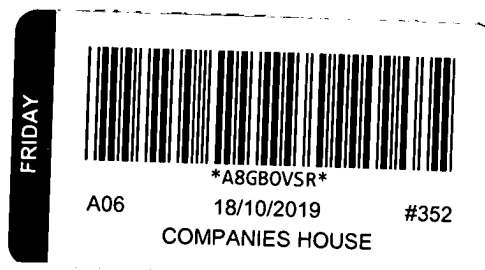


Company Registration No. 02655166 (England and Wales)

**COVANCE CLINICAL RESEARCH UNIT LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**



# COVANCE CLINICAL RESEARCH UNIT LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R S Pringle G A Eisenberg S D Van Der Vaart
<b>Company number</b>	02655166
<b>Registered office</b>	Springfield House Hyde Street Leeds LS2 9LH
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

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# COVANCE CLINICAL RESEARCH UNIT LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present the strategic report together with the audited financial statements for the year ended 31 December 2018.

#### Principal activities

The principal activity of the company is to provide a wide range of contract biological and chemical research services, primarily servicing the biopharmaceutical industries.

#### Review of the business

The Clinical Pharmacological Services (CPS) business remains a strong growth area which is demonstrated by a continued increase in clinic occupancy.

During 2018 the Early Clinical Development (ECD) division transferred to the Late Stage Business, as it brings it into alignment with the therapeutic areas and thus enhances further growth. However, there has been a general increase across the various therapeutic areas giving rise to the increase in operating profit.

The Company's ultimate parent company has applied the recent changes in the US GAAP Revenue Recognition Standard to its consolidated financial statements. Whilst the Company's statutory accounts are prepared under UK GAAP, the Directors have taken the opportunity to review the estimates applied to the Company's recognition of revenue and costs in its contractual arrangements. This review has led to the financial performance for the year being ahead of that expected under the previous estimates applied by the Directors.

The company continues to follow a growth strategy backed by scientific credentials. This has helped the company maintain a strong position within the industry.

#### Key performance indicators

	2018 £000	2017 £000	Movement %
Turnover	40,854	29,639	37.8
Operating profit	10,947	10,314	6.1
Trade debtors	4,815	9,577	(49.7)
Unbilled receivables	7,689	6,361	20.9
Income in advance	13,324	12,768	4.4
Orders	23,766	99,290	(76.1)
Average number of employees	273	286	(4.5)

#### Principal risks and uncertainties

The company's activities expose it to financial risks including changes in foreign currency exchange rates and interest rates. The company has in place risk management policies that seek to limit the adverse effect of these risk factors on the financial performance of the company. A description of those risks and the risk management policies are given below.

#### Credit risk

The company's credit risk is primarily attributable to its trade debtors and unbilled receivables. The amount presented in the Statement of Financial Position is net of allowances for doubtful debts, estimated by management based on prior experience, the current economic environment or specific customer issues. The company has implemented policies that require appropriate credit checks on potential customers or review of existing customer credit history before a sale is made.

#### Interest rate risk

Interest rate risks, are limited to cash balances and the defined benefit pension scheme. The pension scheme trustees meet on a regular basis to review the scheme. The directors feel this is an appropriate process to mitigate this risk.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **Foreign exchange risk**

The company operates internationally and as such not all contracts will be in the company's functional currency. Contracts are typically long term and are forecasted to return a certain level of profit. Fluctuations in currency exchange rates may have an impact on the forecasted profit. Structured billing schedules are agreed to help mitigate fluctuations and management consider this to be an acceptable level of risk.

#### **Business risk**

There are risks and uncertainties relevant to the company's business, financial condition and the results of operations which may affect future performance. The factors listed below are amongst those which could cause its actual results to differ materially from expected or historical results.

#### *Operational failure*

The company conducts clinical development activities for the international biopharmaceutical industry. These projects involve testing of small patient population and are complex in nature. A major operational failure resulting in a death or in incorrect study information being submitted to a customer could result in significant damage to its reputation which is critical in winning new business and also the cost of additional work to correct the project. The company has a high degree of focus on maintaining operational processes and controls to ensure that it mitigates the risk of operational failures.

