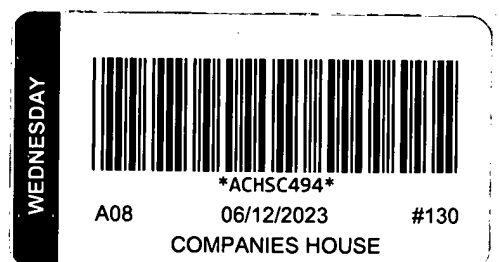


Company Registration No. 01171833 (England and Wales)

**LABCORP EARLY DEVELOPMENT
LABORATORIES LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022**



LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

COMPANY INFORMATION

Directors	G A Eisenberg S D Van Der Vaart T Kremer
Company number	01171833
Registered office	Otley Road Harrogate HG3 1PY
Auditor	Sagars Accountants Ltd Gresham House 5-7 St Pauls Street Leeds LS1 2JG

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report together with the audited financial statements for the year ended 31 December 2022.

Principal activities

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

Review of the business

2022 was a challenging year for the company, where macro economic impacts drove a challenging labour environment coupled with a drop off in the funding environment and global demand saw a 2.2% decline in turnover to £273.5m (2021 - £279.6m).

The company reported an operating loss this year primarily due to the increase of utilities costs, impacted by the war in Ukraine and supply chain issues requiring alternative solution.

During the year, the company saw flat performance against prior year in both the Mammalian Toxicology and Genetic Toxicology business lines. The Chemistry Solutions business line declined slightly, mostly due to the Bioanalytical business line.

Shareholder's funds at the year end decreased to £482.9m (2021 - £493.2m), primarily as a result of trading losses being offset by an actuarial gain of £11.9m (2021 - of £30.4m) on the company's defined benefit pension schemes. Debtors increased to £203.6m (2021 - £185.6m) due to increases in trading balances and tax credits receivable in respect of the company's Research & Development activities. Creditors increased to £158.6m (2021 - £148.9m), due to increases in trading balances offsetting a decrease in the company's bank overdraft facilities in respect of pooled group funds.

Future outlook

Flat performance in the business is expected in 2023, driven by wider macro economic impacts on the Biotech funding environment and Large Pharmaceutical pipeline rationalisation.

Key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2022 £000	2021 £000	Movement %
Turnover	273,477	279,591	(2.2)
Operating (loss)/ profit	(13,555)	6,030	(324.8)
Trade debtors	91,815	77,558	18.4
Unbilled receivables	45,746	53,961	(15.2)
Payment received on account	47,189	40,647	16.1
Average number of employees	3,012	3,157	(4.6)

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 risk is limited to cash balances, amounts owed to group undertakings, and the defined benefit pension scheme. The company and the pension scheme trustees review the pension scheme's risks and risk management on a regular basis. The directors feel this is an appropriate process to monitor and manage this risk.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. In order to limit this risk in the medium to longer term, sale contracts are primarily structured to recover a sterling value converted at the currency rate prevailing on the billing date. The risk is therefore mainly limited to fluctuations in the short term, being between the billing date and the receipt date. Management consider this to be an acceptable level of risk.

Liquidity risk

The company's liquidity risk management, which is carried out by the global treasury function, ensures that there is sufficient cash available for funding operations and planned expansions.

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 biological and chemical research and development activities for the international pharmaceutical chemical and agrochemical industry. These projects may involve testing of large numbers of compounds, over a relatively short time frame and are therefore complex in nature. A major operational failure resulting 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 extra cost of the additional work required 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.

The loss, modification, or delay of large or multiple contracts

The loss, modification, or delay of large or multiple contracts could negatively impact the company's operating results. Management closely monitors the running of projects to mitigate any delays.

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.

Changes in 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. The company has a high degree of focus on following regulatory procedures.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 trials in which it participates allows it to offer broad experience to current 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 IT security measures to mitigate the threat.

Macroeconomic and geopolitical factors

The war in Ukraine, which began in February 2022, has so far had limited direct impact on the industry and company. Management are aware there is a risk that the company could be affected negatively by the war, as the global economy adjusts to the impact created by the sanctions being implemented. The war coupled with the global economy recovering from the Covid-19 pandemic has driven significant energy price increases. The company continues to drive cost efficiencies where it can.

Section 172 (1) statement

The directors have considered the requirements of section 172 (1) of the Companies Act 2006 and have set out the key considerations below.

Code of business conduct

The company carries out its business activities according to a code of business conduct that promotes the highest standards of honesty and integrity among its staff. The code requires that staff:

- Comply with the rules and regulations of Government and other applicable regulatory bodies and promptly report any activity that is believed to violate any laws, regulations, or standards of business ethics or conduct;
- Do not offer, pay or accept bribes; and
- Respect the confidentiality of information acquired in the course of their work (except when authorised and legally obliged to disclose such information) and ensure such information is not used for personal advantage.

The environment

The company aims to minimise the environmental impact of its operations by complying with or exceeding its obligations under all relevant environmental legislation, considering full compliance to be the minimum acceptable level of performance. The company routinely assesses the environmental impact of all its operations and aims to reduce (and eliminate wherever practicable) waste, the consumption of resources and pollution of the environment. The company is committed to the conservation of energy, water and natural resources through increased efficiency and the introduction of new technologies where practicable. It also minimises waste; recycling wherever possible and properly disposing of those wastes that cannot be recycled. The company commits sufficient staff and resources to ensure that these objectives are met and continuously monitors its progress.

