

Patheon UK Limited

Annual report and financial statements for
the year ended 31 December 2021

Company registration number: 03764421

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PATHEON UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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PATHEON UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

A Robinson
P Hawkins
M Potts

Company Secretary

P Hawkins

Registered office

Kingfisher Drive
Covingham
Swindon
Wiltshire
SN3 5BZ

Bankers

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

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

PATHEON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report on the company for the year ended 31 December 2021.

Principal activities

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

Review of the business and future developments

The directors are satisfied with the performance in the year due to the growth in turnover. The directors expect to see continued operation growth in the future and the company will continue to operate within its existing markets. The net asset position at 31 December 2021 was €527,035,000 (2020: €400,855,000).

The company mobilized to support the global novel strain of coronavirus (COVID-19) response with products and services that help analyse, diagnose and protect from the virus. Our ability to manufacture/sell products is highly dependent on our ability to maintain the safety and health of our factory employees which we are acting to mitigate in accordance with government guidelines. The company saw an increase in revenue due to the sales of products addressing the diagnosis and treatment of COVID-19 and while these positive impacts are expected to continue into 2022, the duration and extent of future revenues from such sales are uncertain and dependant on customer demand. The company believes its long term prospects remain excellent given the attractive markets served, its industry leading position and proven growth strategy.

Investment in fixed assets remains high as part of the company's investment in traditional sterile manufacturing services. Fixed asset additions during the financial year were €111,143,000 (2020: €45,284,000)

The company has loan arrangements with other entities within the group, details of these are included in notes 14 and 15. On 7 October 2020, the company listed an intercompany debt via Eurobond on the International Stock Exchange ("TISE"). This debt still remains within the group and the holder of the Eurobond is Thermo Fisher Scientific (PN-I) SRL.

Key performance indicators (KPIs)

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

Total turnover has increased from €482,193,000 to €654,778,000, primarily due to the increase in sales of commercial manufacturing services.

The profit for the financial year was €121,884,000 (2020: €96,607,000) which will be transferred to reserves. The 2021 profit was higher due to the general growth in the underlying business.

Total operating profit decreased in relation to turnover to 22% (2020: 25%). Materials and consumables increased as a percentage of turnover from 59% to 62% which can be attributed to the increased cost plus rate charged by Patheon Italia in 2021.

Average employee numbers increased to 533 (2020: 459) in the period.

PATHEON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Statement by the directors of their statutory duties in accordance with Section 172(1) of the Companies Act 2006

The directors of the company have acted in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006 which is summarised as follows:

'Each director of the company has acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct,
- the need to act fairly as between members of the company.'

As part of the director induction process, a director is briefed on their duties and they can access professional advice on these from the company secretary. The following paragraphs summarise how the directors' fulfil their duties.

Risk management

As we continue to grow our business our risk environment also becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties and how we manage those risks, please refer to the principal risks section within the Strategic Report.

Business relationships

Our mission is to enable our customers to make the world healthier, cleaner and safer and as a result of this mission we have created a culture where our customers come first. Part of our business strategy is to continue to strengthen our company to be the partner customers rely on to help them achieve their goals. This is achieved through delivering a unique value proposition to our customers.

As a company we place great importance on building and maintaining strong relationships with our suppliers. The company is committed to meeting payment terms agreed with suppliers and we seek to resolve queries in an efficient and professional manner.

Our colleagues

None of our accomplishments would be possible without our team. Inspired by our mission, and grounded by our 4i values (integrity, intensity, innovation and involvement) this motivates our team to bring their best every day. It also helps us to attract and retain talent which is critical to our future.

We invest in our colleagues through numerous development programs that enrich their individual experiences, stress the importance of teams and build skills that set them up for success.

Further information can be found in the Directors' Report.

PATHEON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Community and environment

Our mission is to enable our customers to make the world healthier, cleaner and safer. One way that we fulfil our mission is by being a socially responsible community partner. Our giving strategy includes educational programs, colleague donations and volunteering.

Our signature STEM education programs connect students and colleagues through hands on and team based activities that highlight our technologies, make connections to careers in STEM and demonstrate how our company impacts the world.

To promote the generous spirit of our colleagues, our Charitable Giving Program provides a platform that allows them to contribute to causes that they feel passionately about. Through the program, employees can make direct donations to a charity of their choice, create a fundraiser - gathering greater support for a cause, or contribute to support a disaster relief campaign. Through our Employee Matching Gift program, we help employees make an even bigger impact by matching their contribution to eligible charities by 50%.

We feel it is important to support our community, throughout the year we encourage employees to take part in volunteering and charity events where our employees, together with our charity partners, take part in hands on volunteering.

The company is a part of Thermo Fisher Scientific Inc.'s global strategy to reduce our carbon footprint by 30% by 2030. As part of this global initiative we are committed to reviewing and reducing greenhouse gas emissions.

Principal risks and uncertainties and financial risk management

The management of the business is subject to a number of risks including competitive risks, legislative and regulatory risks, foreign currency exposure risks, and economic risks. The mitigation of these risks has been outlined below. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The company's estimates include, among others, asset reserve requirements as well as the amounts of future cash flows associated with certain assets and businesses that are used in assessing the risk of impairment. Risks and uncertainties associated with the ongoing COVID-19 global pandemic will continue to affect the company's operations through 2022. The extent and duration of such impacts are uncertain and may require changes to estimates.

