

Company Registration No. 02022667 (England and Wales)

**COVANCE CLINICAL AND PERIAPPROVAL  
SERVICES LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2018**

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# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R S Pringle G A Eisenberg S D Van Der Vaart
<b>Company number</b>	02022667
<b>Registered office</b>	Osprey House Westacott Way Maidenhead Berkshire SL6 3QH
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

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# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### Principal activities

The principal activity of the company is to carry out clinical development services for the international biopharmaceutical industry.

#### Review of the business

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

The company continues to follow a growth strategy, backed by scientific credentials. This has helped the company maintain a strong position within the Clinical Research Organisation Industry. The directors are confident of the long term future and prospects of the company.

The company distributed a dividend during the year and maintained a strong cash position.

#### Key performance indicators

	2018 £000	2017 £000	Movement %
Turnover	130,710	160,093	(18.3)
Operating profit	16,931	21,523	(21.3)
Total equity	57,032	44,665	27.7
Average number of employees	1,442	1,447	0.3
Current assets as a % of current liabilities	429%	232%	187

#### 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 bearing assets only include cash. As such, interest rate risk is considered to be minimal.

#### Foreign exchange risk

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

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **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 clinical development activities for the international pharmaceutical industry. These projects may involve testing of large numbers of patients in many locations 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 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.

#### *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.

#### *Recruitment of qualified employees*

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

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

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

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

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## STRATEGIC REPORT (CONTINUED)

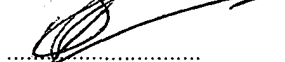
FOR THE YEAR ENDED 31 DECEMBER 2018

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### *UK departure from the European Union (continued)*

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

On behalf of the board



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R S Pringle

Director

Date: 15 October 2019

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### Branches

The company's branch structure is as follows:

Covance Clinical & Periapproval Services Limited, Branch, Bulgaria  
Covance Clinical and Periapproval Services Limited, Organizacni Slozka, Prague, Czech Republic  
Covance Clinical and Periapproval Services Limited, Eesti Filiaal, Estonia  
Covance Clinical & Periapproval Services Limited, Suomen Sivuliike, Helsinki, Finland  
Covance Clinical and Periapproval Services Limited, Athens, Greece  
Covance Clinical & Periapproval Services Ltd, Tel Aviv, Israel  
Covance Clinical and Periapproval Services Ltd, Filiale Italiana, Rome, Italy  
Covance Clinical and Periapproval Services Limited, Latvijas Filiale, Latvia  
Covance Clinical & Periapproval Services Limited, Filialas, Vilnius, Lithuania  
Covance Clinical & Periapproval Services Ltd, Oslo, Norway  
Covance Clinical & Periapproval Services Ltd Sucursal EM, Lisbon, Portugal  
Covance Clinical & Periapproval Services Limited, Sucursala, Bucuresti Branch, Romania  
The Branch of Covance Clinical & Periapproval Services Limited, Moscow, Russia  
The Branch of Covance Clinical & Periapproval Services Limited, St Petersburg, Russia  
Covance Clinical & Periapproval Services Ltd, O.Z., Bratislava, Slovakia  
Covance Clinical & Periapproval Services, Fili, Stockholm, Sweden

#### Directors

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

R J Davie	(Resigned 31 March 2018)
R S Pringle	
G A Eisenberg	(Appointed 31 March 2018)
F S Eberts III	(Appointed 8 August 2018 and resigned 15 February 2019)
S D Van Der Vaart	(Appointed 24 June 2019)

#### Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £4,000,000 (2017 - £31,000,000). The directors do not recommend payment of a final dividend.

#### Qualifying third party indemnity provisions

The company is party to qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### Research and development

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

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is 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.

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 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

On 3 April 2019 the company acquired the trade and certain of the assets and liabilities of Chiltern International Limited for a consideration of £174m.

### Future developments

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

The year saw a global increase of sales within the clinical business. Both full services and FSPx saw an increase driven by volume and mix of studies. The increase in sales also resulted in an increase in the backlog, which will generate future revenue.

### Auditor

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

### Strategic report

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

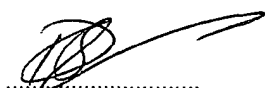
### Statement of disclosure to auditor

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

### Going concern

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

On behalf of the board



R S Pringle  
Director

Date: 15 October 2019

# **COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

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

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

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



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED**

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## **Opinion**

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

In our opinion, the financial statements:

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

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

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

## **Other information**

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

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

We have nothing to report in this regard.

