

Company registration number: 3166262

MW Encap (Holdings) Limited

Financial statements

31 December 2015

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MW Encap (Holdings) Limited

Company information

Directors	Stephen Brown John De Grandpre John L Shroyer Guido Driesen Amit M Patel
Secretary	John De Grandpre
Company number	3166262
Registered office	Suite A 6 Honduras Street London England EC1Y 0TH
Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

MW Encap (Holdings) Limited

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MW Encap (Holdings) Limited

Strategic report Year ended 31 December 2015

Main Business Objectives

The group focuses on its core technology of liquid filled hard capsules. The group is a world leader in the technology and has the expertise, equipment and facilities to develop liquid filled hard capsule products and manufacture under GMP conditions for clinical and commercial (licensed) pharmaceutical products. The main business objective is to grow the Development business (number and value of client projects) and to retain manufacturing contracts for products on commercialisation.

Business Model/Strategy

The business has been in operation since 1989 as a manufacturing operation. Since 2005 the strategy has been to build the Development services (values and number of client projects) and thus increase the opportunity to establish new commercial product manufacturing contracts for the group as these products progress through the development and registration process. A number of products are in the pipeline and scheduled to become commercial products over the next 2-3 years.

Financial Risk Management and Policies

The group's operations expose it to a variety of financial risks.

The group has a long history with its commercial clients and there is no history of bad debts. No single commercial client is greater than 10% of total revenues. Nevertheless, the group maintains contact with all commercial clients and monitors for any signs of change of control or instability.

The group's Development services business is split across a relatively large number of clients (>30). There are two development customers in the late stage of the development process which currently provide ~ 13% of total revenues.

Credit Risk/Cashflow Risk - Trade debtors are managed in respect of credit and cashflow risk by policies concerning the credit offered to clients and regular monitoring of amounts outstanding for both time and credit limits.

Liquidity Risk - Trade creditors' liquidity risk is managed ensuring sufficient funds are available to meet amounts due.

Financial Instrument Risk - The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives.

Review of the Business

As included in the Statement of income and retained earnings, the turnover for the year under review amounted to £11,099,858 (2014: £9,701,347). This figure consists of the value of development and manufacturing services to clients. The loss before taxation amounted to £537,154 (2014: profit £1,126,116 (12%)).

MW Encap (Holdings) Limited

Strategic report (continued)
Year ended 31 December 2015

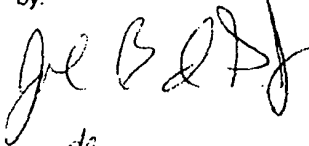
Environmental, Health and Safety (EHS)

Compliance with laws, regulations and other applicable EHS requirements is a top priority for the group and its parent company Capsugel SA. While compliance is a critical starting point, the group is also focused on continually enhancing all aspects of our business, including EHS. To that end the group seeks to achieve the highest standards of EHS performance, which includes three key elements:

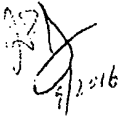
1. Fully compliant operations
2. Zero EHS incidents
3. Environmentally sustainable operations, products and services.

The group has a written policy covering each of the above three elements and it is the group's Site Management responsibility to implement this policy and Capsugel SA EHS Management System

This report was approved by the board of directors on 22 September 2016 and signed on behalf of the board by:



de
John De Grandpre
Secretary



MW Encap (Holdings) Limited

Directors' report Year ended 31 December 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

Directors

The directors who served the company during the year were as follows:

Stephen Brown
John De Grandpre
John L Shroyer
Guido Driesen
Amit M Patel

Dividends

The directors do not recommend the payment of a dividend.

Future developments

The group are anticipating three commercial product approvals/launches in 2016 and continuing growth in development projects, particularly highly potent (HP) products. Construction of additional QC laboratory space and the upgrade of Cleanroom 3 to handle HP products will be completed in 2016.

Financial Instruments

Details of financial instruments are provided in the strategic report.

Disclosure of information in the strategic report

The information relating to main business objectives, business model/strategy, financial risk management and policies, review of the business, environmental and health and safety policies have been included in the Strategic Report in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

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

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

MW Encap (Holdings) Limited

Directors' report (continued)
Year ended 31 December 2015

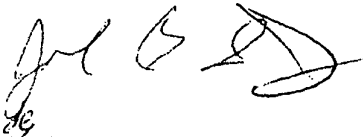
Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487(2) of the Companies Act 2006.

