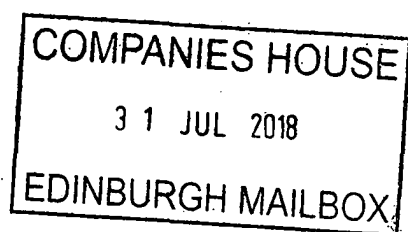


# **Charles River Laboratories Edinburgh Limited**

## **Annual Report and Financial Statements For the year ended 30 December 2017**

**Company Registration No. SC091725**



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COMPANIES HOUSE

# **Charles River Laboratories Edinburgh Limited**

## **Annual Report and Financial Statements For the year ended 30 December 2017**

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# **Charles River Laboratories Edinburgh Limited**

## **Directors and Advisers for the year ended 30 December 2017**

### **Directors**

B Bathgate

D Johst

D Molho

D Smith

### **Company Secretary**

D Johst

### **Company number**

SC091725

### **Registered Office**

Elphinstone Research Centre

Tranent

EH33 2NE

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

# Charles River Laboratories Edinburgh Limited

## Strategic report for the year ended 30 December 2017

The directors present their strategic report of the company for the year ended 30 December 2017.

### Principal activities

The principal activity of the Company is to contract scientific research and consultancy on behalf of the pharmaceutical, agrochemical and veterinary sectors. The Company does not undertake standalone research and development.

### Business performance and future outlook

The turnover for the financial year was £74,776,000 (2016: £70,808,000). The profit for the financial year amounted to £9,145,000 (2016: £13,369,000). The directors do not recommend the payment of a dividend in respect of the year (2016: £nil).

During the financial year the Company increased turnover by 6% as a result of the continuing growth in both the pharmaceutical and agrochemical sectors. Operating profit margins decreased from 20% to 19%. Employee numbers increased from 890 to 991 in line with underlying growth. High levels of new contract awards throughout the year resulted in the Company's revenue backlog remaining at historically high levels. This provides a strong indicator moving into 2018. At the end of the year the Company maintained its strong net current asset and net asset positions. The Company's defined benefit pension scheme benefited from actuarial fluctuations resulting in a movement from the deficit of £45,524,000 at the end of 2016 to a deficit of £16,115,000 at the end of 2017.

### Principal risks and uncertainties

The key business risks facing the Company are considered to be the level of research and development activity undertaken by existing and potential customers, as well as the outsourcing policies of these customers. These risks are managed by working across pharmaceutical, agrochemical and veterinary sectors, as well as active sales programs, client engagement and monitoring of concentration of turnover.


### Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analyses using KPIs are not necessary for an understanding of the development, performance or position of the business.

Approved by the Board and signed its behalf by:

B Bathgate  
Director

..... July 2018



# **Charles River Laboratories Edinburgh Limited**

## **Directors' report for the year ended 30 December 2017**

The directors present their annual report and the audited financial statements of the company for the year ended 30 December 2017. The registered Company number is SC091725.

### **Principle activities**

The principal activity of the Company is contract scientific research and consultancy on behalf of the pharmaceutical, agrochemical and veterinary sectors. The Company does not undertake standalone research and development.

### **Business performance, future outlook and principal risks and uncertainties**

The results for the year are set out on in the income statement on page 7. The results for the year, future developments and principal risks and uncertainties have been discussed in the Strategic report on page 2.

### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year (2016: £nil).

### **Directors and their interests**

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

B Bathgate  
D Johst  
D Molho  
D Smith

### **Disabled employees**

The Company is committed to employment policies which allow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status.

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 with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee involvement**

The Company remains committed to its quality management programme which involves all staff in seeking to continuously improve the services offered to sponsors. Staff share in the success of the group through bonus arrangements. Staff training and development have continued to be emphasised through the availability of extensive in-house training courses and through performance appraisal systems.

The Company communicates with its employees on all matters relevant to them through a variety of media. These include all hands meetings, departmental meetings and one to one feedback, as well as a dedicated intranet site and message boards. The key information provided to staff includes financial performance of the group and its ultimate parent company, regulatory and quality issues and performance improvement initiatives.

# Charles River Laboratories Edinburgh Limited

## Directors' report for the year ended 30 December 2017 (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). 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;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and group 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.