Health and safety

The company recognises that safeguarding the health and safety of employees is integral to the success of its business and aims to create a working environment that assures this. Managing safety (through controlling risk and reducing losses arising from accidents, ill health and poorly planned work) benefits staff and their families, as well as customers and other stakeholders. The company also recognises and accepts its responsibilities towards contractors, visitors and other persons working on its premises and acknowledges and accepts all its legal responsibilities under health and safety-related law. The company recognises that to fulfil these commitments it must have a risk-informed and engaged workforce that accepts fully the health and safety responsibilities of their role within the business; in turn, the company is committed to providing leadership and the necessary resources in terms of facilities, equipment, training, expertise and time.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Employment

The company understands that its people are its most important resource and consequently strives to adopt human resource policies, practices and procedures that provide its employees with a good working environment, equitable compensation and benefits as well as the opportunity to be recognised on the basis of individual merit and develop their career in line with their ability and potential.

The company aims to:

- Employ the most capable individuals available for each position regardless of sex, sexual orientation, marital status, race, creed, colour, nationality, ethnic origin, religion, or age. Disabled persons are employed by the company when they appear to be suited to a particular position. The aptitude and abilities of disabled persons are more easily met in certain aspects of the company's business and every effort is made to ensure that they are given full and fair consideration;
- Maximise the potential of each individual through comprehensive personal development programmes so that both the individual and the company benefit;
- Develop and maintain an equitable pay structure;
- Provide an employee benefit package to help safeguard employees and their dependants in case of sickness, accident, disability or death;
- Provide all employees with a safe and healthy workplace;
- Ensure that any grievance or misunderstanding will be considered impartially, and every step taken to obtain a fair resolution;
- Ensure that (within the bounds of commercial confidentiality) information is disseminated to all employees about matters that affect the progress of the company and are of interest and concern to them as employees; and
- Encourage and respect feedback and innovation from employees.

Suppliers and contractors

The company recognises that social, ethical and environmental governance of its supply chain is integral to its business success. As a consequence, the company expects its suppliers and contractors to ensure that they comply with all applicable laws and regulations, including those relating to bribery and corruption, fair employment practices, safety, health and the environment. Each supplier or contractor must agree that it is responsible for controlling its own supply chain and that it shall encourage compliance with ethical standards and human rights by any subsequent supplier of goods and services that they use when fulfilling their obligations to the company. In addition, the supplier or contractor must confirm that it adopts ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

Animal welfare

Animal research is an essential element in the evaluation of the safety and effectiveness of new medicines and other chemicals and is also a legal requirement. The company is committed to the highest standards of animal welfare, as well as the 3Rs (Reduction, Refinement and Replacement) of animal testing, and considers them integral to its business success.

The company complies with all national regulations as a minimum standard with regard to the care and use of animals. The use of animals in scientific research in the UK is strictly regulated by the Animals (Scientific Procedures) Act 1986 (the A(SP)A), which makes it an offence to carry out regulated procedures on a protected animal unless authorised by a personal licence, a project licence, and a certificate of designation. Project licenses are granted only when it can be demonstrated that there are no viable non-animal alternatives and the expected benefits of the research are likely to outweigh any adverse effects on the animals. The number of animals used, and their suffering must also be minimised. The A(SP)A is administered by Home Office professional advisers (physicians and veterinarians) who oversee the issuing of licenses, provide advice and conduct regular announced and unannounced audits to ensure compliance.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The company's facilities are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International and have policies, systems, and procedures to support legislative compliance and best animal welfare practices. This includes a Local Ethical Review process. A sustained investment programme and maintenance schedule ensures animal facilities, plant and equipment continue to meet national guidelines, codes of practice and operating criteria.

Each operating establishment also provides sufficient and adequately trained staff to ensure legislative compliance, maintenance of high animal welfare standards and execution of Good Laboratory Practice. The company ensures that all animal care and technical staff hold qualifications appropriate to their positions and responsibilities and receive the necessary education and training. All company members of staff are issued with a 'whistle blowing' card which tells them how to inform management should they have any concerns regarding welfare.

On behalf of the board

Thomas Kremer

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T Kremer

Director

04-Dec-2023

Date:

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 15.

The directors did not declare an interim dividend during the year (2021 - £nil). Following the year end on 30 November 2023, the directors approved a dividend of £48,815k.

Directors

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

S D A Street	(Resigned 11 April 2022)
R S Pringle	(Resigned 30 June 2023)
G A Eisenberg	
S D Van Der Vaart	
M I Ali	(Appointed 11 April 2022 and resigned 23 May 2023)
T Kremer	(Appointed 30 June 2023)

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of certain directors during the year have been provided under a group policy. The 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. Expenditure for research and development amounted to £157.6m (2021 - £142.1m).

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 the 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.

Post reporting date events

Following the year end, Fortrea Holdings Inc a leading global contract research organisation (CRO), completed its previously announced spin-off from the ultimate parent company, Laboratory Corporation of America Holdings (NYSE: LH), and became an independent public company, Fortrea Holdings Inc (Nasdaq: FTRE). See note 26 for further details.

Following the year end, on 27 November 2023, the shareholders of the company approved a special resolution to cancel the share premium account of the company in full. In doing so, £395,824k was credited to profit and loss reserves and is to be treated as distributable reserves.