#### *Fixed price nature of contracts*

A significant number of the company's contracts with its customers include a fixed price for an agreed scope of work. Failure to adequately price contracts or cost overruns during delivery of projects can have an effect on operating results. Management closely monitor the running of trial projects to ensure they are in line with budgets and targets.

#### *Governmental regulations*

Failure to comply with the broad range of regulatory controls around the testing and approval of healthcare products could result in the termination of ongoing research, or the disqualification of data for submission to regulatory authorities.

#### *Recruitment of qualified employees*

The success of the company's business depends on its ability to attract and retain qualified professional, scientific and technical staff. The company believes that its strong reputation is an advantage in attracting employees. In addition, the company believes the wide range of clinical trials in which it participates allows it to offer broad experience to existing and prospective employees.

#### *Reliance on information technology*

The company is reliant on information technology systems. Any disruption to these systems due to internal or external factors could materially affect the company's operations. The company maintains a number of information technology security measures to mitigate the threat.

#### *UK departure from the European Union*

On June 23, 2016, the UK held a referendum in which voters approved an exit from the European Union ('EU'), commonly referred to as Brexit. Brexit has caused significant disruption and uncertainty in the UK and worldwide business communities and has resulted in volatile currency exchange fluctuations.

The UK Parliament rejected the draft legislation detailing the terms of the UK's exit from the EU in early 2019, resulting in increased uncertainty regarding the future trading relationship between the two parties. Further discussions are ongoing and the deadline for the UK to leave the EU has subsequently been extended to October 31, 2019, with the possibility of the UK leaving the EU if legislation is ratified at an earlier date. However, there remains significant uncertainty over the final terms of the exit, including the possibility that the UK leaves without a deal with the EU which would result in the imposition of tariffs and import checks. Consequently, this would likely result in increased cost of goods imported into and exported from the UK and may decrease the profitability of the company. Additional currency volatility could drive a weaker British pound, which increases the cost of goods imported into the company and may decrease the profitability of the company.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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*UK departure from the European Union (continued)*

Whilst the company has taken steps to mitigate the impact of Brexit on the business, especially in the event that no agreement on the future trading relationship is agreed prior to the UK's exit from the EU, other factors outside our control could have an adverse material impact on our business and financial condition.

On behalf of the board



.....  
R S Pringle

Director

Date: 15 October 2019

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their annual report and financial statements for the year ended 31 December 2018.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R S Pringle

G A Eisenberg

F S Eberts III

S D Van Der Vaart

(Appointed 8 August 2018 and resigned 15 February 2019)

(Appointed 24 June 2019)

#### Results and dividends

The income statement is set out on page 9 and shows profit for the year.

The directors paid interim dividends during the year of £Nil (2017 - £14,000,000). The directors do not recommend the payment of a final dividend (2017 - £Nil).

#### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of certain directors during the year. These provisions remain in force at the reporting date.

#### Research and development

The company's activities allow it to claim a research and development (RDEC) credit under current HMRC legislation.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employee involvement

Regular meetings are held throughout the company for all employees to discuss sales, financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters which are of interest to the employees. Periodic electronic communication and the company intranet site is available to all employees, which includes articles on developments within the company.

#### Future developments

The directors consider that the financial position at the year end is satisfactory and are confident of the long term prospects of the company.

There are no plans to change the activities of the company, please see the strategic report for more details.

#### Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risks of the company and their management.

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# COVANCE CLINICAL RESEARCH UNIT LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### Going concern

In the year ended 31 December 2018, the company recorded a profit before taxation. The company is forecast to remain profitable for the foreseeable future and the strong financial position gives the directors a reasonable expectation that the company will continue in operational existence for the foreseeable future, being at least 12 months from the signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual reports and financial statements.