### Directors' statement on disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors, each of these directors at the date of approval of this report confirms that:

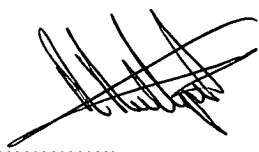
- to the best of each directors' knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board on ..... July 2018 and signed its behalf by:

B Bathgate  
Director

  
.....

# ***Independent auditors' report to the members of Charles River Laboratories Edinburgh Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Charles River Laboratories Edinburgh Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 December 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### *Independence*

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

---

### **Conclusions relating to going concern**

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

- 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.

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

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### **Reporting on other information**

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

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# Charles River Laboratories Edinburgh Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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

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## **Other required reporting**

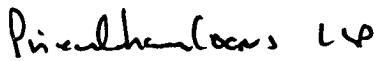
### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the auditor's name should not be stated.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
19 July 2018



# Charles River Laboratories Edinburgh Limited

## Income Statement for the year ended 30 December 2017

	Note	2017 £'000	2016 £'000
<b>Turnover</b>	4	<b>74,776</b>	70,808
Cost of sales		(50,546)	(45,840)
<b>Gross profit</b>		<b>24,230</b>	24,968
Administrative expenses		(11,828)	(10,454)
<b>Operating profit</b>	5	<b>12,402</b>	14,514
Interest receivable and similar income	8	49	37
Interest payable and similar charges	9	(11)	(12)
Other financial cost	21	(1,195)	(222)
<b>Profit on ordinary activities before taxation</b>		<b>11,245</b>	14,317
Tax on profit on ordinary activities	10	(2,100)	(948)
<b>Profit for the financial year</b>		<b>9,145</b>	13,369

## Statement of Comprehensive Income for the year ended 30 December 2017

		2017 £'000	2016 £'000
<b>Profit for the financial year</b>		<b>9,145</b>	13,369
<b>Other comprehensive (expense)/income</b>			
Actuarial gain/(loss) related to the pension scheme	21	28,104	(40,839)
Deferred taxation on actuarial (gain)/loss		(4,777)	5,274
Deferred taxation : prior year adjustment		-	32
Other comprehensive income/(expense) for the year, net of tax		23,327	(35,533)
<b>Total comprehensive income/(expense)</b>		<b>32,472</b>	(22,164)

There is no material difference between the reported profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The above results relate entirely to continuing activities.

The notes on pages 10 to 27 form part of these financial statements.

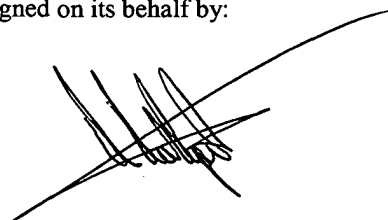
# Charles River Laboratories Edinburgh Limited

## Balance Sheet as at 30 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	39,805	39,839
		<b>39,805</b>	<b>39,839</b>
<b>Current assets</b>			
Stocks	12	1,021	946
Debtors	13	52,024	32,927
Cash at bank and in hand		10,030	19,156
		<b>63,075</b>	<b>53,029</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(28,502)</b>	<b>(20,341)</b>
<b>Net current assets</b>		<b>34,573</b>	<b>32,688</b>
<b>Total assets less current liabilities</b>		<b>74,378</b>	<b>72,527</b>
Creditors: amounts falling due after more than one year	15	(28)	(69)
Pension liability	21	(16,115)	(45,524)
<b>Net assets</b>		<b>58,235</b>	<b>26,934</b>
<b>Capital and reserves</b>			
Called up share capital	18	275	275
Capital redemption reserve		325	325
Share premium account		1,059	1,059
Retained earnings		56,576	25,275
<b>Total shareholders' funds</b>		<b>58,235</b>	<b>26,934</b>

The financial statements on pages 7 to 27 were approved by the Board of Directors on ... July 2018 and were signed on its behalf by:

B Bathgate  
Director



# Charles River Laboratories Edinburgh Limited

## Statement of Changes in Equity 30 December 2017

	Retained earnings Share appropriation £'000	Other £'000	Total Retained earnings £'000	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Total £'000
<b>Balance as at 27 December 2015</b>	1,200	46,565	<b>47,765</b>	275	325	1,059	<b>49,424</b>
Profit for the year		13,369	<b>13,369</b>	-	-	-	<b>13,369</b>
Actuarial gain/(loss) related to the pension scheme	-	(35,533)	<b>(35,533)</b>	-	-	-	<b>-(35,533)</b>
Total comprehensive income for the year	-	(22,164)	<b>(22,164)</b>	-	-	-	<b>-(22,164)</b>
Share option transactions	961	(1,287)	<b>(326)</b>	-	-	-	<b>(326)</b>
Total transactions with owners, recognised directly in equity	961	(1,287)	<b>(326)</b>	-	-	-	<b>(326)</b>
<b>Balance as at 31 December 2016</b>	2,161	23,114	<b>25,275</b>	275	325	1,059	<b>26,934</b>
Profit for the year	-	9,145	<b>9,145</b>	-	-	-	<b>9,145</b>
Actuarial gain/(loss) related to the pension scheme	-	23,327	<b>23,327</b>	-	-	-	<b>23,327</b>
Total comprehensive income for the year	-	32,472	<b>32,472</b>	-	-	-	<b>32,472</b>
Share option transactions	968	(2,139)	<b>(1,171)</b>	-	-	-	<b>(1,171)</b>
Total transactions with owners, recognised directly in equity	968	(2,139)	<b>(1,171)</b>	-	-	-	<b>(1,171)</b>
<b>Balance as at 30 December 2017</b>	3,129	53,447	<b>56,576</b>	275	325	1,059	<b>58,235</b>

There were no dividends paid in the current or prior year.

# Charles River Laboratories Edinburgh Limited

## Notes to the financial statements Year ended 30 December 2017

### 1. General information

Charles River Laboratories Edinburgh Limited (the "Company") is a private Company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Elphinstone Research Centre, Tranent, EH33 2NE.

### 2. Statement of compliance

The individual financial statements of Charles River Laboratories Edinburgh Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The principal activity of the Company is to contract scientific research and consultancy on behalf of the pharmaceutical, agrochemical and veterinary sectors.

### 3. Summary of significant accounting policies

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

#### Basis of preparing the financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom including FRS 102 on a basis consistent with the prior year.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section later on this note.

#### Going concern

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Charles River Laboratories International Inc which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions in its separate financial statements:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from disclosing share based payment arrangements, required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23 of FRS 102, concerning its own equity instruments;

# Charles River Laboratories Edinburgh Limited

## 3. Summary of significant accounting policies (continued)

### Exemptions for qualifying entities under FRS 102 (continued)

- iv) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- v) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

### Foreign currency

#### *i) Functional and presentation currency*

The Company financial statements are presented in pound sterling.

#### *ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### Turnover

Turnover, which excludes value added tax and trade discounts, represents amounts receivable for services provided in the normal course of business.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

### Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangement and defined contribution and benefit pension plans.

#### *i) Short term benefits*

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

#### *ii) Defined benefit pension plan*

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. The Company operates a scheme which is accounted for in the Company financial statements in accordance with Section 28 of FRS 102.

# Charles River Laboratories Edinburgh Limited

## 3. Summary of significant accounting policies (continued)

### Employee benefits (continued)

#### *ii) Defined benefit pension plan (continued)*

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

#### *iii) Defined contribution pension plan*

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

### Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

### Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

#### *i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

#### *ii) Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

# Charles River Laboratories Edinburgh Limited

## 3. Summary of significant accounting policies (continued)

### **Tangible fixed assets**

Tangible fixed assets are stated at historic purchase cost or valuation, less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight line basis over their expected useful economic lives as follows:

Heritable property	Forty years
Plant and machinery	Three to ten years

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the income statement as a movement on reserves. Assets under construction are not depreciated until they are brought into use. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the income statement as a movement on reserves.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

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

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

### **Leased assets**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### *i) Finance lease*

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

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used.

Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

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

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

#### *ii) Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

# Charles River Laboratories Edinburgh Limited

## 3. Summary of significant accounting policies (continued)

### Leased assets (continued)

#### *iii) Lease incentives*

The Company has taken advantage of transition exemption under paragraph 35.10 (p) in respect of lease incentives on leases in existence on the date of transition to FRS 102 (28 December 2014) and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

### Stocks

Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell on a first in, first out (FIFO) basis of valuation. A provision is made for obsolete, slow-moving or defective items where appropriate.