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED (CONTINUED)

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

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

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

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

### Responsibilities of directors

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

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

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

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

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

### Use of our report

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

RSM UK Audit LLP

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

17 October 2019

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	<b>3</b>	130,710	160,093
Administrative expenses		(113,779)	(138,570)
<b>Operating profit</b>	<b>6</b>	16,931	21,523
Interest receivable and similar income	<b>8</b>	972	14,028
Interest payable and similar expenses	<b>9</b>	(229)	(155)
<b>Profit before taxation</b>		17,674	35,396
Tax on profit	<b>10</b>	(3,877)	(2,958)
<b>Profit for the financial year</b>		13,797	32,438
<b>Other comprehensive income net of taxation</b>			
Currency translation differences		(177)	329
<b>Total comprehensive income for the year</b>		13,620	32,767

**COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	12		4,054		4,149
Investments	13		8,239		8,239
			<u>12,293</u>		<u>12,388</u>
<b>Current assets</b>					
Debtors	15	88,683		51,816	
Cash at bank and in hand		11,796		13,545	
		<u>100,479</u>		<u>65,361</u>	
<b>Creditors: amounts falling due within one year</b>	16	(23,446)		(27,015)	
<b>Net current assets</b>			<u>77,033</u>		<u>38,346</u>
<b>Total assets less current liabilities</b>			<u>89,326</u>		<u>50,734</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(32,294)		(6,069)
<b>Net assets</b>			<u>57,032</u>		<u>44,665</u>
<b>Capital and reserves</b>					
Called up share capital	19		14,500		14,500
Profit and loss reserves	22		42,532		30,165
<b>Total equity</b>			<u>57,032</u>		<u>44,665</u>

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

  
 R S Pringle  
 Director

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 January 2017</b>		14,500	25,526	40,026
<b>Year ended 31 December 2017:</b>				
Profit for the year		-	32,438	32,438
Other comprehensive income net of taxation:				
Currency translation differences		-	329	329
Total comprehensive income for the year		-	32,767	32,767
Dividends	11	-	(31,000)	(31,000)
Credit to equity for equity settled share-based payments	20	-	2,872	2,872
<b>Balance at 31 December 2017</b>		14,500	30,165	44,665
<b>Year ended 31 December 2018:</b>				
Profit for the year		-	13,797	13,797
Other comprehensive income net of taxation:				
Currency translation differences		-	(177)	(177)
Total comprehensive income for the year		-	13,620	13,620
Dividends	11	-	(4,000)	(4,000)
Credit to equity for equity settled share-based payments	20	-	2,747	2,747
<b>Balance at 31 December 2018</b>		14,500	42,532	57,032

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies

##### Company information

Covance Clinical and Periapproval Services Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office and principal place of business is Osprey House, Westacott Way, Maidenhead, Berkshire, SL6 3QH.

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 Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

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

##### Reduced disclosures

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

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

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

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.

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 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 are recognised only when those variations have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

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

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

In connection with the management of multi site clinical trials, the company pays, on behalf of its customers, fees and other out of pocket expenses to investigators, for which it is reimbursed at cost without mark up or profit. Investigator fees are not reflected in total revenues or expenses where the company acts in the capacity of an agent on behalf of the customer, passing through these costs without risk or reward to the customer itself. Where the company is not the contracting party these costs are passed directly to the contracting entity. All other out of pocket expenses are included in administrative expenses.

Where the company contracts with an intermediary contract holder which is a member of the ultimate controlling group, the company recognised turnover at a fixed margin on costs incurred, as defined in the intercompany services agreement.

##### Research and development expenditure

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

##### Tangible fixed assets

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

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

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

Leasehold improvements	Period of the lease
Plant and machinery	7-33% straight line
Fixtures and fittings	10-33% straight line

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### **Tangible fixed assets (continued)**

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. The investments are assessed for impairment at each reporting date and any impairment or reversals of impairments are recognised immediately in the statement of comprehensive income.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### **Impairment of fixed assets**

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

Recoverable amount is 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 loss 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.

##### **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, amounts owed by group undertakings, unbilled receivables 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.



# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### ***Other financial assets***

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of comprehensive income, except investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

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

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

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

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

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

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

Basic financial liabilities, including trade and other creditors, and amounts due to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

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

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

##### ***Equity instruments***

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

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### **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 profit or loss, 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.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

##### **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.

##### **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.

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

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

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### **Share-based payments (continued)**

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

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

##### **Leases**

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

##### **Foreign exchange**

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

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

All translation differences are taken to 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.

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

#### **Critical judgements**

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

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

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

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

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

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

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

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on 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.

#### ***Investments***

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

Investment in subsidiaries reflect the cost paid, less impairment. There is a judgement in assessing the carrying value of the investments, based on the recoverability of that investment through the expected future cash flows of the relevant entity.

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

Factors taken into consideration in reaching such a decision include, the economic viability and expected future financial performance of the entity and the viability and expected future performance of that unit. See note 13 for carrying amounts of fixed asset investments.