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

Competitive risks

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

PATHEON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties and financial risk management (continued)

Competitive risks (continued)

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

Legislative/regulatory risks

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

The company has a clear, stated policy for caring for and protecting the environment, with regular audits and continuous monitoring of its activities to ensure best practices are employed for effective environmental protection. In addition to site policies, the company is also driven by corporate policies to continuously improve its waste generation and management as well as raw materials and energy consumption minimisation. ISO 14001 accreditation was maintained through 2021 without any non-conformances being raised, reinforcing the company's commitment to Environmental Standards.

Foreign currency exposure

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

Going concern

The company has considered the financial resources together with long term contracts with a number of customers and suppliers across different geographic areas. As a consequence the directors believe the company is well placed to manage its business risks successfully despite the current economic outlook. After making enquiries and reviewing the long range projected results for contracts the directors have a reasonable expectation that the company has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The COVID-19 outbreak rapidly developed in 2020, with a significant number of infections causing a worldwide pandemic. Measures taken by the government to contain the virus impacted economic activity. Thermo Fisher Scientific Inc. took a number of measures to monitor, prevent and mitigate the effects of the COVID-19 virus such as safety and health measures for our people (social distancing, working from home etc.) and implementing additional protocols at our manufacturing sites to keep them operating safely. Management continue to closely monitor the situation and have determined that COVID-19 does not impact the entities ability to continue as a going concern. The company will continue to monitor the situation and potential impact to our business.

PATHEON UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties and financial risk management (continued)

Research and development

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

Economic risks

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

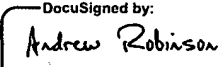
Other financial risks

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

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

The cash flow and liquidity position has improved during the period with positive cash flow self-funding site operations. Liquidity risk is managed through the assessment of short, medium and long term forecasts to ensure the adequacy of funding in order to meet the company's working capital requirements. The company has interest bearing assets and liabilities. Interest bearing assets and liabilities arise in the form of interest payable on group loans only and therefore management of cash flows is taken account of as part of the group's financing activity.

On behalf of the board

DocuSigned by:

A Robinson
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Director

4 August 2022

PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Review of the business and future developments

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

Dividends

The directors did not propose a dividend in the year (2020: €Nil). Preference share dividends are treated as interest.

Financial risk management and research and development

Disclosures relating to these areas are included in the Strategic Report.

Directors

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

A Robinson
P Hawkins
M Potts (appointed 1 October 2021)
J McLean (resigned 27 January 2021)

Third party indemnity provision

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

Employees

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

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

PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

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

Mandatory Streamlined Energy and Carbon Reporting (SECR)

We fulfil the statutory requirements for Streamlined Energy and Carbon Reporting which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large' companies are required to report their annual emissions in their Directors' report.

Patheon UK Limited Streamlined Energy and Carbon Reporting statement covers the reporting period 1st January 2021 - 31st December 2021 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.

A 'Dual Reporting' methodology has been used to indicate emissions using UK electricity grid average emission factors (known as the 'Location Based' method), and also emissions using supplier specific generation emission factors (the 'Market Based' method).

'Location based' Method

The total energy consumption for 2021 was 34,115,051 kWh equating to 6,936 tCO₂e	
Emissions from combustion of gas (Scope 1)	3,625 tCO₂e
Emissions from combustion of fuel for transport purposes (Scope 1)	0 tCO₂e
Emissions from purchased electricity (Scope 2)	2,989 tCO₂e
Emissions from Transmission and Distribution (Scope 3)	264 tCO₂e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	58 tCO₂e

Carbon intensity: Emissions of tCO₂e/€m sales revenue during 2021 was 172 tCO₂e

PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Mandatory Streamlined Energy and Carbon Reporting (SECR) (continued)

State 'Market Based' Method

The total energy consumption for 2021 was 34,115,051 kWh equating to 3,683 tCO₂e

Emissions from combustion of gas (Scope 1)	3,625 tCO ₂ e
Emissions from combustion of fuel for transport purposes (Scope 1)	0 tCO ₂ e
Emissions from purchased electricity (Scope 2)	0 tCO ₂ e
Emissions from Transmission and Distribution (Scope 3)	0 tCO ₂ e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	58 tCO ₂ e

Carbon intensity: Emissions of tCO₂e/€m sales revenue during 2021 was 92 tCO₂e

Energy efficiency action taken:

- An enterprise-wide review of the group's global carbon reduction goal took place in May & June 2021. This used 6 sites as representative of the organisation's varied operations.
- This review informed the corporate strategic planning group and resulted in a change to 30% reduction in GHG emissions by 2030 and net zero carbon emissions by 2050.
- A global steering and project management office have been set up to drive to achieve the targets.
- In Q4, net zero carbon assessments were initiated in 15 global sites across the group, which represents 50% of the organisation's carbon emissions.
- Started a new monthly Carbon/Energy Management Forum meeting which looks at utility usage across the site, and also looks at active and planned energy savings projects as well as creating a forum to discuss hedging.
- Advanced planning discussions with the company Centrica to install a CHP plant on site in 2022 (CHP = Combined Heat and Power which uses cheaper natural gas to generate own electricity on site at a reduced cost).
- Planned site energy/carbon usage survey to identify further opportunities to reduce carbon.