This report was approved by the board of directors on 22 September 2016 and signed on behalf of the board by:


i/w.b

John De Grandpre
Director
Registered Office
Suite A
6 Honduras Street
London
England
EC1Y 0TH

MW Encap (Holdings) Limited

**Independent auditor's report to the shareholders of
MW Encap (Holdings) Limited
Year ended 31 December 2015**

We have audited the financial statements of MW Encap (Holdings) Limited for the year ended 31 December 2015 on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

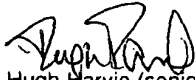
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

MW Encap (Holdings) Limited

**Independent auditor's report to the shareholders of
MW Encap (Holdings) Limited (continued)
Year ended 31 December 2015**



Hugh Harvie (senior statutory auditor)

For and on behalf of
KPMG LLP
Chartered Accountants and Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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MW Encap (Holdings) Limited

**Consolidated statement of income and retained earnings
Year ended 31 December 2015**

	Note	Group 2015 £	Group 2014 £
Turnover	3	11,099,858	9,701,347
Cost of sales		(4,207,467)	(3,179,034)
Gross profit		6,892,391	6,522,313
Distribution costs		(244,128)	(217,860)
Administrative expenses		(7,539,112)	(5,483,637)
Other operating income	4	357,433	310,774
Operating (loss)/profit	5	(533,416)	1,131,590
Other interest receivable and similar income	8	1,565	4,701
Interest payable and similar charges	9	(5,303)	(10,175)
(Loss)/profit on ordinary activities before taxation		(537,154)	1,126,116
Tax on (loss)/profit on ordinary activities	10	266,860	(183,646)
(Loss)/profit for the financial year		(270,294)	942,470
Retained earnings at the start of the year		5,595,159	4,652,689
Retained earnings at the end of the year		5,324,865	5,595,159

All the activities of the group are from continuing operations.

The notes on pages 10 to 25 form part of these financial statements.

MW Encap (Holdings) Limited

**Consolidated and company statement of financial position
31-December 2015**

	Note	2015		2014	
		Group £	Company £	Group £	Company £
Fixed assets					
Intangible fixed assets	11	739,213	-	781,250	-
Tangible assets	12	2,750,991	-	3,388,696	-
Fixed asset investments	13	-	814,875	-	814,875
		3,490,204	814,875	4,169,946	814,875
Current assets					
Stocks	14	864,315	-	666,541	-
Debtors	15	5,501,354	-	1,905,509	-
Cash at bank and in hand		1,466,104	-	2,001,776	-
		7,831,773	-	4,573,826	-
Creditors: amounts falling due within one year	16	(5,090,995)	-	(2,126,106)	-
Net current assets		2,740,778	-	2,447,720	-
Total assets less current liabilities		6,230,982	814,875	6,617,666	814,875
Creditors: amounts falling due after more than one year	17	(22,254)	-	(58,767)	-
Provisions for liabilities		(68,988)	-	(148,865)	-
Net assets		6,139,740	814,875	6,410,034	814,875
Capital and reserves					
Called up share capital	22	146,615	146,615	146,615	146,615
Share premium account	23	668,260	668,260	668,260	668,260
Profit and loss account	23	5,324,865	-	5,595,159	-
Shareholders funds		6,139,740	814,875	6,410,034	814,875

These financial statements were approved by the board of directors and authorised for issue on 22 September 2016, and are signed on behalf of the board by:

Stephen Brown
Director

Stephen Brown

Company registration number: 3166262

The notes on pages 10 to 25 form part of these financial statements.