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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

#### Turnover

##### Critical judgement

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

### 3 Turnover

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

	2018 £'000	2017 £'000
<b>Turnover analysed by class of business</b>		
Clinical development services to the global bio-pharmaceutical industry	130,710	160,093
Dividends received	963	14,000
<b>Turnover analysed by geographical market</b>		
United Kingdom	9,253	13,806
Rest of Europe	24,264	29,899
United States of America	91,083	110,005
Rest of the World	6,110	6,383
	130,710	160,093

### 4 Employees

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

	2018 Number	2017 Number
Administration	173	176
Clinical and data processing	1,269	1,271
	1,442	1,447

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 4 Employees (Continued)

	2018 £'000	2017 £'000
Wages and salaries	69,094	67,115
Social security costs	11,717	11,093
Pension costs	4,232	4,311
	<u>85,043</u>	<u>82,519</u>

Included in wages and salaries is a total expense relating to share-based payments of £2,746,943 (2017 - £2,872,892) all of which relates to equity settled share-based payment transactions.

### 5 Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	366	668
Company pension contributions to defined contribution schemes	25	40
	<u>391</u>	<u>708</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

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

	2018 £'000	2017 £'000
Remuneration for qualifying services	305	381
Company pension contributions to defined contribution schemes	19	22
	<u></u>	<u></u>

### 6 Operating profit

	2018 £'000	2017 £'000
Operating profit for the year is stated after charging/(crediting):		
Foreign exchange gains	(324)	(1,390)
Research and development credits	(6,875)	(7,104)
Depreciation of owned tangible fixed assets	1,300	1,429
(Profit)/loss on disposal of tangible fixed assets	-	4
Share-based payments	2,747	2,872
Operating lease charges	3,150	3,857
	<u></u>	<u></u>

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

<b>7 Auditor's remuneration</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	17	17
<b>For other services</b>		
All other non-audit services	3	3
<b>8 Interest receivable and similar income</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on bank deposits	9	28
<b>Income from fixed asset investments</b>		
Income from shares in group undertakings	963	14,000
Total income	972	14,028
<b>9 Interest payable and similar expenses</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to group undertakings	-	142
Other interest	229	13
	229	155
<b>10 Taxation</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	2,966	2,868
Adjustments in respect of prior periods	280	(539)
Double tax relief	(777)	(636)
Total UK current tax	2,469	1,693
Foreign current tax on profits for the current period	818	723
Adjustments in foreign tax in respect of prior periods	531	679
Total current tax	3,818	3,095

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 10 Taxation (Continued)

##### Deferred tax

Origination and reversal of timing differences	59	(137)
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Total tax charge	3,877	2,958
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The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £'000	2017 £'000
Profit before taxation	17,674	35,396
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	3,358	6,814
Tax effect of expenses that are not deductible in determining taxable profit	7	3
Tax effect of income not taxable in determining taxable profit	(183)	(2,703)
Effect of change in corporation tax rate	(7)	18
Group relief	-	(1,257)
Permanent capital allowances in excess of depreciation	12	13
Other permanent differences	(162)	(157)
Effect of overseas tax rates	41	87
Under/(over) provision in prior years	811	140
Taxation charge for the year	3,877	2,958

#### 11 Dividends

	2018 Per share £'000	2017 Per share £'000	2018 Total £'000	2017 Total £'000
<b>Ordinary shares</b>				
Interim paid	0.28	2.14	4,000	31,000
<b>Total dividends</b>				
Interim paid			4,000	31,000



# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 12 Tangible fixed assets

	Leasehold improvements £'000	Assets under construction £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>					
At 1 January 2018	3,485	-	7,701	1,150	12,336
Additions	20	105	1,031	29	1,185
Disposals	-	-	(4)	-	(4)
Foreign exchange adjustments	(62)	-	64	3	5
At 31 December 2018	3,443	105	8,792	1,182	13,522
<b>Depreciation and impairment</b>					
At 1 January 2018	1,250	-	6,336	601	8,187
Depreciation charged in the year	259	-	901	140	1,300
Eliminated in respect of disposals	-	-	(4)	-	(4)
Foreign exchange adjustments	(6)	-	(8)	(1)	(15)
At 31 December 2018	1,503	-	7,225	740	9,468
<b>Carrying amount</b>					
At 31 December 2018	1,940	105	1,567	442	4,054
At 31 December 2017	2,235	-	1,365	549	4,149

### 13 Fixed asset investments

	Notes	2018 £'000	2017 £'000
Investments in subsidiaries	14	8,239	8,239

#### Movements in fixed asset investments

	Shares in group undertakings £'000
<b>Cost</b>	
At 1 January 2018 & 31 December 2018	8,239
<b>Carrying amount</b>	
At 31 December 2018	8,239
At 31 December 2017	8,239