Auditor

Sagars Accountants Ltd 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.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon reporting

This is the third year in which the company is reporting energy and carbon emissions in accordance with the mandatory requirements of the Streamlined Energy and Carbon Reporting regulations (SECR). The compilation of this report is in line with the UK Government publication 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting'.

2022	kWh	tCO2e
Scope 1 - Fuels	102,607,601	19,693
Scope 2 - Electricity	38,161,929	13,401
Gross intensity ratio - tCO2e per £m of turnover		121.01
2021	kWh	tCO2e
Scope 1 - Fuels	108,153,857	20,994
Scope 2 - Electricity	37,308,582	7,922
Gross intensity ratio - tCO2e per £m of turnover		103.33

The highest level of direct responsibility for climate-related issues at Labcorp resides with the Chief Executive Officer and Chairman of the Board. Information on climate-related issues affecting business operation and continuity is led and communicated primarily by the Environment, Health & Safety (EHS) and Facilities teams, Enterprise Risk Management (ERM), and the ESG Executive Steering Committee (ESG ESC). The ESG ESC, which includes the Chief Supply Chain, Legal, Compliance, Human Resources, IT, Marketing, and Drug Development Executive Officers, reports to the CEO. EHS and ERM Leadership report key enterprise ESG risks, opportunities, and progress on key initiatives including climate-related initiatives to the Board of Directors, CEO and the Executive Committee on a regular basis.

The ESG ESC is co-led by the Chief Legal and Compliance Officer and VP, EHS, Facilities and Real Estate. The ESG ESC provides oversight and strategic direction on ESG initiatives across the Enterprise, and governs three subcommittees, Environment and Safety, Social & Community, and Governance. Climate-related risks and opportunities are prioritized in the same manner as other material risks to Labcorp's operations and have been assigned to the ESG Committee for coordination and alignment with action as well as broader company goals and initiatives.

The Environment and Safety subcommittee is cross-functional and includes individuals who are the "owners" of priority sustainability initiatives. The subject matter experts serving on the environmental subcommittee cover a range of ESG areas, including but not limited to: reducing health and safety risks, reducing air emissions, optimizing natural resources, and materials and waste management. This subcommittee assists in the development and integration of Labcorp environmental sustainability strategy and monitors and reports performance to the ESG ESC. Members also evaluate capital projects with direct environment and safety benefits, prioritizing and helping shepherd through the capital approval process.

Our ESG Steering Committee meets regularly to examine our operations as they relate to the environment, employee health and safety, corporate social responsibility, corporate governance and relevant public policy issues. During these meetings, committee members review our progress in these areas and provide leadership, guidance and support for establishing and delivering short- and long-term initiatives, strategy and commitments that are aimed at making a positive global impact across our business units, geographies and functions.

In 2021, we set a goal to submit science-based targets (SBTs) for greenhouse gas (GHG) emissions for our operations and activities to the Science Based Targets initiative (SBTi) by the end of 2022. SBTi is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. By committing to SBTi, we demonstrate our intent to reduce Labcorp's carbon emissions at scale.

Labcorp submitted a proposed Scope 1 (on-site fuel combustion), Scope 2 (purchased electricity) and Scope 3 (value chain) goals to SBTi in December 2022. Our proposed 2030 SBTs utilized 2020 as a baseline. We anticipate receiving feedback on our submissions in Q3 2023. Once approved, we will publish our targets. In the meantime, we will continue our work on our achievement plan.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

In 2022, Labcorp joined the My Green Lab (MGL) Certification program. MGL is considered to be the global gold standard for laboratory sustainability best practices. The assessment will help identify areas of strength and opportunities for improving environmental sustainability within our laboratory operations.

We are in the process of reviewing the output from these assessments to identify local and global improvement opportunities, and we will be establishing plans to enhance environmental sustainability practices within our labs.

Projects and activities completed in 2022 at our UK facilities which result in improvement in energy usage, efficiency and optimization included:

- Electrification of site transport replacing existing petrol and LPG powered equipment.
- Roof changeouts
- Chiller changeouts
- Operation practices and employee engagement to minimize energy waste

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 principal activities, the financial risks of the company and their management and future developments.

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.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Corporate Governance

Background

For the year ended 31 December 2022, under the Companies (Miscellaneous Reporting) Regulations 2018, the company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ("FRC") in December 2018 and available on the FRC website).

Set out below is how the directors have applied the principles during the year and will continue to do so during the forthcoming year as they exercise their duties as directors.

The Board structure in place is reflective of the nature of the company being a wholly owned subsidiary of Laboratory Corporation of America Holdings ("Labcorp") and the oversight that is provided by Labcorp Management and its Board of Directors and Committees as part of their management of the global group. There are no sub committees in place at the entity level as these are not considered to be necessary at this level for the directors to discharge their duties.

Whilst specific matters relevant to the company are mentioned below, reference should also be made to the Labcorp website which sets out in more details the principles that apply across the group.

Principle 1 – Purpose and Leadership

Labcorp (NYSE: LH), an S&P 500 company, is a leading global life sciences company that is deeply integrated in guiding patient care, providing comprehensive clinical laboratory and end-to-end drug development services. With a mission to improve health and improve lives, Labcorp delivers world-class diagnostics solutions, brings innovative medicines to patients faster, and uses technology to improve the delivery of care. Labcorp reported revenue of more than \$16.1 billion in 2021. To learn more about Labcorp, visit www.Labcorp.com, and to learn more about Labcorp Drug Development segment, visit www.drugdevelopment.labcorp.com.