Type	Comparison reporting year 2020	Current reporting year 2021
Total energy consumption (kWh)	42,709,855 kWh	34,115,051 kWh
Associated Carbon Emissions (tCO ₂ e)	9,073 tCO ₂ e	6,936 tCO ₂ e
Metric - Emissions of tCO ₂ e per €m turnover	228 tCO ₂ e	172 tCO ₂ e

PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Mandatory Streamlined Energy and Carbon Reporting (SECR) (continued)

Sources of Greenhouse Gas Emissions		Location Based Method		Market Based Method	
		2021 consumption (kWh)	2021 emissions (tCO ₂ e)	2021 consumption (kWh)	2021 emissions (tCO ₂ e)
Scope 1	Natural Gas	19,790,075	3,625	19,790,075	3,625
	Transport (Company Cars)	667	—	667	—
Scope 2	Electricity	14,077,151	2,989	14,077,151	—
Scope 3	Transmission and Distribution	—	264	—	—
	Transport (Private and Rental car use)	247,158	58	247,158	58
Total		34,115,051	6,936	34,115,051	3,683
Carbon intensity: All Scope's emissions of tCO ₂ e/€m sales revenue:		—	172	—	92

The table above provides a breakdown of the data with accompanying explanatory notes below.

Qualifying information on the above data:

- The company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2021 total energy consumption, the company has sourced a total of 14,077,151 kWh of REGO backed (zero emission) electricity equating to 100% of total electricity use (scope 2 in the table above).
- This statement has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.
- This is the Company's second year of Streamlined Energy and Carbon Reporting and as such 01/01/2020 - 31/12/2020 data has been recorded.
- tCO₂e is the tonnage of equivalent carbon emissions generated by the various greenhouse gasses (carbon dioxide, methane, nitrous oxide etc.) each of which has a 'Global Warming Potential' factor that is included in the above emission figure. Conversion to emissions has been carried out using UK Govt. (BEIS/DEFRA) published conversion factors for 2021.
- An operational control approach has been applied to consolidate the above data.
- Total €m turnover for use as the Metric are 40, which is the turnover for the UK based operations only.
- As per the GHG Protocol, a dual reporting method has been applied - 'Location Based' and 'Market Based'.
- The calculation of Carbon intensity includes all Scope emissions identified in the table.

PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of Directors' Responsibilities

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

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

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

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

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

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

Stakeholder engagement statement

For details on stakeholder engagements, please see the 'Business Relationships' section of the Strategic Report.

Employee engagement statement

For details on employee engagements, please see the 'Our Colleagues' section of the Strategic Report.

Statement of disclosure of information to auditors

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

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

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

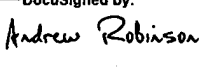
PATHEON UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Independent Auditors

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

On behalf of the board

DocuSigned by:

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A Robinson
Director

4 August 2022

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2021; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- The audit was focussed at the main operating facility in Swindon where the finance function is located and a full scope audit was performed.

Key audit matters

- Accounting treatment for cost deferral in terms of appropriateness of deferral and recoverability over the contract term

Materiality

- Overall materiality: 7,387,000 EUR (2020:: 4,084,000 EUR) based on 5% of profit before tax from continuing operations.
- Performance materiality: 5,540,000 EUR (2020:: 3,063,000 EUR).

PATHEON UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATHEON UK LIMITED

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Covid-19, which was a key audit matter last year, is no longer included because of the Company has not been adversely impacted by Covid-19 and since the situation is more stable at the date of the opinion we do not consider there to be a significant risk in the current year.. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting treatment for cost deferral in terms of appropriateness of deferral and recoverability over the contract term.</p> <p>The company defers certain costs associated with the set up of new projects which are recovered over the course of the contract.</p>	<p>Please refer to note 14 in the financial statements relating to other debtors, including contract assets containing deferred costs amounting to €43 million (2020 - €27 million). We have substantively tested a sample of costs deferred by project and agreed amounts to supporting evidence including customer contract, ensuring that amounts deferred were appropriate and recoverable and amortisation where applicable has been applied.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The audit was performed by a single engagement team with reference to all accounting records and in accordance with the centralized accounting function that management operates from their offices in Swindon, Wiltshire.

PATHEON UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATHEON UK LIMITED

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	7,387,000 EUR (2020:: 4,084,000 EUR).
How we determined it	5% of profit before tax from continuing operations
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to 5,540,000 EUR (2020:: 3,063,000 EUR) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above €369,350 (2020:: €204,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining managements' cash flow forecasts used as a basis for the going concern assessment and challenging the forecasts and assumptions applied in the model as well as validating its mathematical accuracy;
- Performing look-back procedures to ascertain managements' ability to forecast, including reviewing the accuracy and trends from historical data;
- Assessing the appropriateness of management's severe but plausible downside sensitivity in the context of the significant growth plans for the Company. We determined that management's conclusions and disclosures including applicable sensitivities were appropriate.

PATHEON UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATHEON UK LIMITED

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

PATHEON UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PATHEON UK LIMITED

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to pharmaceutical regulations as prescribed by regulatory bodies, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and the posting of inappropriate journals to manipulate revenue or profits. Audit procedures performed by the engagement team included:

- Enquiry of management including considerations of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations

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

- Challenging assumptions and judgements made by management in their significant accounting estimates.
- Reviewing any correspondence with relevant regulatory bodies.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Alex Crompton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

5 August 2022

PATHEON UK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
PROFIT AND LOSS ACCOUNT

		Year ended	Year ended
	Note	31/12/2021	31/12/2020
		€'000	€'000
Turnover	5	654,778	482,193
Raw materials, consumables and change in work in progress		(408,746)	(285,074)
Staff costs	6	(41,637)	(36,418)
Depreciation and other amounts written off tangible and intangible fixed assets	6	(3,831)	(3,005)
Other operating expenses	6	(53,337)	(35,177)
Operating profit	6	147,227	122,519
Profit before interest and taxation		147,227	122,519
Interest receivable and similar income	8	2,375	1,919
Interest payable and similar expenses	8	(25,424)	(25,123)
Profit before taxation		124,178	99,315
Tax on profit	9	(2,294)	(2,708)
Profit for the financial period		121,884	96,607