On behalf of the board



.....  
R S Pringle  
Director

Date: *15 October 2019*

# **COVANCE CLINICAL RESEARCH UNIT LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVANCE CLINICAL RESEARCH UNIT LIMITED**

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## **Opinion**

We have audited the financial statements of Covance Clinical Research Unit Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVANCE CLINICAL RESEARCH UNIT LIMITED (CONTINUED)

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### Matters on which we are required to report by exception

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

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

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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

RSM UK Audit LLP

Andrew Allchin FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Central Square  
5th Floor  
29 Wellington Street  
Leeds  
LS1 4DL

17 October 2019

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Turnover	3	40,854	29,639
Cost of sales		(9,603)	(1,040)
<b>Gross profit</b>		<b>31,251</b>	<b>28,599</b>
Administrative expenses		(20,304)	(18,285)
<b>Operating profit</b>	5	<b>10,947</b>	<b>10,314</b>
Interest receivable and similar income	7	360	140
Interest payable and similar expenses	8	(57)	(170)
<b>Profit before taxation</b>		<b>11,250</b>	<b>10,284</b>
Tax on profit	9	(1,816)	(962)
<b>Profit for the financial year</b>		<b>9,434</b>	<b>9,322</b>
<b>Other comprehensive income</b>			
Actuarial (loss)/gain on defined benefit pension schemes		(95)	3,694
Tax relating to other comprehensive income	9	16	(628)
<b>Total comprehensive income for the year</b>		<b>9,355</b>	<b>12,388</b>

**COVANCE CLINICAL RESEARCH UNIT LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Notes	2018		2017	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11		2,082		2,315
<b>Current assets</b>					
Debtors	12	27,028		26,740	
Cash at bank and in hand		17,149		7,206	
		<u>44,177</u>		<u>33,946</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(23,897)</u>		<u>(23,038)</u>	
<b>Net current assets</b>			20,280		10,908
<b>Total assets less current liabilities</b>			<u>22,362</u>		<u>13,223</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(200)		(239)
<b>Provisions for liabilities</b>	15		<u>(210)</u>		<u>(213)</u>
<b>Net assets excluding pension liability</b>			21,952		12,771
<b>Defined benefit pension liability</b>	17		<u>(2,536)</u>		<u>(2,843)</u>
<b>Net assets</b>			<u><u>19,416</u></u>		<u><u>9,928</u></u>
<b>Capital and reserves</b>					
Called up share capital	18		-		-
Profit and loss reserves	19		19,416		9,928
<b>Total equity</b>			<u><u>19,416</u></u>		<u><u>9,928</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15 October 2019 and are signed on its behalf by:

  
 .....  
 R S Pringle  
 Director

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2017</b>		-	11,334	11,334
<b>Year ended 31 December 2017:</b>				
Profit for the year		-	9,322	9,322
Other comprehensive income:				
Actuarial gain on defined benefit plans		-	3,694	3,694
Tax relating to other comprehensive income		-	(628)	(628)
Total comprehensive income for the year		-	12,388	12,388
Dividends	10	-	(14,000)	(14,000)
Credit to equity for equity settled share-based payments	20	-	206	206
<b>Balance at 31 December 2017</b>		-	9,928	9,928
<b>Year ended 31 December 2018:</b>				
Profit for the year		-	9,434	9,434
Other comprehensive income:				
Actuarial loss on defined benefit plans		-	(95)	(95)
Tax relating to other comprehensive income		-	16	16
Total comprehensive income for the year		-	9,355	9,355
Credit to equity for equity settled share-based payments	20	-	133	133
<b>Balance at 31 December 2018</b>		-	19,416	19,416

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### Company information

Covance Clinical Research Unit Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office and principal place of business is Springfield House, Hyde Street, Leeds, LS2 9LH.

The company's principal activities and nature of its operations are disclosed in the Strategic Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Laboratory Corporation of America Holdings. These consolidated financial statements are available from its registered office, 358 South Main Street, Burlington, NC 27215, United States of America.

#### Turnover

Where the company contracts directly with third party customers, profits on long term contracts are taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract revenue with costs incurred to date compared to total expected costs for that contract. Income derived from variations on contracts are recognised only when those variations have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### Turnover (Continued)

Income from projects are recorded on the basis of the stage of the project reached in relation to completion of the whole, sufficient income being reserved to cover future costs where losses are anticipated. Costs are written off against revenue as incurred.

Unbilled receivables represent income recognised to date, less billings on account and are included in debtors to the extent that income recognised to date exceeds billings on account. Where amounts received by customers exceed income recognised to date, the excess is shown as income in advance and included in creditors.