The entity Board applies these core principles and concepts in the day to day operation of the company, integrating its operations as part of the wider Labcorp group.

Principle 2 – Board Composition

The Board of Labcorp Early Development Laboratories Limited consists of four executive directors who are a mix of individuals focused on the operational aspects of the group, including two who sit on the Labcorp Executive Committee and all of whom are able to apply group wide considerations to this entity. The Board do not consider that it is necessary or appropriate to have separately appointed non-executive directors at this entity level given the close interaction across the global group.

Principle 3 – Director Responsibilities

As a subsidiary Board, the Board meets less formally than might be required if the company were a standalone entity. There is no formal programme of meetings and the Board will meet up as often as is required to manage matters of significance to the business.

The Board will receive details on key performance including financial performance, operational matters and will liaise with operational management as required to address matters arising. Each director has delegated authority to act on behalf of the company in fulfilling their duties. The Board consider this split of duties as appropriate to allow the effective use of the skills in place which mix operational and board level experience.

Matters such as the appointment of auditors are dealt with at Board level with input from senior members of the management team to assess the ongoing performance and service delivery.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principle 4 – Opportunity & Risk

Several of the key opportunities and risks are set out in the Strategic Report. The integrated nature of global operations means that macro level risks such as Brexit, Covid-19 and Regulatory risk in undertaking its activities are addressed at the group level with the directors sharing relevant responsibility for addressing these at the entity level.

Principle 5 – Remuneration

Matters with regards to the remuneration of the directors are dealt with as part of the wider group remuneration policy.

Matters with regards to staff remuneration, gender pay matters and involvement of staff are addressed in the disclosures in the strategic report. Decisions regarding these areas are dealt with by appropriate committees of the main group board with the entity board of directors having responsibility for implementation.

Principle 6 – Stakeholders

The Board (as part of the wider group) has a clear understanding and position that good governance is essential on a day to day basis to effectively deliver the services that the company provides. They are also vital in the interactions that the company has with its customers, suppliers, employees, regulators and the parent company as shareholders. Further information is set out in the Section 172 statement.

On behalf of the board

Thomas Kremer

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T Kremer
Director

04-Dec-2023

Date:

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

Opinion

We have audited the financial statements of Labcorp Early Development Laboratories Limited (the 'company') for the year ended 31 December 2022 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 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 2022 and of its loss 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included consideration of the trading performance of the company and wider group that it forms part of and the level of indebtedness held by the company and the need for repayment thereof.

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

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

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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.

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

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: timing of recognition of income, management override of controls and posting of unusual journals and complex transactions. We discussed these risks with client management, designed audit procedures to test the inclusion and timing of income, tested a sample of journals to confirm they were appropriate and reviewed areas of judgement for indicators of management bias to address these risks.

The organisation is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified health and safety as the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED (CONTINUED)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

James Hunt

Sagars Accountants Ltd
James Hunt BA (Hons) MA ACA
Senior Statutory Auditor
Gresham House
5-7 St Pauls Street
Leeds
LS1 2JG
04-Dec-2023

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover	3	273,477	279,591
Cost of sales		(229,706)	(213,632)
Gross profit		<u>43,771</u>	<u>65,959</u>
Administrative expenses		(60,844)	(65,429)
Other operating income	3	3,518	5,500
Operating (loss)/profit	6	<u>(13,555)</u>	<u>6,030</u>
Interest receivable and similar income	8	757	88
Interest payable and similar expenses	9	(1,256)	(1,679)
(Loss)/profit before taxation		<u>(14,054)</u>	<u>4,439</u>
Tax on (loss)/profit	10	(6,410)	(7,597)
Loss for the financial year		<u>(20,464)</u>	<u>(3,158)</u>
Other comprehensive income net of taxation			
Actuarial gain on defined benefit pension schemes		11,945	30,398
Tax relating to other comprehensive income	10	(2,986)	(7,600)
Total comprehensive (loss)/income for the year		<u><u>(11,505)</u></u>	<u><u>19,640</u></u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Goodwill	11		248,744		283,054
Tangible assets	12		129,537		130,894
Investments	13		-		-
			<u>378,281</u>		<u>413,948</u>
Current assets					
Stocks	15	7,731		4,677	
Debtors	16	203,618		185,638	
Cash at bank and in hand		54,755		60,672	
		<u>266,104</u>		<u>250,987</u>	
Creditors: amounts falling due within one year	17	(158,641)		(148,916)	
Net current assets			107,463		102,071
Total assets less current liabilities			<u>485,744</u>		<u>516,019</u>
Provisions for liabilities			(2,859)		-
Net assets excluding pension liability			<u>482,885</u>		<u>516,019</u>
Defined benefit pension liability	20		-		(22,795)
Net assets			<u><u>482,885</u></u>		<u><u>493,224</u></u>
Capital and reserves					
Called up share capital	21		11,750		11,750
Share premium account	22		395,824		395,824
Profit and loss reserves	22		75,311		85,650
Total equity			<u><u>482,885</u></u>		<u><u>493,224</u></u>

