a long period of time, there may be changes in the carrying values. These would be reflected in the financial statements for the year ended 30 June 2020.