MW Encap (Holdings) Limited

**Statement of cash flows
Year ended 31 December 2015**

	2015 £	2014 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(270,294)	942,470
<i>Adjustments for:</i>		
Depreciation of tangible assets	759,487	737,217
Amortisation of intangible assets	42,037	-
Other interest receivable and similar income	(1,565)	(4,701)
Interest payable and similar charges	5,303	10,175
Gain/(loss) on disposal of tangible assets	-	1,291
Tax on (loss)/profit on ordinary activities	(266,860)	183,646
<i>Changes in:</i>		
Stocks	(197,774)	(183,934)
Trade and other debtors	(3,131,777)	1,450,804
Trade and other creditors	1,342,717	475,537
Cash generated from operations	(1,718,726)	3,612,505
Interest paid	(5,303)	(10,175)
Interest received	1,565	4,701
Tax paid	(277,085)	(298,201)
Net cash (used in)/from operating activities	<u>(1,999,549)</u>	<u>3,308,830</u>
Cash flows from investing activities		
Purchase of tangible assets	(502,180)	(1,340,472)
Proceeds from sale of tangible assets	380,398	-
Purchase of intangible assets	-	(781,250)
Net cash used in investing activities	<u>(121,782)</u>	<u>(2,121,722)</u>
Cash flows from financing activities		
Proceeds from loans from group undertakings	1,637,129	413,287
Payment of finance lease liabilities	(51,470)	(94,667)
Net cash from financing activities	<u>1,585,659</u>	<u>318,620</u>
Net increase/(decrease) in cash and cash equivalents	(535,672)	1,505,728
Cash and cash equivalents at beginning of year	<u>2,001,776</u>	<u>496,048</u>
Cash and cash equivalents at end of year	<u>1,466,104</u>	<u>2,001,776</u>

MW Encap (Holdings) Limited

**Notes to the financial statements
Year ended 31 December 2015**

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. In the transition to FRS 102 from old UK GAAP, the group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and the financial performance of the group are given in note 27.

Business combinations:

Business combinations that took place prior to 1 January 2014 have not been restated.

Lease arrangements:

In order to determine whether an arrangement contains a lease, the group and the company had analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;

No separate parent company cash flow statement with related notes is included; and

Key management personnel compensation has not been included a second time.

The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the group and the company have not retrospectively changed their accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

MW Encap (Holdings) Limited

Notes to the financial statements (continued) Year ended 31 December 2015

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated statement of income and retained earnings from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own statement of income and retained earnings.

In the parent financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Turnover

Turnover comprises the value of production goods and development contracts supplied by the company, net of value added tax and trade discounts. Revenue from promotion sales is recognised at sales invoice date when the company has delivered products to customers. Revenue from development sales is predominately based on milestone stage payments which reflect the value of work done for customers, spread over the period of the projects. The amount of profit attributable to the stage of completion of the development sales is recognised when the outcome of the milestone can be foreseen with reasonable certainty. Provision is made for any losses as soon as they are foreseen.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

Intangible assets

Intangible fixed assets are held at cost and amortised over the estimated useful life of the intangible.

If there is an indication that there has been a significant change in the amortisation rate, useful life or residual value of intangible assets, the amortisation is revised prospectively to reflect the new estimates.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the estimated time to generate revenues as follows:

Patents, trademarks and licences	Straight line over 223 months
----------------------------------	-------------------------------

Research and development

Research expenditure is written off in the year in which it is incurred.

Development expenditure is also written off in the year in which it is incurred.

Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Short leasehold property	-	Straight line over the length of the lease
Plant and machinery	-	10%-50% Straight line
Fittings fixtures and equipment	-	15%-30% Straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

Hire purchase and finance leases

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated as above. Obligations under such agreements are included in creditors net of finance charge allocated to future periods.

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Capital based government grants are included within accruals and deferred income in the Statement of financial position and credited to the Statement of income and retained earnings over the estimated useful economic lives of the assets to which they relate.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

Basic financial instruments

Trade and other debtors/creditors:

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Going concern

The directors have prepared cash flow forecasts for the group which cover a period of at least twelve months from the date of approval of these financial statements. These cash flow forecasts indicate that the group will generate enough cash to be able to meet its liabilities as they fall due and accordingly the directors have prepared the financial statements on the going concern basis.