04-Dec-2023

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

Thomas Kremer

.....
T Kremer
Director

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2021		11,750	395,824	64,562	472,136
Year ended 31 December 2021:					
Loss for the year		-	-	(3,158)	(3,158)
Other comprehensive income net of taxation:					
Actuarial gain on defined benefit plans		-	-	30,398	30,398
Tax relating to other comprehensive expense		-	-	(7,600)	(7,600)
Total comprehensive income for the year		-	-	19,640	19,640
Credit to equity for equity settled share-based payments	24	-	-	1,448	1,448
Balance at 31 December 2021		11,750	395,824	85,650	493,224
Year ended 31 December 2022:					
Loss for the year		-	-	(20,464)	(20,464)
Other comprehensive income net of taxation:					
Actuarial gains on defined benefit plans		-	-	11,945	11,945
Tax relating to other comprehensive income		-	-	(2,986)	(2,986)
Total comprehensive expense for the year		-	-	(11,505)	(11,505)
Credit to equity for equity settled share-based payments	24	-	-	1,166	1,166
Balance at 31 December 2022		11,750	395,824	75,311	482,885

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Labcorp Early Development Laboratories Limited is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business is Otley Road, Harrogate, HG3 1PY.

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 those of 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 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 as at 31 December 2022. These consolidated financial statements are available from its registered office, 358 South Main Street, Burlington, North Carolina 27215, USA.

Consolidated accounts

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

The company has made a loss after tax and before other comprehensive income of £20,464k (2021 - £3,158k) and the Statement of Financial Position shows net current assets of £107,463k (2021 - £102,071k), shareholder's funds of £482,885k (2021 - £493,224k) and cash balances of £54,755k (2021 - £60,672k).

At the time of approving the financial statements, the company is in a net asset position, and the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

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 is 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.

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.

Other income

Other income represents the recovery of monies from insurers in respect of claims made. Income is recognised when confirmation has been received that the claim has been successfully and the amount of monies to be received can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Credits received in relation to research and development expenditure are credited to profit and loss in the year in which it is received.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment charges. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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 profit or loss 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% - 10% straight line
Plant and machinery	4% - 33% straight line
Fixtures and fittings	10% - 20% straight line

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Assets under construction are not depreciated.

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.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment charges. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment charges are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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 (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.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is calculated on 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.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is computed on a first in, first out basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stock over their estimated selling price less costs to complete and sell is recognised as an impairment in the statement of comprehensive income. Reversals of impairments are also recognised in the statement of comprehensive income.

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 and 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 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 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 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.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank overdrafts, payments received on account, amounts owed to group undertakings and accruals, 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.

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 transaction 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.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss 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. Net interest is recognised in profit or loss 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 net for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), and 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 the 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 profit or loss 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 leases asset are consumed.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate 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 profit or loss, 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.

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 and key sources of estimation uncertainty

The following judgements and key sources of estimation uncertainty have had the most significant effect on amounts recognised in the financial statements.

Tangible fixed assets

Critical judgement

To 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 a 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 12 for carrying amounts of tangible fixed assets and note 1 for their useful lives.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty (Continued)

Goodwill

Critical judgement

To determine whether there are indicators of impairment of the company's goodwill. 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

Goodwill is amortised over its useful life taking into account residual value where appropriate. The actual life of the asset and residual value is assessed annually and may vary depending on a number of factors. In reassessing asset life, 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 the carrying amount of goodwill and note 1 for its useful life.

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 £nil (2021 - £22,795k). 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 20.

Turnover

Critical judgement

In the opinion of the directors, there are no critical judgements with regards to turnover.

Estimation uncertainty

Recognition of revenue on long term contracts requires the directors to estimate 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. The value of unbilled receivables and payments received on account in respect of long term contracts are shown in notes 16 and 17 respectively.

Share based payments

Critical judgement

The judgement relating to share based payment expenses includes the selection of an appropriate valuation option pricing model and consideration of the inputs necessary for the valuation model to appropriately calculate the value of the Restricted Stock Units held in respect of employee services.

Estimation uncertainty

Inputs subject to estimation relate to the estimation of the number of awards that will ultimately vest and future volatility of the share price. The expense recognised for share-based payments in respect of Restricted Stock Units during the year is shown in note 24.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other income

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

	2022 £000	2021 £000
Turnover analysed by class of business		
Contract biological and chemical research services	273,477	279,591
	<u>273,477</u>	<u>279,591</u>
	2022 £000	2021 £000
Other income		
Insurance monies received	3,518	5,500
	<u>3,518</u>	<u>5,500</u>
	2022 £000	2021 £000
Turnover analysed by geographical market		
United Kingdom	53,113	55,390
Rest of Europe	134,616	136,262
North America	51,347	56,427
Japan	14,455	15,500
Rest of the world	19,946	16,012
	<u>273,477</u>	<u>279,591</u>

4 Employees

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

	2022 Number	2021 Number
Operations	2,610	2,745
Administration	402	412
	<u>3,012</u>	<u>3,157</u>

Their aggregate remuneration comprised:

	2022 £000	2021 £000
Wages and salaries	111,330	117,024
Social security costs	11,929	11,849
Pension costs	7,139	6,993
	<u>130,398</u>	<u>135,866</u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees (Continued)

Included in wages and salaries is a total expense relating to share-based payments of £1,166k (2021 - £1,448k) all of which relates to equity settled share-based payments transactions.

5 Directors' remuneration

	2022 £000	2021 £000
Remuneration for qualifying services	320	482
Company pension contributions to defined contribution schemes	7	15
	<u>327</u>	<u>497</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £000	2021 £000
Remuneration for qualifying services	320	482
Company pension contributions to defined contribution schemes	7	15
	<u>327</u>	<u>497</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1). The directors' remuneration figure does not include sums for three of the directors as they are remunerated by other group or related entities and no allocation of their services to this company is made.