PATHEON UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER 2021

		Year ended	Year ended
	Note	31/12/2021	31/12/2020
		€'000	€'000
Profit for the period		121,884	96,607
Actuarial gain/(loss) on pension scheme	17	5,747	(689)
Movement on deferred tax relating to pension deficit	18	(1,569)	73
Total tax on components of other comprehensive income/ (expense)	9	(1,569)	73
Other comprehensive income/(expense) for the period, net of tax		4,178	(616)
Total comprehensive income for the period		126,062	95,991

PATHEON UK LIMITED

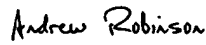
BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	As at	
		31/12/2021 €'000	31/12/2020 €'000
Fixed assets			
Intangible assets	10	487	615
Tangible assets	11	208,785	102,687
Investments	12	488,058	488,058
		697,330	591,360
Current assets			
Inventories	13	900	677
Debtors	14	478,715	421,097
Cash at bank and in hand		114,750	104,395
		594,365	526,169
Creditors: amounts falling due within one year	15	(661,811)	(187,576)
Net current assets		(67,446)	338,593
Total assets less current liabilities		629,884	929,953
Creditors: amounts falling due after more than one year	16	(125,285)	(544,701)
Pensions and similar obligations	17	22,436	15,603
Net assets		527,035	400,855
Capital and reserves			
Called up share capital	20	128	128
Share premium account	20	176,911	176,911
Other reserves		43,147	43,147
Foreign currency translation reserve		(190)	(190)
Retained earnings		307,039	180,859
Total equity		527,035	400,855

The notes on pages 26 to 54 are an integral part of these financial statements.

The financial statements on pages 22 to 54 were authorised for issue by the board of directors on 4 August 2022 and were signed on its behalf

A Robinson
Director
 Patheon UK Limited
 Company registration number: 03764421

DocuSigned by:

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PATHEON UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	€'000	€'000	€'000	€'000	€'000	€'000
	Called-up share capital	Share Premium	Other reserves ¹	Foreign currency translation reserve ²	Retained earnings	Total equity
Note						
Balance as at 1 January 2020	128	176,911	43,147	(190)	84,655	304,651
Profit for the financial year	—	—	—	—	96,607	96,607
Other comprehensive expense for the year	—	—	—	—	(616)	(616)
Total comprehensive income for the year	—	—	—	—	95,991	95,991
Charge from parent for equity-settled share-based payments	—	—	—	—	213	213
Total transactions with owners, recognised directly in equity	—	—	—	—	213	213
Balance as at 31 December 2020	128	176,911	43,147	(190)	180,859	400,855
Balance as at 1 January 2021	128	176,911	43,147	(190)	180,859	400,855
Profit for the financial period	—	—	—	—	121,884	121,884
Other comprehensive income for the period	—	—	—	—	4,178	4,178
Total comprehensive income for the period	—	—	—	—	126,062	126,062
Charge from parent for equity-settled share-based payments	—	—	—	—	118	118
Total transactions with owners, recognised directly in equity	—	—	—	—	118	118
Balance as at 31 December 2021	128	176,911	43,147	(190)	307,039	527,035

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

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

³ Retained earnings represents accumulated comprehensive income for the current financial period and prior financial years less any dividends paid.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General Information

Patheon UK Limited ('the company') provides commercial manufacturing and development services for prescription and over-the-counter drugs to the international pharmaceutical and biotechnology industry. The company has manufacturing and development facilities in the UK and sells primarily to Europe and the United States.

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

2. Statement of compliance

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

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

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

Going Concern

The company has considered the financial resources together with long term contracts with a number of customers and suppliers across different geographic areas. As a consequence the directors believe the company is well placed to manage its business risks successfully despite the current economic outlook. After making enquiries and reviewing the long range projected results for contracts the directors have a reasonable expectation that the company has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Going Concern (continued)

The COVID-19 outbreak rapidly developed in 2020, with a significant number of infections causing a worldwide pandemic. Measures taken by the government to contain the virus impacted economic activity. Thermo Fisher Scientific Inc. took a number of measures to monitor, prevent and mitigate the effects of the COVID-19 virus such as safety and health measures for our people (social distancing, working from home etc.) and implementing additional protocols at our manufacturing sites to keep them operating safely. Management continue to closely monitor the situation and have determined that COVID-19 does not impact the entities ability to continue as a going concern. The company will continue to monitor the situation and potential impact to our business.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

Cash flow statement and related party disclosures

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

Key Management Compensation

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

Share-based payments

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

Consolidated financial statements

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Foreign currency

(i) *Functional and presentation currency*

The company's functional and presentation currency is the Euro, because this is the currency in which the majority of transactions are denominated.

(ii) *Transactions and balances*

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

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

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

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

Revenue recognition

Revenue is recognised when services are completed in accordance with specific agreements with clients and when all costs connected with these services have been incurred, the price is fixed and determinable and collection is reasonably assured. For PDS, service revenue is recognised on the achievement of specific milestones in accordance with the relevant service contracts. Client deposits on PDS in progress are included in accruals. For CMS, revenue is recognised when services are complete and the batch has been shipped and the risks and rewards of ownership of the goods have passed to the buyer. Where contractually obligated clients are charged stage payments for project work and this is included in accruals and deferred income and recognised on achievement of specific milestones. Revenue and related expenses are recognised for in progress orders based on the stage of completion of work in progress (WIP) using standard costs according to the stage reached.