Expenses

Interest receivable and interest payable:

Interest payable and similar charges include interest payable and unwinding of the discount of provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in the statement of income and retained earnings as they accrue, using the effective interest method. Dividend income is recognised in the statement of income and retained earnings on the date the group's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

3. Turnover

Turnover arises from:

	2015	2014
	£	£
Production	3,719,103	2,705,740
Development	7,380,755	6,995,607
	11,099,858	9,701,347

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

Geographical markets

	2015	2014
	£	£
UK	2,226,512	3,126,442
Europe	3,376,634	2,348,404
Rest of World	5,496,712	4,226,501
	11,099,858	9,701,347

4. Other operating income

	2015	2014
	£	£
Government grants	14,470	14,407
Other operating income	342,963	296,367
	357,433	310,774

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

5. Expenses and auditor's remuneration

Operating (loss)/profit

	2015	2014
	£	£
Amortisation of intangible assets	42,037	-
Depreciation of tangible assets	759,487	737,217
Total impairment losses recognised in:		
Administrative expenses	380,399	-
Loss on disposal of tangible assets	-	1,291
Operating lease rentals	203,539	181,757
Foreign exchange differences	48,671	4,583
Defined contribution plans expense	255,209	177,670
Fees payable for the audit of the financial statements	18,474	17,000

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2015	2014
	108	93

The aggregate payroll costs incurred during the year were:

	2015	2014
	£	£
Wages and salaries	3,979,680	3,072,209
Social security costs	395,751	262,711
Other pension costs	255,209	177,670
	4,630,640	3,512,590

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2015	2014
	£	£
Remuneration	210,334	192,857
Company contributions to pension schemes in respect of qualifying services	20,518	20,525
	230,852	213,382

The number of directors who accrued benefits under company pension plans was as follows:

	2015	2014
	Number	Number
Defined contribution plans	1	1

8. Other interest receivable and similar income

	2015	2014
	£	£
Bank deposits	1,565	4,701

9. Interest payable and similar charges

	2015	2014
	£	£
Finance leases and hire purchase contracts	5,303	10,175

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

10. Tax on (loss)/profit on ordinary activities

Major components of tax (income)/expense

	2015 £	2014 £
Current tax:		
UK current tax expense	80,222	224,541
Adjustments in respect of previous periods	(267,205)	(44,232)
Total UK current tax	(186,983)	180,309
Total current tax	(186,983)	180,309
Deferred tax:		
Origination and reversal of timing differences	(79,877)	3,337
Tax on (loss)/profit on ordinary activities	(266,860)	183,646

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the group's future current tax charge accordingly.

Reconciliation of tax (income)/expense

A reconciliation is given below:

	2015 £	2014 £
(Loss)/profit for the financial year	(270,294)	942,470
Tax on (Loss)/profit on ordinary activities	(266,860)	183,646
(Loss)/profit on ordinary activities before taxation	(537,154)	1,126,116
(Loss)/profit on ordinary activities by rate of tax of 20.25% (2014: 22.49%)	(108,752)	242,036
Adjustments in respect of prior periods	(267,205)	(44,232)
Effect of expenses not deductible for tax purposes	164,960	10,340
Effect of capital allowances and depreciation	(55,863)	(23,619)
R & D relief enhancement	-	(879)
Tax on (loss)/profit on ordinary activities	(266,860)	183,646

MW Encap (Holdings) Limited

**Notes to the financial statements (continued)
Year ended 31 December 2015**

11. Intangible assets

	Patents, trademarks & licences £
Group	
Cost	
At 1 January 2015 and 31 December 2015	781,250
Amortisation	
At 1 January 2015	
Charge for the year	42,037
At 31 December 2015	42,037
Carrying amount	
At 31 December 2015	739,213
At 31 December 2014	781,250

12. Tangible assets

	Short leasehold property £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Group				
Cost				
At 1 January 2015	1,246,632	6,674,378	324,034	8,245,044
Additions	214,623	245,825	41,732	502,180
Disposals	(15,391)	(2,086,598)	(212,868)	(2,314,857)
At 31 December 2015	1,445,864	4,833,605	152,898	6,432,367
Depreciation				
At 1 January 2015	556,069	4,057,967	242,312	4,856,348
Charge for the year	117,805	607,312	34,370	759,487
Disposals	(10,613)	(1,719,181)	(204,665)	(1,934,459)
At 31 December 2015	663,261	2,946,098	72,017	3,681,376
Carrying amount				
At 31 December 2015	782,603	1,887,507	80,881	2,750,991
At 31 December 2014	690,563	2,616,411	81,722	3,388,696

All tangible fixed assets relate to the subsidiary, MW Encap Limited.