6 Operating (loss)/profit

	2022 £000	2021 £000
Operating (loss)/profit for the year is stated after charging/(crediting):	£000	£000
Exchange (gains)/losses	(879)	646
Research and development credits	(23,818)	(18,468)
Depreciation of owned tangible fixed assets	13,038	10,575
Loss on disposal of tangible fixed assets	114	21
Amortisation of intangible assets	34,310	34,309
Share-based payments	1,166	1,448
Operating lease charges	1,120	378
	<u> </u>	<u> </u>

7 Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the company's auditor and its associates:	£000	£000
For audit services		
Audit of the financial statements of the company	46	37
	<u> </u>	<u> </u>
For other services		
All other non-audit services	-	7
	<u> </u>	<u> </u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8	Interest receivable and similar income	2022	2021
		£000	£000
	Interest income		
	Interest on bank deposits	757	88
		<u>757</u>	<u>88</u>
9	Interest payable and similar expenses	2022	2021
		£000	£000
	Interest on bank overdrafts	302	128
	Interest payable to group undertakings	627	831
	Net interest on the net defined benefit liability	327	720
		<u>1,256</u>	<u>1,679</u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	-	505
Adjustments in respect of prior periods	1,666	238
Group tax relief	(128)	-
	<u>1,538</u>	<u>743</u>
Deferred tax		
Origination and reversal of timing differences	4,524	9,689
Changes in tax rates	-	(5,349)
Adjustment in respect of prior periods	348	2,514
	<u>4,872</u>	<u>6,854</u>
Total tax charge	<u>6,410</u>	<u>7,597</u>

The enacted UK corporation tax rate of 25% forms the basis for the UK element of the deferred tax calculation, following the UK budget in 2021 when the chancellor announced an increase to the main rate of corporation tax in the UK to 25% from April 2023.

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

	2022 £000	2021 £000
(Loss)/profit before taxation	<u>(14,054)</u>	<u>4,439</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(2,670)	843
Tax effect of expenses that are not deductible in determining taxable profit	6,851	7,182
Tax effect of income not taxable in determining taxable profit	(51)	(73)
Adjustments in respect of prior years	1,666	2,752
Effect of change in corporation tax rate	1,086	(3,023)
Group relief	128	-
Research and development tax credit	(633)	-
Other permanent differences	(187)	(84)
Deferred tax adjustments in respect of prior years	348	-
Receipt for group relief	(128)	-
	<u>6,410</u>	<u>7,597</u>
Taxation charge for the year	<u>6,410</u>	<u>7,597</u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation (Continued)

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

	2022	2021
	£000	£000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	2,986	7,600

11 Intangible fixed assets

	Goodwill
	£000
Cost	
At 1 January 2022 and 31 December 2022	343,095
Amortisation and impairment	
At 1 January 2022	60,041
Amortisation charged for the year	34,310
At 31 December 2022	94,351
Carrying amount	
At 31 December 2022	248,744
At 31 December 2021	283,054

Amortisation of goodwill is included within administrative expenses.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12 Tangible fixed assets

	Freehold property £000	Assets under construction £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2022	138,094	37,013	66,760	1,520	243,387
Additions	-	12,478	-	-	12,478
Disposals	(21)	-	(2,147)	-	(2,168)
Transfers	17,750	(31,783)	14,029	4	-
At 31 December 2022	155,823	17,708	78,642	1,524	253,697
Depreciation and impairment					
At 1 January 2022	64,430	-	46,582	1,481	112,493
Depreciation charged in the year	5,816	-	7,199	23	13,038
Eliminated in respect of disposals	-	-	(1,371)	-	(1,371)
At 31 December 2022	70,246	-	52,410	1,504	124,160
Carrying amount					
At 31 December 2022	85,577	17,708	26,232	20	129,537
At 31 December 2021	73,664	37,013	20,178	39	130,894

Included in freehold property is land of £7,570k (2021 - £7,570k) which is not depreciated.

13 Fixed asset investments

	Notes	2022 £000	2021 £000
Investments in subsidiaries	14	-	-

Movements in fixed asset investments

	Shares in group undertakings £000
Cost	
At 1 January 2022 & 31 December 2022	-
Carrying amount	
At 31 December 2022	-
At 31 December 2021	-

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Hazpen Trustees Limited	Otley Road, Harrogate, North Yorkshire, HG3 1PY	Group pension trustees	Ordinary	100.00
LSR Pension Scheme Limited	Woolley Road, Alconbury, Huntingdon, Cambridgeshire, PE28 4HS	Group pension trustees	Ordinary	100.00
Covance CRS Developments Limited*	Shardlow Business Park, London Road, Shardlow, Derby, Derbyshire, DE72 2GD	Dormant	Ordinary	100.00
Covance CRS International Limited	Woolley Road, Alconbury, Huntingdon, Cambridgeshire, PE28 4HS	Dormant	Ordinary	100.00
Covance Consulting Limited*	Woolley Road, Alconbury, Huntingdon, Cambridgeshire, PE28 4HS	Dormant	Ordinary	100.00
Covance Pharma Consulting Limited*	Woolley Road, Alconbury, Huntingdon, Cambridgeshire, PE28 4HS	Dormant	Ordinary	100.00
Covance CRS Analytics Limited*	Woolley Road, Alconbury, Huntingdon, Cambridgeshire, PE28 4HS	Dormant	Ordinary	100.00
Labcorp UK Limited*	Woolley Road, Alconbury, Huntingdon, Cambridgeshire, PE28 4HS	Dormant	Ordinary	100.00
Labcorp Research Limited*	Shardlow Business Park, London Road, Shardlow, Derby, Derbyshire, DE72 2GD	Dormant	Ordinary	100.00

* On 18 September 2023, a first strike off notice for Covance CRS Developments Limited, Covance Consulting Limited, Covance Pharma Consulting Limited, Covance CRS Analytics Limited, Labcorp UK Limited and Labcorp Research Limited was filed.