##### Research and development expenditure

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

##### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment. The initial measurement of costs includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets, the costs of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold property	2.5% straight line
Plant and machinery	6.67% - 33.3% straight line
Fixtures and fittings	10% - 33.3% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to the statement of comprehensive income.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

##### Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is calculated at the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### **Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

##### **Basic financial assets**

Basic financial assets, which include trade and other debtors, unbilled receivables, amounts owed by group undertakings cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts, discounted at a market rate of interest.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 the statement of comprehensive income.

If there is a decrease in the impairment 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 the statement of comprehensive income.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts due to group undertakings, 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 payments, discounted at a market rate of interest.

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

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

##### **Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### **Retirement benefits**

For defined contribution schemes the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the statement of comprehensive income as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

##### **Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using an appropriate pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

##### **Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to the statement of comprehensive income, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

##### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

##### ***Tangible fixed assets***

##### ***Critical judgement***

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

##### ***Estimation uncertainty***

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. See note 11 for carrying amounts of tangible fixed assets.

##### ***Defined benefit pension scheme***

##### ***Critical judgement***

To determine the appropriate underlying assumptions of the defined benefit pension scheme and its related pension assets and liabilities. In doing this, the directors utilise the expertise of a third party in order to agree these judgements.

##### ***Estimation uncertainty***

The net pension liability as at the year end was £2,536,000 (2017 - £2,843,000). Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rate and expected returns on Pension Fund investments. The company has engaged Capita Employee Benefits, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied. Details of the key assumptions used are shown in note 17.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 2 Judgements and key sources of estimation uncertainty (Continued)

##### Turnover

##### Critical judgement

Recognition of revenue on long term contracts requires the directors to make estimates and judgements of both the expected final costs and revenues on a contract by contract basis. Revenue is recognised according to the stage reached in the contract by reference to costs incurred. Contracts in progress are valued at cost less provision for any foreseeable losses. Long term contracts also include an element of profit in their valuation where the outcome can be assessed with reasonable certainty.

#### 3 Turnover

An analysis of the company's turnover is as follows:

	2018 £000	2017 £000
<b>Turnover analysed by class of business</b>		
Clinical research services to the pharmaceutical industry	40,854	29,639
	<u>40,854</u>	<u>29,639</u>
	2018 £000	2017 £000
<b>Turnover analysed by geographical market</b>		
United Kingdom	12,454	8,031
Rest of Europe	9,298	4,734
North America	13,598	13,422
Japan	4,214	2,305
Rest of the World	1,290	1,147
	<u>40,854</u>	<u>29,639</u>

#### 4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Operations	251	259
Administration	22	27
	<u>273</u>	<u>286</u>

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 4 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	12,953	11,677
Social security costs	1,363	1,218
Pension costs	1,120	830
	<u>15,436</u>	<u>13,725</u>

Included in wages and salaries is a total expense relating to share-based payments of £132,848 (2017 - £205,967) all of which relates to equity settled share-based payments transactions.

#### 5 Operating profit

	2018 £000	2017 £000
Operating profit for the year is stated after charging/(crediting):		
Foreign exchange (gains)/losses	(267)	351
Research and development credits	(2,257)	(1,889)
Depreciation of owned tangible fixed assets	310	292
Share-based payments	133	206
Operating lease charges	320	338
	<u>          </u>	<u>          </u>

#### 6 Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	14	13
	<u>          </u>	<u>          </u>
<b>For other services</b>		
All other non-audit services	3	3
	<u>          </u>	<u>          </u>

#### 7 Interest receivable and similar income

	2018 £000	2017 £000
<b>Interest income</b>		
Interest on bank deposits	101	47
Other interest income	259	93
	<u>          </u>	<u>          </u>
Total income	<u>360</u>	<u>140</u>

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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<b>8</b>	<b>Interest payable and similar expenses</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
	Net interest on the net defined benefit liability	57	170
		<u>          </u>	<u>          </u>
<b>9</b>	<b>Taxation</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	2,057	872
	Adjustments in respect of prior periods	(306)	-
	Total current tax	<u>1,751</u>	<u>872</u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	59	90
	Adjustment in respect of prior periods	6	-
	Total deferred tax	<u>65</u>	<u>90</u>
	Total tax charge	<u>1,816</u>	<u>962</u>