Interest income

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Employee benefits

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

(i) Short term benefits

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

(ii) Defined contribution pension plans

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

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

(iii) Defined benefit pension plan

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

The cost of defined benefit pensions plans and other post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17.

Annual bonus plan

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Share-based payments

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

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

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

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

(ii) Deferred tax

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

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

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Intangible assets

Software and technology

Software is stated at cost, and is amortised over the useful economic life, which can be set out as follows:

Software – 3 years

Tangible assets

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

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Land and buildings - Freehold	-	40 years
Land and buildings - Short leasehold	-	the lower of 20 years and the life of the lease
Plant and machinery - Computer hardware	-	4 years
Plant and machinery - Equipment	-	10-15 years
Plant and machinery - Laboratory equipment	-	5-8 years
Plant and machinery - Change parts	-	5-8 years
Fixtures and fittings	-	8-10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If events or changes in circumstances indicate the carrying value may not be recoverable, they are written down immediately to their recoverable value. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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

Assets in the course of construction

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

Derecognition

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Leased assets

Finance leased assets

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

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

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

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

Operating leased assets

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

Lease incentives

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

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

Investments

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Inventories

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

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

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

Cash and cash equivalents

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

Provisions and contingencies

Provisions

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

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

In particular:

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

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

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

Contingencies

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

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Financial instruments

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

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

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

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

Offsetting

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

Share capital

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

Distributions to equity holders

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

Related party transactions

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4. Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Defined benefit pension scheme

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

(ii) Impairment of investments

The company assesses investments for impairment triggers with reference to an estimate of the recoverable value of investment in its subsidiary companies. The estimates include discount rate, long term growth rate and the long term cash flows. When assessing impairment of investments, management considers factors including the current results of the company for the year and the net asset position. In 2021 the review of the investment did not result in a provision (2020: €Nil). See note 12 for the carrying amount of the investments and any associated impairment provision.

(iii) Impairment of debtors

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

(iv) Inventory provisioning

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Turnover

Turnover by geography	Year ended	Year ended
	2021	2020
	€'000	€'000
United Kingdom	23,091	19,631
Rest of Europe	343,480	233,797
Rest of World	288,207	228,765
	654,778	482,193

Turnover by nature	2021	2020
	€'000	€'000
Rendering of services	654,778	482,193
	654,778	482,193

6. Operating profit

The operating profit is stated after charging/(crediting):		Year ended	Year ended
		2021	2020
	Note	€'000	€'000
Wages and salaries		37,245	32,184
Social security costs		3,827	3,441
Other pension costs	17	447	580
Share-based payments		118	213
Staff costs		41,637	36,418
Loss on disposal of tangible fixed assets		1,077	—
Impairment of tangible fixed assets		265	1,645
(Reversal of impairment)/ impairment of trade debtors		(26)	665
Reversal of impairment of inventory (included in 'cost of sales')		(115)	(14)
Operating lease charges			
- Plant and machinery		215	168
Amortisation of intangible assets		128	106
Depreciation of tangible fixed assets			
- Owned assets		3,644	2,840
- Finance lease assets		59	59
Foreign exchange (gain)/loss		(2,507)	5,124
Audit fees payable to the company's auditors		270	253
Research and development expenditure		4,229	3,611

No non audit services provided by the statutory auditors of the company

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Employees and directors

By activity	Year ended 2021 Number	Year ended 2020 Number
Average monthly numbers of persons employed (including directors) by the company during the period was:		
Production and service	191	171
Administration and other	342	288
	533	459

Directors

	Year ended 2021 €'000	Year ended 2020 €'000
Aggregate emoluments	579	572
Company contributions to defined contribution pension scheme	26	32
	605	604

During the period the company paid pension contributions of €26,000 (2020: €32,000) under a defined contribution scheme on behalf of the directors.

During the year 2 directors (2020: 2 directors) exercised options over shares of Thermo Fisher Scientific Inc.

In 2021 4 (2020: 3) directors were entitled to shares under a long-term incentive scheme.

Highest paid director	Year ended 2021 €'000	Year ended 2020 €'000
Total emoluments (excluding shares)	282	246
Company contributions to defined contribution pension scheme	13	12

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Net interest expense

Interest receivable and similar income	Year ended 2021 €'000	Year ended 2020 €'000
Bank interest receivable	—	1
Interest on defined benefit pension scheme assets	233	56
Interest receivable from group undertakings	2,142	1,862
Total interest income on financial assets not measured at fair value through profit or loss	2,375	1,919
Total interest receivable and similar income	2,375	1,919
<hr/>		
Interest payable and similar expenses	2021 €'000	2020 €'000
Interest payable to group undertakings	24,700	24,700
Finance costs/amortisation	584	289
Preference share dividend	140	134
Total interest payable and similar expenses	25,424	25,123
<hr/>		
Net interest expense	2021 €'000	2020 €'000
Total interest receivable and similar income	2,375	1,919
Total interest payable and similar expenses	(25,424)	(25,123)
Net interest expense	(23,049)	(23,204)