On 31 March 2023, Labcorp Early Development India Private Ltd was incorporated, and the company subscribed to 99.9% of the ordinary share capital.

15 Stocks

	2022 £000	2021 £000
Raw materials and consumables	7,731	4,677

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

16 Debtors	2022	2021
	£000	£000
Amounts falling due within one year:		
Trade debtors	91,815	77,558
Unbilled receivables	45,746	53,961
R&D Expenditure Credit recoverable	43,843	28,751
Amounts owed by group undertakings	1,753	2,076
Other debtors	2,370	4,748
Prepayments and accrued income	6,387	6,197
	<u>191,914</u>	<u>173,291</u>
Deferred tax asset (note 19)	-	4,999
	<u>191,914</u>	<u>178,290</u>
	2022	2021
Amounts falling due after more than one year:	£000	£000
R&D Expenditure Credit recoverable	11,704	7,348
	<u>11,704</u>	<u>7,348</u>
Total debtors	203,618	185,638

Amounts owed by group undertakings are interest free and repayable on demand.

The charge in the Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £75k (2021 - £493k).

17 Creditors: amounts falling due within one year	Notes	2022	2021
		£000	£000
Bank overdrafts	18	41,037	47,655
Payments received on account		47,189	40,647
Trade creditors		14,384	9,032
Amounts owed to group undertakings		37,400	26,849
Taxation and social security		2,460	4,371
Other creditors		1,452	57
Accruals and deferred income		14,719	20,305
		<u>158,641</u>	<u>148,916</u>

Amounts owed to group undertakings include a revolving loan facility with a year end value of £22,487k (2021 - £21,909k) provided by Labcorp International Holdings B.V. The loan facility accrues interest at a rate of Bank of England prevailing rate + 2.5%.

All other amounts owed to group undertakings are interest free and repayable on demand.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18 Borrowings

	2022 £000	2021 £000
Bank overdrafts	41,037	47,655
Payable within one year	41,037	47,655

The overdrawn bank balances are in respect of the company holding the header accounts for the wider group's cash pooling arrangement. As part of the wider spin-off exercise further detailed in note 26 this has been cancelled post year end.

19 Deferred taxation

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

	Liabilities 2022 £000	Liabilities 2021 £000	Assets 2022 £000	Assets 2021 £000
Balances:				
Fixed asset timing differences	19,541	-	-	(17,724)
Capital gains	2,306	-	-	(2,180)
Short term timing differences	2,498	-	-	704
Defined benefit pension scheme	(2,986)	-	-	5,699
Losses and other deductions	(18,500)	-	-	18,500
	<u>2,859</u>	<u>-</u>	<u>-</u>	<u>4,999</u>
Movements in the year:				2022 £000
Asset at 1 January 2022				(4,999)
Charge to profit or loss				4,872
Charge to other comprehensive income				2,986
Liability at 31 December 2022				<u>2,859</u>

20 Retirement benefit schemes

	2022 £000	2021 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	7,139	6,963

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 £588k (2021 - £611k) were payable to the fund and are included in creditors.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes (Continued)

Defined benefit schemes

The company's subsidiary, Hazpen Trustees Limited, operates a defined benefit pension scheme, the Covance Laboratories Pension Scheme ("the Scheme"), in the United Kingdom, which was closed to new entrants with effect from 31 August 2002. Employed members continued to accrue benefits linked to final pensionable salary and service at date until 31 December 2019 when the scheme was closed to future accrual. This has resulted in a re-assessment of the scheme liabilities on the basis that all active members became deferred members at that date.

The company acquired the trade and certain assets of seven entities on 31 March 2020. As a result of this the company assumed the liabilities of the LSR pension scheme, which was closed to new entrants with effect from 5 April 1997. Employed members of this scheme continued to accrue benefits linked to final pensionable salary and service at date until 31 December 2002 when the scheme was closed to future accrual. The company assumed the LSR Scheme's deficit at 31 March 2020 of £31,286k. Any further movements on the LSR Scheme assets and liabilities from this date have been combined with the movements on the Covance Laboratories Pension Scheme and are shown in aggregate below.

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

The liabilities of the Schemes are measured by discounting the best estimate of future cash flows to be paid out by the Schemes using the projected unit credit method, which is an accrued benefits valuation method in which the 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 valuations at 31 December 2020, updated to 31 December 2022. The results of the calculations and the assumptions that have been adopted are shown below.