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Covance Austria GmbH	1	Clinical research into pharmaceutical drug development	Ordinary	100.00	
Covance Clinical Product Developments Limited	2	Clinical research into pharmaceutical drug development	Ordinary	99.00	
Covance Clinical Research Unit Limited	3	Contract biological and chemical research	Ordinary	100.00	
Covance Denmark ApS	4	Clinical research into pharmaceutical drug development	Ordinary	100.00	
Covance Development Services (Pty) Ltd.	5	Clinical research into pharmaceutical drug development	Ordinary	100.00	
Medaxial Limited	6	Dormant	Ordinary	100.00	

#### Registered office addresses:

- 1 Teinfaltstrasse 8-8A, 4. Stock, 1010 Wien, Austria
- 2 Şti.Barbaros Mah. Çiğdem Sok., Ağaoğlu, No:1 Kat:4/18, Ataşehir, Istanbul 34746, Turkey
- 3 Springfield House, Hyde Street, Leeds, LS1 9LH
- 4 Beierholm, Knud Hoejgaards Vej 9, 2860 Soeborg, Denmark
- 5 Ground Floor Lakeview Bldg, 1277 Mike Crawford Street, Centurion, 0157, South Africa
- 6 Osprey House, Maidenhead, Office Park, Westacott Way, Maidenhead, SL6 3QH

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 15 Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	14,588	6,096
Unbilled receivables	13,318	7,205
Corporation tax recoverable	502	473
Amounts owed by group undertakings	43,979	11,147
Other debtors	12,511	21,551
Prepayments and accrued income	1,434	1,917
	<u>86,332</u>	<u>48,389</u>
Deferred tax asset (note 18)	253	312
	<u>86,585</u>	<u>48,701</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	2,098	3,115
	<u>2,098</u>	<u>3,115</u>
<b>Total debtors</b>	<u>88,683</u>	<u>51,816</u>

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

	2018 £'000	2017 £'000
Payments received on account	1,261	985
Trade creditors	1,926	2,126
Amounts due to group undertakings	8,093	12,237
Other taxation and social security	2,882	2,946
Other creditors	1,667	1,543
Accruals and deferred income	7,617	7,178
	<u>23,446</u>	<u>27,015</u>

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018 £'000	2017 £'000
Amounts due to group undertakings	32,294	6,000
Accruals and deferred income	-	69
	<u>32,294</u>	<u>6,069</u>

Included in amounts due to group undertakings is a loan made to the company from Covance International Holdings B.V.. The company has drawn down £6,000,000 during the year ended 31 December 2017. The loan is unsecured, due to mature on 31 May 2027 and interest is charged at a rate of Bank of England base rate plus 1.5%. During the year ended 31 December 2018, the company entered into a new loan agreement with Covance International Holdings B.V. for €25,000,000. The loan is unsecured, due to mature on 30 November 2028 and interest is charged at a rate of Bank of England base rate plus 2%.

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	<u>32,294</u>	<u>6,000</u>
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#### 18 Deferred taxation

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

	Assets 2018 £'000	Assets 2017 £'000
<b>Balances:</b>		
Accelerated capital allowances	(336)	(312)
Short term timing differences	589	624
	<u>253</u>	<u>312</u>
<b>Movements in the year:</b>		2018 £'000
Net asset at 1 January 2018		(312)
Charge to profit or loss		59
Net asset at 31 December 2018		<u>(253)</u>

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 19 Share capital

	2018 £'000	2017 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
14,500,100 Ordinary shares of £1 each	14,500	14,500
	<u>14,500</u>	<u>14,500</u>

The Ordinary shares of £1 each are non-redeemable and hold full voting rights and the right to receive dividends.

### 20 Share-based payment transactions

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

The expense recognised for share-based payments in respect of these Restricted Stock Units for employee services received during the year amounts to £2,746,943 (2017 - £2,871,892), 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 one the grant date.

### 21 Retirement benefit schemes

	2018 £'000	2017 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	4,232	4,311

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 £272,510 (2017 - £278,963) were payable to the fund and are included in creditors.

### 22 Reserves

#### Profit and loss reserves

Cumulative profit and loss of distributions to owners.

# COVANCE CLINICAL AND PERIAPPROVAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 23 Operating lease commitments

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:

	2018 £'000	2017 £'000
Within one year	2,420	2,603
Between one and five years	5,540	7,622
	<u>7,960</u>	<u>10,225</u>

#### 24 Events after the reporting date

On 3 April 2019 the company acquired the trade and certain of the assets and liabilities of Chiltern International Limited for a consideration of £174m.

#### 25 Ultimate parent company

The company's immediate parent is Covance Limited.

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