PATHEON UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2021**

9. Tax on profit

Tax charge included in profit and loss	Year ended 2021 €'000	Year ended 2020 €'000
	Note	
Current tax		
UK corporation tax on profits for the period	1,070	747
Adjustment in respect of previous periods	276	863
Total current tax	1,346	1,610
Deferred tax		
Origination and reversal of timing differences	1,432	1,546
Impact of changes in tax rates	(486)	(476)
Adjustments in respect of previous periods	2	28
Total deferred tax	948	1,098
Tax on profit	2,294	2,708
Tax charge/(credit) included in other comprehensive (expense)/ income		
	2021 €'000	2020 €'000
Deferred tax		
- Actuarial gain/ (loss) on defined benefit pension plans	1,569	(73)
Total tax charge/ (credit) included in other comprehensive income/ (expense)	1,569	(73)

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Tax on profit (continued)

Reconciliation of tax charge:

The tax assessed for the period is lower (2020: lower) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are outlined below:

	Year ended 2021 €'000	Year ended 2020 €'000
Profit before taxation	124,178	99,315
Profit multiplied by the standard rate of corporation tax in the UK 19% (2020: 19%)	23,594	18,870
Effects of:		
Expenses not deductible for tax purposes	205	146
Income not taxable	(86)	(164)
Short-term timing differences	(49)	—
Transfer pricing adjustments	1,267	1,267
Difference between current and deferred tax rates	(486)	(476)
Group relief claimed for nil charge	(22,378)	(17,679)
Share options	(49)	(147)
Adjustments in respect of previous periods	276	891
Total tax charge for the period	2,294	2,708

The company's profit for this accounting period are taxed at an effective rate of 19% (2020: 19%).

Factors that may affect future tax charges:

The UK headline corporation tax rate for the period was 19% (2020: 19.00%). In the Spring Budget on 3 March 2021 it was announced that the UK Corporation Tax rate would increase to 25% with effect from 1 April 2023 and was substantively enacted on 24 May 2021. Therefore at the balance sheet date deferred tax is measured at the rate that will be enacted or substantively enacted on the date when the underlying temporary differences are expected to unwind.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Intangible assets

	Computer software €'000
Cost	
At 1 January 2021	2,907
Additions	—
Disposals	(37)
At 31 December 2021	2,870
Accumulated amortisation	
At 1 January 2021	2,292
Charge for the period	128
Disposals	(37)
At 31 December 2021	2,383
Net book value	
At 31 December 2021	487
At 31 December 2020	615

The software intangible assets include the company's ERP and inventory management system.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Tangible assets

	Land and buildings €'000	Plant and machinery €'000	Fixtures and fittings €'000	Total €'000
Cost				
At 1 January 2021	47,259	159,543	13,152	219,954
Additions	20,022	88,626	2,495	111,143
Disposals	(10,676)	(36,911)	(1,495)	(49,082)
At 31 December 2021	56,605	211,258	14,152	282,015
Accumulated depreciation				
At 1 January 2021	38,291	71,034	7,942	117,267
Charge for the period	952	1,821	930	3,703
Impairment	—	265	—	265
Disposals	(10,676)	(36,170)	(1,159)	(48,005)
At 31 December 2021	28,567	36,950	7,713	73,230
Net book value				
At 31 December 2021	28,038	174,308	6,439	208,785
At 31 December 2020	8,968	88,509	5,210	102,687

Land and buildings

The net book value of land and buildings include €2,502,000 of freehold land as at 31 December 2021 (2020: €2,502,000).

The net book value of buildings comprises:

	2021 €'000	2020 €'000
Freehold	25,109	6,025
Short leasehold	427	441
	25,536	6,466

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Investments

	Subsidiary undertakings €'000
Cost as at 1 January 2021	539,496
Provision for impairment as at 1 January 2021	(51,438)
Charge for the year	—
Provision for impairment at 31 December 2021	(51,438)
Net book value as at 31 December 2021	488,058
Net book value as at 31 December 2020	488,058
Analysed as:	€'000
Patheon UK Pension Trustees Limited	—
Thermo Fisher Scientific (PN) UK LLC	22
Thermo Fisher Scientific (PN) UK Limited Partnership	2,131
Patheon Calculus Merger LLC	485,905
	488,058

As a result of the 2021 review it was decided to maintain the net carrying value of the investments. The directors believe that the net carrying value of the investments are supported by its future cash flows.

The recoverable amount was determined based on the value-in-use calculation. This calculation used post tax projections based on the financial expectations provided by the business and covering the next financial year and estimates for the following five financial years. Long term cashflows beyond this period are extrapolated using estimated long term growth rate of 1% as an estimate. The assumed post tax weighted average cost of capital of the remaining investments is 6%.

Having applied the above methodology and assumptions, the company has not recognised an impairment (2019: €Nil) during the year. The assumptions to which the value-in-use is most sensitive to are the discount rate and the year on year growth rate of Patheon U.S. Holdings Inc. A drop of 1% in the year on year growth rate or an increase in the discount rate of 1% would not result in an impairment of the investments.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Investments (continued)

The company's subsidiaries were as follows:

	Incorporated in	Share Class	Registered office	Percentage held	Activity
Patheon UK Pension Trustees Limited	UK	Ordinary	3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT, United Kingdom	100%	Dormant
Thermo Fisher Scientific (PN) UK LLC	US	Ordinary	1675 South State Street, Suite B, Dover, Delaware 19901, United States	100%	Trading
Thermo Fisher Scientific (PN) UK Limited Partnership	UK	N/A	1675 South State Street, Suite B, Dover, Delaware 19901, United States	99%	Holding company
Patheon Calculus Merger LLC*	US	Ordinary	1675 South State Street, Suite B, Dover, Delaware 19901, United States	100%	Holding company

The company also indirectly owns the following subsidiaries under Patheon Calculus Merger LLC.