### Long term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as work-in-progress balances in stock.

### Share based payments

The Company participates in a number of equity-settled, share-based compensation plans operated by Charles River Laboratories International Inc (Note 7). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

National Insurance Contributions (NIC) payable by the Company or its subsidiary undertaking on the exercise of share options, are provided for based on the intrinsic value of these options and the prevailing rate of NIC at the balance sheet date.

### Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.



# Charles River Laboratories Edinburgh Limited

## 3. Summary of significant accounting policies (continued)

### Impairment of non-financial assets (continued)

If an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

### Financial instruments

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

#### *i) Financial assets*

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

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

Such assets are subsequently carried at fair value (which is the market value provided by the fund administrator) and the changes in fair value are recognised in income statement, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

#### *ii) Financial liabilities*

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow 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 receipts discounted at a market rate of interest.

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

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

# Charles River Laboratories Edinburgh Limited

## 3. Summary of significant accounting policies (continued)

### Financial instruments (Continued)

#### *ii) Financial liabilities (continued)*

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

The Company does not hold or issue any derivative financial instruments.

#### *iii) Offsetting*

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

### Related party transactions

The Company has taken advantage of the exemption under paragraph 33.1A of FRS 102 and discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

### Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### *i) Useful economic lives of tangible fixed assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 12 for the carrying amount of tangible fixed assets, and accounting policy for the useful economic lives for each class of assets.

#### *ii) Actuarial estimates of pension scheme liabilities*

The net defined benefit pension liability is an estimate based on actuarial assumptions and a standard approach to the valuation. The company relies on a report prepared by an appointed independent qualified actuary. To prepare the report, the actuary uses assumptions in a forward looking and demographic model from a wide range of possibilities. See Note 21 for detailed information regarding the assumptions used.

## 4. Turnover

The directors are of the opinion that the Company has only one class of business, namely contract scientific research and consultancy. However, the Company provided its services to customers in a number of geographical areas and its turnover can be summarised as follows:

	2017 £'000	2016 £'000
United Kingdom	21,529	21,766
Other	53,247	49,042
	74,776	70,808

# Charles River Laboratories Edinburgh Limited

## 5. Operating profit

Operating profit is stated after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation and amounts written off tangible fixed assets	3,699	3,511
Auditors' remuneration for audit services	157	157
Operating lease rentals	370	313
Gain on the sale of tangible fixed assets	-	(5)
Research & Development tax credit	(3,638)	(3,382)
Foreign exchange gain/(loss)	499	(502)

## 6. Staff costs

The average monthly number of persons both full time and part time (excluding executive directors) employed by the Company during the financial year was:

	2017 Number	2016 Number
Operating areas	802	696
Administration	189	194
	991	890

Their aggregate remuneration (including directors' remuneration) comprised:

	2017 £'000	2016 £'000
Wages and salaries	24,985	24,720
Social security costs	2,606	2,570
Other pension costs (Note 21)	2,541	2,396
Share option costs (Note 7)	968	960
	31,099	30,646

### Directors' remuneration

	2017 £'000	2016 £'000
Aggregate remuneration	361	354

The directors participate in share option schemes and long-term incentive schemes operated by the ultimate parent company (Note 7). The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under these long-term incentive schemes. Four directors exercised share options during the year (2016: four). No directors have shares that were received or receivable under long-term incentive schemes during the year (2016: none).

There were no directors (2016: none) to whom retirement benefits were accruing under defined benefit pension schemes in respect of qualifying services. There were no directors (2016: none) to whom retirement benefits were accruing under defined contribution pension schemes in respect of qualifying services.

# Charles River Laboratories Edinburgh Limited

## 6. Staff costs (continued)

### Highest paid director

One director is paid by the Company. The other directors are paid by another group undertaking. No allocation of these payments is made to the Company.

The above amounts for remuneration include the following in respect of the highest paid director:

	2017 £'000	2016 £'000
Aggregate remuneration	361	354

The accrued pension entitlement under the group's defined benefit pension scheme of the highest paid director at 30 December 2017 was £nil (2016: £nil). The highest paid director exercised share options during the year and the prior year.