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

Obligations under finance leases

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery
	£
At 31 December 2015	38,366
At 31 December 2014	103,910

13. Fixed asset investments

	Shares in group undertakings	Loans to group undertakings	Total
	£	£	£
Cost or valuation			
At 31 December 2015 and 1 January 2015	301,000	513,875	814,875
Carrying amount			
At 31 December 2015	301,000	513,875	814,875
At 31 December 2014	301,000	513,875	814,875

Investments in group undertakings

	Country of incorporation	Class of share	Percentage of shares held
Subsidiary undertakings			
MW Encap Limited	England	Ordinary	100%

14. Stocks

	Group 2015	Group 2014
	£	£
Raw materials	864,315	559,764
Work in progress	-	106,777
	864,315	666,541

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

15. Debtors

	Group 2015 £	Group 2014 £
Trade debtors	2,953,617	1,550,237
Amounts owed by group undertakings	511,077	16,094
Prepayments and accrued income	174,041	151,572
Other debtors	1,862,619	187,606
	<u>5,501,354</u>	<u>1,905,509</u>

16. Creditors: amounts falling due within one year

	Group 2015 £	Group 2014 £
Trade creditors	880,006	325,983
Amounts owed to group undertakings	2,050,416	413,287
Accruals and deferred income	1,562,492	1,105,139
Social security and other taxes	447,684	91,081
Obligations under finance leases and hire purchase contracts	35,513	50,470
Other creditors	114,884	140,146
	<u>5,090,995</u>	<u>2,126,106</u>

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

	Group 2015 £	Group 2014 £
Obligations under finance leases and hire purchase contracts	<u>22,254</u>	<u>58,767</u>

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

18. Obligations under finance leases and hire purchase contracts

Company lessee

The total future minimum lease payments under hire purchase and finance lease agreements are as follows:

	Group	Group
	2015	2014
	£	£
Not later than 1 year	35,513	50,470
Later than 1 year and not later than 5 years	22,254	58,767
	57,767	109,237
Present value of minimum lease payments	57,767	109,237

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2015	2014
	£	£
Included in provisions	68,988	148,865

The deferred tax account consists of the tax effect of timing differences in respect of:

	2015	2014
	£	£
Accelerated capital allowances	68,988	148,865

Due to the drop in the corporation tax rates as detailed in note 10 it is expected the deferred taxation liability will reduce in the next reporting period.

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss in relation to defined contribution plans was £255,209 (2014:£177,670).

21. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2015	2014
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	6,967,458	3,907,286
Financial liabilities		
Financial liabilities measured at amortised cost	(5,627,124)	(2,698,748)

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

22. Called up share capital
Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £ 1.00 each	146,615	146,615	146,615	146,615

23. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

24. Operating leases

The company as lessee

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

	2015	2014
	£	£
Not later than 1 year	299,863	195,053
Later than 1 year and not later than 5 years	1,184,543	719,483
Later than 5 years	799,034	77,954
	<u>2,283,440</u>	<u>992,490</u>

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

25. Related party transactions

Group

Identity of related parties with which the group has transacted:

As a member of the MW Encap (Holdings) Limited group, the company is exempt from the requirements of FRS 102.33 to disclose transactions with other members of the group headed by MW Encap (Holdings) Limited.

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2015	2014	2015	2014
	£	£	£	£
Capsugel Belgium NV	(294,771)	(405,301)	(1,464,844)	(102,944)
Capsugel Holdings US Inc	(529,499)	32,932	(47,448)	(310,343)
Capsugel France SAS	47,009	16,094	-	16,094
Capsugel Australia PYT Ltd	(44,462)	-	(44,462)	-
Bend Research	17,415	-	17,415	-

Company

Identity of related parties with which the company has transacted:

As a member of the MW Encap (Holdings) Limited group, the company is exempt from the requirements of FRS 102.33 to disclose transactions with other members of the group headed by MW Encap (Holdings) Limited. There were no transactions with other related parties.

26. Controlling party

The ultimate parent undertaking is Capsugel SA, a company registered in Luxembourg.

The largest group in which the results of the company are consolidated is that headed by Capsugel SA.

The consolidated financial statements of this group are not available to the public.

27. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company and the group transitioned to FRS 102 on 1 January 2014.

Reconciliation of equity

No transitional adjustments were required.