	Incorporated in	Percentage held	Activity
Patheon Puerto Rico, Inc.*	Puerto Rico+	100 %	Trading
Patheon Puerto Rico Acquisitions Corporation **	Puerto Rico+	100 %	Holding company
Ceph International Corporation **	Puerto Rico+	100 %	Non-trading
Patheon U.S. Holdings Inc.*	US++	100 %	Holding company
Patheon Pharmaceuticals Inc ***	US++	100 %	Non-trading
Patheon Pharmaceutical Services Inc ***	US++	100 %	Trading
Patheon Banner U.S. Holdings Inc.***	US++	100 %	Holding company
Patheon Softgels Inc. ****	US++	100 %	Trading
Pharmacaps Mexicana S.A. de C.V.****	Mexico+++	100 %	Trading

Investments held via *Patheon Calculus Merger LLC **Patheon Puerto Rico, Inc

*** Patheon U.S. Holdings Inc. ****Patheon Banner U.S. Holdings Inc.

Registered office:

+ C/O CT Corporation System 361 San Francisco Street San Juan, Puerto Rico 00901

++1675 South Street, Suite B, Dover, DE, 19901 USA

+++ Circuito Centro Civico No. 27 Col. Ciudad Satélite Naucalpan de Juarez, Estado de México, México C.P. 53100

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Inventories

	2021 €'000	2020 €'000
Raw materials and engineering stores	900	671
Work in progress	—	6
	900	677

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

Inventories are stated after provisions for impairment of €3,113,000 (2020: €3,228,000).

14. Debtors

	2021 €'000	2020 €'000
Trade debtors	179,255	111,460
Provision for doubtful debts	(1,078)	(997)
Amounts owed by group undertakings	142,038	219,095
Other debtors, including contract assets	148,812	83,788
Deferred tax asset	37	2,554
Prepayments and accrued income	4,464	2,674
Taxes recoverable	5,187	2,523
	478,715	421,097

The inter-company loan to Patheon Holdings I B.V. of €5,233,000 (2020: €4,851,000) has a maturity date of 31 December 2025, with interest payable at the greater of LIBOR or 1%, plus an additional 2%.

The inter-company loan to Patheon I B.V. of €8,259,000 (2020: €8,259,000) has a maturity date of 28 June 2023, with interest payable at the greater of LIBOR or 1%, plus an additional 0.55%.

The inter-company loan to Patheon I B.V. of €120,000,000 (2020: €120,000,000) has a maturity date of 25 March 2022 and can also be collected on demand, with interest payable at the greater of EURIBOR or 1%, plus an additional 0.55%.

All inter-company loans are non-instalment and have the option after notifying the payee to prepay at any time all or any portion of the loan without penalty.

All other amounts owed by group undertakings are unsecured and are repayable on demand.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

15. Creditors: amounts falling due within one year

	2021	2020
	€'000	€'000
Trade creditors	17,729	9,410
Amounts owed to group undertakings	539,696	115,999
Finance leases	44	63
Taxation and social security	1,333	1,334
Accruals and deferred income	103,009	60,770
	661,811	187,576

The company has a letter of credit from Barclays which contains guarantees in favour of HMRC for £500,000 (2020: Barclays £500,000).

The inter-company loan from Thermo Fisher Scientific (PN-I) SRL of €360,588,000 (2020: €360,588,000) has a maturity date of 29th August 2022, with interest payable at 6.85%. The company has the option after notifying the payee to prepay at any time all or any portion of the loan. On 7th October 2020 this loan was reissued as a EUROBOND loan retaining the same conditions as the previous intercompany loan to the same group entity based in Barbados. Effective 31 December 2020 interest on this loan of €100,993,000 was converted to a loan. This converted loan did not bear interest and was settled on 29 September 2021. In 2020 these amounts were in Creditors: amounts falling due after more than one year. Other amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

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

	2021	2020
	€'000	€'000
Deferred income	122,731	80,529
Preference shares	2,554	2,554
Finance leases	—	37
Amounts owed to group undertakings	—	461,581
	125,285	544,701

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

The preference shares were issued at par. They carry a dividend right of 6% per annum payable half yearly in April and October. If at the time the dividends become payable there are insufficient profits the dividend will cease to be due and payable. There are no specific repayment terms except on a winding up of the company where the preference shareholders have the right to receive, in preference to ordinary shareholders, £1 per share plus any accrued dividend. The preference shares carry voting rights at meetings of 1 vote per share whereas the ordinary shares carry 100 votes per share. Preference shares have been classified as debt rather than equity on the basis that dividend payments are non-discretionary.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. Pensions and similar obligations

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

	2021	2020
	€'000	€'000
Defined benefit scheme surplus	22,436	15,603

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

	2021	2020
	€'000	€'000
Defined benefit scheme		
- Past service cost	—	6
- Administration expenses	373	481
Defined contribution scheme	1,612	1,368
Total charge in operating profit	1,985	1,855
Defined benefit scheme		
- Net interest income	(233)	(56)
Total charge	1,752	1,799

The total charge for defined contribution plans was €1,612,000 (2020: €1,368,000).

The liability at the period end for the contributions payable to the defined contribution scheme is €306,000 (2020: €5,000).

Defined benefit section

The Patheon UK Pension Plan, a defined benefit scheme, was established by the company following the acquisition by Patheon UK Limited of the Hoechst Marion Roussel Swindon facility. The valuation of the scheme for these financial statements has been based on the most recent full actuarial valuation as at 31 March 2021. Scheme assets are stated at their market values at the respective balance sheet dates.