	2022	2021
<i>Key assumptions</i>	%	%
Discount rate	4.85	1.85
Inflation (RPI)	3.35	3.50
Inflation (CPI)	2.55 - 2.85	2.70 - 3.00
Rate of increases to deferred pensions	2.55 - 2.85	2.70 - 3.00
	====	====
<i>Mortality assumptions</i>	2022	2021
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	21.4 - 22.1	21.4 - 22.0
- Females	23.8 - 24.5	23.7 - 24.4
	====	====
Retiring in 20 years		
- Males	22.4 - 23.7	22.3 - 23.7
- Females	24.9 - 26.2	24.9 - 26.2
	====	====
	2022	2021
<i>Amounts recognised in the income statement</i>	£000	£000
Net interest on net defined benefit liability	327	720
	====	====

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes (Continued)

	2022	2021
	£000	£000
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	108,758	(13,805)
Less: calculated interest element	6,626	4,326
	<u>115,384</u>	<u>(9,479)</u>
Return on scheme assets excluding interest income	115,384	(9,479)
Actuarial changes related to obligations	(133,151)	(20,919)
Restriction of defined benefit surplus	5,822	-
	<u>(11,945)</u>	<u>(30,398)</u>
Total income	<u>(11,945)</u>	<u>(30,398)</u>

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

	2022	2021
	£000	£000
Present value of defined benefit obligations	243,229	381,459
Fair value of plan assets	(249,051)	(358,664)
	<u>(5,822)</u>	<u>22,795</u>
(Surplus)/deficit in scheme	(5,822)	22,795
Restriction on scheme assets	5,822	-
	<u>-</u>	<u>22,795</u>
Total liability recognised	<u>-</u>	<u>22,795</u>

	2022
	£000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2022	381,459
Benefits paid	(12,032)
Actuarial gains and losses	(133,151)
Interest cost	6,953
	<u>243,229</u>
At 31 December 2022	<u>243,229</u>

	2022
	£000
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly unfunded obligations	-
Wholly or partly funded obligations	243,229
	<u>243,229</u>
	<u>243,229</u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes (Continued)

<i>Movements in the fair value of plan assets</i>	2022
	£000
Fair value of assets at 1 January 2022	358,664
Return on plan assets (excluding amounts included in net interest)	(115,384)
Benefits paid	(12,032)
Contributions by the employer	11,177
Interest income	6,626
	<hr/>
At 31 December 2022	249,051
	<hr/> <hr/>

<i>The analysis of the scheme assets at the reporting date were as follows:</i>	2022	2021
	£000	£000
Equity instruments	38,819	79,063
Property	9,795	12,717
Bonds	69,327	163,779
Cash	2,496	14,214
Investment funds	128,614	88,891
	<hr/>	<hr/>
	249,051	358,664
	<hr/> <hr/>	<hr/> <hr/>

21 Share capital

Ordinary share capital	2022	2021
Issued and fully paid	£000	£000
11,005,001 Ordinary shares of £1 each	11,005	11,005
745,000 Redeemable preferred ordinary shares of £1 each	745	745
	<hr/>	<hr/>
	11,750	11,750
	<hr/> <hr/>	<hr/> <hr/>

Ordinary shares are non-redeemable, hold full voting rights and the right to receive dividends.

The redeemable preferred ordinary shares are redeemable at par at any time subject to a minimum of 21 days' notice. These shares carry the rights to dividends and to payment of the par value in a winding up in priority to any payment to the holders of any other class of share.

22 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

23 Financial commitments, guarantees and contingent liabilities

The company is party to a cross guarantee arrangement with Barclays Bank UK PLC, in respect of fellow group undertakings Labcorp Clinical Research Unit Limited and Labcorp Clinical Development Limited, related to the operation of two Cash Pooling arrangements. As a result of spin-off as detailed in note 26 the cross-guarantee agreement was cancelled following the year end.

24 Share-based payment transactions

Restricted Stock Unit (RSU) 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. Performance shares in Laboratory Corporation of America Holdings are made to senior executives at the discretion of the company. These awards vest three years after grant date.

The expense recognised for share-based payments in respect of these RSUs for employee services received during the year amounts to £1,166k (2021 - £1,448k), 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.

25 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:

	2022	2021
	£000	£000
Within one year	435	482
Between one and five years	1,542	1,378
In over five years	305	1,049
	<u>2,282</u>	<u>2,909</u>

LABCORP EARLY DEVELOPMENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

26 Events after the reporting date

On June 30 2023 at 11:59 p.m., following the year end, Fortrea Holdings Inc a leading global contract research organisation (CRO), completed its previously announced spin-off from the previous ultimate parent company, Laboratory Corporation of America Holdings (NYSE: LH), and became an independent public company, Fortrea Holdings Inc (Nasdaq: FTRE). From this date Fortrea Holdings Inc. became the ultimate parent company.

As part of the spin-off and to facilitate and simplify the rationalisation of group balances, the company received and made payment in full in order to settle balances with affiliate undertakings.

In addition, as part of the spin-off Labcorp Early Development India Pvt Ltd was incorporated and the company subscribed to the entire share capital.

Further information is available on the Labcorp website: <https://www.labcorp.com/labcorp-completes-spin-fortrea>.

Following the year end, on 27 November 2023, the shareholders of the company approved a special resolution to cancel the share premium account of the company in full. In doing so, £395,824k was credited to profit and loss reserves and is to be treated as distributable reserves.

27 Ultimate controlling party

At the year end the company's immediate parent was Fortrea UK Holdings Limited (formerly Labcorp Development Limited) a company incorporated in England and Wales. Following the year end, as part of the wider group spin-off as detailed in note 26, Clearstone Holdings (International) Limited, a company incorporated in England and Wales became the company's immediate parent.

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, 531 South Spring Street, Burlington, 27215, United States of America.