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 20% to 19% from 1 April 2017.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 9 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £000	2017 £000
Profit before taxation	11,250	10,284
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	2,138	1,980
Adjustments in respect of prior years	(300)	-
Group relief	-	(998)
Permanent capital allowances in excess of depreciation	4	4
Other permanent differences	(19)	(12)
Amounts (charged)/credited directly to equity	(18)	711
Deferred tax (charged)/credited directly to equity	16	(628)
Change in rate of tax	(5)	(95)
Taxation charge for the year	1,816	962

In addition to the amount charged to the statement of comprehensive income, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £000	2017 £000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(16)	628

#### 10 Dividends

	2018 Per share £000	2017 Per share £000	2018 Total £000	2017 Total £000
<b>Ordinary shares</b>				
Interim paid	-	140.00	-	14,000
<b>Total dividends</b>				
Interim paid			-	14,000

Interim dividends of £nil (2017 - £140,000) per Ordinary share were paid during the year.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 11 Tangible fixed assets

	Freehold property £000	Assets under construction £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>					
At 1 January 2018	3,348	392	3,604	409	7,753
Additions	-	77	-	-	77
Transfers	-	(437)	436	1	-
At 31 December 2018	3,348	32	4,040	410	7,830
<b>Depreciation and impairment</b>					
At 1 January 2018	1,759	-	3,304	375	5,438
Depreciation charged in the year	74	-	230	6	310
At 31 December 2018	1,833	-	3,534	381	5,748
<b>Carrying amount</b>					
At 31 December 2018	1,515	32	506	29	2,082
At 31 December 2017	1,589	392	300	34	2,315

#### 12 Debtors

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	4,815	9,577
Unbilled receivables	7,689	6,361
Corporation tax recoverable	2,031	2,756
Amounts owed by group undertakings	11,497	7,302
Other debtors	-	166
Prepayments and accrued income	565	95
	26,597	26,257
Deferred tax asset (note 16)	431	483
	27,028	26,740

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Payments received on account	13,324	12,768
Trade creditors	696	1,272
Amounts due to group undertakings	5,860	6,409
Other taxation and social security	1,597	1,720
Accruals and deferred income	2,420	869
	<u>23,897</u>	<u>23,038</u>

#### 14 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Other creditors	<u>200</u>	<u>239</u>

#### 15 Provisions for liabilities

	Notes	2018 £000	2017 £000
Deferred tax liabilities	16	<u>210</u>	<u>213</u>

#### 16 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2018 £000	Liabilities 2017 £000	Assets 2018 £000	Assets 2017 £000
<b>Balances:</b>				
Accelerated capital allowances	294	323	-	-
Defined benefit pension scheme	-	-	431	483
Short term timing differences	(84)	(110)	-	-
	<u>210</u>	<u>213</u>	<u>431</u>	<u>483</u>

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 16 Deferred taxation (Continued)

	<b>2018</b>
	<b>£000</b>
<b>Movements in the year:</b>	
Net asset at 1 January 2018	(270)
Charge to profit or loss	65
Credit to other comprehensive income	(16)
	<u>          </u>
Net asset at 31 December 2018	<u>(221)</u>

#### 17 Retirement benefit schemes

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	544	515
	<u>          </u>	<u>          </u>

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

Contributions amounting to £117,650 (2017 - £69,469) were payable to the fund and are included in creditors.

##### **Defined benefit schemes**

The company operates a defined benefit scheme for qualifying employees.

This note relates to the Covance Clinical Research Unit Pension Scheme (the Scheme), which is a final salary pension scheme and was closed to new entrants with effect from 31 August 2002. Employed members continue to accrue benefits that are linked to final pensionable salary and service at date of retirement (or date of leaving the Scheme if earlier).

The Scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees are required to act in the best interests of the Scheme's beneficiaries.

The liabilities of the scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected credit unit method, which is an accrued benefits valuation method in which liabilities make allowance for projected salaries.