The total cost of the Patheon UK Pension Plan contributions to the scheme amounted to €Nil (2020: €27,530,000). An amount of €nil remains outstanding for the Patheon UK Pension Plan group to the scheme at 31 December 2021 (2020: €nil). The company does not expect to pay into the pension scheme in the year ended 31 December 2022.

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. Pensions and similar obligations (continued)

Principal actuarial assumptions at the balance sheet date

	2021	2020	2019
	%	%	%
Discount rate	1.98%	1.40%	2.08%
Price inflation (RPI)	3.20%	2.82%	3.00%
Price inflation (CPI)	2.60%	2.02%	2.00%
Pension increases	3.13%	2.79%	3.00%

The mortality assumptions used were as follows:

	2021	2020
	Years	Years
Longevity at age 65 for current pensioners		
- Men	21.6	21.6
- Women	23.3	23.5
Longevity at age 65 for future pensioners		
- Men	22.9	22.9
- Women	24.8	25.1

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

Analysis of the defined benefit obligation

	2021	2020
	€'000	€'000
Present value of funded defined benefit obligation	94,479	91,389

PATHEON UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2021**

17. Pensions and similar obligations (continued)

Reconciliation of scheme assets and liabilities

	Assets €'000	Liabilities €'000	Total €'000
At 1 January 2021	106,992	(91,389)	15,603
Benefits paid	(1,855)	1,855	—
Administration expenses	(373)	—	(373)
Interest expense	—	(1,367)	(1,367)
Actuarial gain	2,136	3,611	5,747
Expected return on scheme assets	1,600	—	1,600
Exchange differences	8,415	(7,189)	1,226
At 31 December 2021	116,915	(94,479)	22,436

0

Total cost recognised as an expense

	2021 €'000	2020 €'000
Past service cost	—	6
Administration expenses	373	(481)
Interest expense on pension liability	1,367	1,685
Expected return on scheme assets	(1,600)	(1,741)
	140	(531)

**Total income/(cost) recognised in the Statement of
Comprehensive Income**

	2021 €'000	2020 €'000
Gain on assets during the period	2,136	9,281
Change in assumptions for the valuation of liabilities	3,611	(9,970)
	5,747	(689)

Actual return on assets

	2021 €'000	2020 €'000
Actual return on scheme assets	3,736	11,022

PATHEON UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2021**

17. Pensions and similar obligations (continued)

The fair value of the plan assets was:

	2021 €'000	2021 %	2020 €'000	2020 %	2019 €'000	2019 %
Growth funds	64,872	55%	25,678	24%	23,554	31%
Matching funds	51,516	44%	58,846	55%	51,667	68%
Cash	527	1%	22,468	21%	760	1%
Total scheme assets	116,915	100%	106,992	100%	75,981	100%

The company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to €1,612,000 (2020: €1,368,000). The liability at the period end for the contributions payable to the defined contribution scheme is €306,000 (2020: €5,000).

18. Deferred tax asset

	2021 €'000 <i>Recognised</i>	2020 €'000 <i>Recognised</i>
Accelerated capital allowances	2,566	2,196
Pension timing differences	(2,894)	45
Other timing differences	365	313
Deferred tax asset	37	2,554

Provision for deferred taxation	Deferred tax asset €'000
At 1 January 2021	2,554
Credit to profit and loss account	(946)
Debit to other comprehensive income	(1,569)
Adjustment in respect of prior years	(2)
At 31 December 2021	37

There are no unrecognised DTA's in 2021 (2020:nil)

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

19. Financial Instruments

The company has the following financial instruments:

	Note	2021 €'000	2020 €'000
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors	14	179,255	111,460
– Amounts owed by group undertakings	14	142,038	219,095
– Other debtors	14	148,812	83,788
		470,105	414,343
Financial liabilities measured at amortised cost			
– Trade creditors	15	17,729	9,410
– Amounts owed to group undertakings	15-16	539,695	577,580
– Accruals	15	16,687	14,304
– Finance leases	15-16	44	100
– Preference shares	16	2,554	2,554
		576,709	603,948

Derivative financial instruments

The company has no derivative financial instruments (2020: none).

20. Called up share capital

	2021 €'000	2020 €'000
Allotted and fully paid 100,004 (2020: 100,004) ordinary shares of £1 each	128	128
	128	128

The directors did not propose a dividend in the year (2020: €Nil).

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

21. Contingent assets and liabilities

At 31 December 2021, the company had letters of credit totalling £500,000 (2020: £500,000) in favour of HM Revenue and Customs.

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

22. Capital and other commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to €19,729,000 (2020: €31,437,000).

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

	2021	2020
	€'000	€'000
Land and buildings		
Within one year	199	—
Within two to five years	795	—
After five years	1,000	—
	1,994	—
Plant and machinery and vehicles		
Within one year	17	28
Within two to five years	1	18
After five years	—	—
	18	46

The company has no other off-balance sheet arrangements (2020: none).

23. Related party transactions

See note 7 for disclosure of the directors' remuneration.

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

PATHEON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

24. Controlling parties

The immediate parent undertaking of the company is Thermo Fisher Scientific (PN1) UK Limited, a company incorporated in the United Kingdom whose registered office is 3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

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

25. Post balance sheet events

Management is aware of the current conflict between Russia and Ukraine and have performed an analysis to determine whether this situation impacts the company's operations. Management have concluded that the current conflict has not impacted the operational activities however continues to closely monitor the situation.