Reconciliation of profit or loss for the year

No transitional adjustments were required.

MW Encap (Holdings) Limited

Notes to the financial statements (continued)
Year ended 31 December 2015

28. Accounting estimates and judgements

Key sources of uncertainty:

The company makes estimates and assumptions concerning the future. The resulting estimate 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 outlined below.

Development contracts:

Revenue and cost of sales in relation to development contracts are estimated based on the stage of completion. This estimate is reflected in the margin recognised on development contracts and in the amounts recoverable on long term contracts. Amounts recoverable on contracts are kept under constant review.

Detailed unaudited income statement
Year ended 31 December 2015

	2015 £	2014 £
Turnover		
Production	3,719,103	2,705,740
Development	7,380,755	6,995,607
	11,099,858	9,701,347
Cost of sales		
Opening work in progress	(559,764)	(3,955)
Opening raw materials	(106,777)	(1,602,418)
Materials	(1,497,611)	-
Wages and salaries	(1,619,602)	(1,283,209)
Carriage inwards	(128,454)	(154,189)
Waste disposal	(51,289)	(35,310)
Material testing	(236,020)	(252,224)
Laboratory consumables	(507,000)	(336,312)
Licences and regulatory visits	(168,048)	(177,957)
University funding	(197,217)	-
	(5,071,782)	(3,845,574)
Closing stock and work in progress	864,315	666,540
	4,207,467	3,179,034
Gross profit	6,892,391	6,522,313
Gross profit percentage	62.1%	67.2%
Overheads		
Distribution costs	(244,128)	(217,860)
Administrative expenses	(7,539,112)	(5,483,637)
	(7,783,240)	(5,701,497)
Other operating income		
Government grants	14,470	14,407
Sundry income	20,259	296,367
R & D expenditure credit	322,704	-
	357,433	310,774
Operating (loss)/profit	(533,416)	1,131,590
Operating (loss)/profit percentage	4.8%	11.7%
Other interest receivable and similar income	1,565	4,701
Interest payable and similar charges	(5,303)	(10,175)
(Loss)/profit on ordinary activities before taxation	(537,154)	1,126,116

Detailed unaudited income statement (continued)

	2015	2014
	£	£
Overheads		
Distribution costs		
Service charges	-	(217,860)
Marketing and advertising	(244,128)	-
	(244,128)	(217,860)
Administrative expenses		
Wages and salaries	(2,152,428)	(1,598,587)
Directors' remuneration	(207,650)	(190,413)
Employer's NI contributions	(395,751)	(262,711)
Directors pension costs - administrative costs	(20,518)	(20,525)
Staff pension costs - administrative costs	(234,691)	(157,145)
Staff training	(33,302)	(20,558)
Recruitment expenses	(84,434)	(57,708)
Staff healthcare	(41,476)	(35,722)
Intercompany charges	(855,928)	(732,911)
Rent	(187,276)	(168,332)
Rates	(156,228)	(101,939)
Service charges	(17,397)	(11,729)
Insurance	(31,609)	(41,233)
Leasing of plant and machinery	(3,758)	(2,907)
Leasing of office equipment	(12,505)	(10,518)
Light and heat	(421,641)	(404,175)
Cleaning	(107,874)	(47,297)
Repairs and maintenance	(294,173)	(289,537)
Printing, postage and stationery	(22,808)	(25,606)
Telephone	(32,831)	(32,863)
Computer costs	(161,632)	(36,717)
Hire of equipment	(10,919)	(21,345)
Travelling and hotels	(112,821)	(156,416)
Entertaining	(34,647)	(31,704)
Legal and professional	(449,415)	(108,094)
Auditors remuneration	(18,474)	(17,000)
Bank charges	(7,640)	(7,824)
Bad debt provision	(64,721)	(15,822)
Loss on exchange	(48,671)	(4,583)
General expenses	(12,608)	(26,703)
Subscriptions	(11,208)	(9,492)
Royalties paid	(110,155)	(97,013)
Amortisation of intangible assets	(42,037)	-
Depreciation of tangible assets	(759,487)	(737,217)
Impairment of tangible assets	(380,399)	-
(Gain)/loss on disposal of tangible assets	-	(1,291)
	(7,539,112)	(5,483,637)