The liabilities set out in this note have been calculated by an independent actuary based on the most recent full actuarial valuation at 30 June 2015, updated to 31 December 2018. The results of the calculations and the assumptions that have been adopted are shown below.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 17 Retirement benefit schemes (Continued)

<i>Key assumptions</i>	<b>2018</b>	<b>2017</b>
	%	%
Discount rate	2.90	2.50
Expected rate of increase to deferred pensions	2.20	2.20
Expected rate of salary increases	3.55	3.55
Inflation (RPI)	3.20	3.20
Inflation (CPI)	2.20	2.20
	<u>          </u>	<u>          </u>
 <i>Mortality assumptions</i>	 <b>2018</b>	 <b>2017</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	22.1	22.2
- Females	24.0	24.1
	<u>          </u>	<u>          </u>
Retiring in 20 years		
- Males	23.8	23.9
- Females	25.8	25.9
	<u>          </u>	<u>          </u>
	 <b>2018</b>	 <b>2017</b>
<i>Amounts recognised in the income statement</i>	<b>£000</b>	<b>£000</b>
Current service cost	437	470
Net interest on defined benefit liability/(asset)	57	170
Other costs and income	185	-
	<u>          </u>	<u>          </u>
Total costs	679	640
	<u>          </u>	<u>          </u>
	 <b>2018</b>	 <b>2017</b>
<i>Amounts taken to other comprehensive income</i>	<b>£000</b>	<b>£000</b>
Actual return on scheme assets	2,887	(2,328)
Less: calculated interest element	-	-
	<u>          </u>	<u>          </u>
Return on scheme assets excluding interest income	2,887	(2,328)
Actuarial changes related to obligations	(2,792)	(1,366)
	<u>          </u>	<u>          </u>
Total costs/(income)	95	(3,694)
	<u>          </u>	<u>          </u>

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 17 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2018 £000	2017 £000
Present value of defined benefit obligations	37,132	38,978
Fair value of plan assets	(34,596)	(36,135)
Deficit in scheme	<u>2,536</u>	<u>2,843</u>

	2018 £000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2018	38,978
Current service cost	437
Past service cost	185
Benefits paid	(800)
Contributions from scheme members	159
Actuarial gains and losses	(2,792)
Interest cost	965
At 31 December 2018	<u>37,132</u>

	2018 £000
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	37,132
	<u>37,132</u>

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 17 Retirement benefit schemes (Continued)

	<b>2018</b>
	<b>£000</b>
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2018	36,135
Return on plan assets (excluding amounts included in net interest)	(2,887)
Benefits paid	(800)
Contributions by the employer	1,081
Contributions by scheme members	159
Interest income	908
At 31 December 2018	<u>34,596</u>

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	10,331	11,287
Investment funds	24,170	24,698
Other	95	150
	<u>34,596</u>	<u>36,135</u>

#### 18 Share capital

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
100 Ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

Ordinary shares are non redeemable, holding full voting rights and the right to received dividends.

#### 19 Reserves

##### Profit and loss reserves

Cumulative profit and loss of distributions to owners.

#### 20 Share-based payment transactions

Restricted stock awards in Laboratory Corporation of America Holdings are made to senior managers at the discretion of the company. These awards vest over a three year period with 33% received one year after the grant date, 34% two years after the grant date and the balance three years after the grant date.

The expense recognised for share-based payments in respect of these Restricted Stock Units for employee services received during the year amounts to £132,848 (2017 - £205,697), all of which relates to equity settled share-based payment transactions. The fair value was obtained from the open market share value of the shares issued on the grant date.

# COVANCE CLINICAL RESEARCH UNIT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 21 Operating lease commitments

##### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	301	505
Between one and five years	14	315
	<u>315</u>	<u>820</u>

#### 22 Ultimate parent company

The company's immediate parent is Covance Clinical and Periapproval Services Limited.

The company's ultimate parent is Laboratory Corporation of America Holdings, a company incorporated in the United States of America and is the smallest and largest group for which consolidated accounts including the company are prepared. The consolidated accounts of Laboratory Corporation of America Holdings are available from its registered office, 358 South Main Street, Burlington, NC 27215, United States of America.