## 7. Share based payments and share options

The ultimate parent company Charles River Laboratories International, Inc. has established a number of approved and unapproved share option plans and arrangements:

**2007 Incentive Plan** - The 2007 Incentive Plan (2007 Plan), effective from 8 May 2007, provides for the grant of share options to employees of the Group. Options granted under the 2007 Plan vest annually in equal instalments over four years as long as the employee continues to be employed by the Group. All options granted under the 2007 Plan expire on or before 27 February 2025.

**2002 Share Option Plan** - Share options under the 2002 Share Option Plan (ex-Inveresk Plan), which provides options to employees of the Group, vest annually in equal instalments over the three years following the date of grant. All options granted expired on or before 17 February 2016.

Under all schemes the options are equity settled and the exercise price is the share price at the grant date. The Company accounts for all share option schemes in accordance with Section 26 of FRS 102 ("Share-based payments").

The volatility is based on a statistical analysis of daily share prices over a period equal to the vesting period of the schemes ending on the day before the grant date for the schemes.

	2017	2016
Volatility	24%	25%
Risk free interest rates	1.6%	1.2%
Expected dividend yield	Nil	Nil
Weighted average remaining contractual life of options outstanding at 30 December 2017	3.6 years	3.6 years

In the fair value model it has been assumed that the expected dividend yield for the share option plan is nil and the estimated life of the share options is 3.6 years.

## 8. Interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest received	49	37

# Charles River Laboratories Edinburgh Limited

## 9. Interest payable and similar charges

	2017	2016
	£'000	£'000
Finance leases and hire purchase contracts	11	12

## 10. Tax on profit on ordinary activities

### a) Analysis of tax charge in the financial year:

	2017	2016
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits of the year	964	-
Adjustment in respect of previous periods	156	47
<b>Total current tax charge</b>	<b>1,120</b>	<b>47</b>

### Deferred tax (Note 17)

Origination and reversal of timing differences	1,357	2,833
Adjustment in respect of previous periods	(351)	570
Effect of changes in tax rates	(26)	(2,502)
<b>Total deferred tax</b>	<b>980</b>	<b>901</b>
<b>Total tax per income statement</b>	<b>2,100</b>	<b>948</b>

### Other comprehensive income items

Deferred tax current year debit/credit on actuarial gain	4,777	(5,274)
Deferred tax rate change on prior year actuarial gain	-	(32)
<b>Total deferred tax on actuarial gain per other comprehensive income</b>	<b>4,777</b>	<b>(5,306)</b>

### b) Factors affecting tax charge for the year

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 19.25% (2016: 20.00%). The actual charge for the current and prior year differs from the standard rate for the reasons set out in the following reconciliation.

# Charles River Laboratories Edinburgh Limited

## 10. Tax on profit on ordinary activities (continued)

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	11,245	14,317
Tax on profit on ordinary activities at standard UK Corporation tax rate of 19.25% (2016: 20.00%)	2,165	2,863
Effects of:		
Expenses not deductible for tax purposes	128	72
Income not taxable	(23)	-
Adjustment from previous periods	(195)	617
Tax rate changes	(26)	(2,502)
Share options movements not recognised	51	(102)
Total tax on profit on ordinary activities	2,100	948

### c) Factors affecting tax charge for future years

The standard rate of UK corporation tax on ordinary activities was 19.25% in 2017 (20% in 2016). This follows a reduction from 20% to 19% on 1 April 2017 as enacted by Finance (No. 2) Act 2015 (enacted 18 November 2015). The Finance Act 2016 (enacted on 15 September 2016) announced a further reduction in the standard rate to 17% from 1 April 2020.

## 11. Tangible assets

	Heritable property	Plant and machinery	Assets under construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 31 December 2016	67,363	44,471	588	112,422
Additions	252	2,343	1,070	3,665
Disposals	-	(106)	-	(106)
<b>At 30 December 2017</b>	<b>67,615</b>	<b>46,708</b>	<b>1,658</b>	<b>115,981</b>
<b>Accumulated depreciation</b>				
At 31 December 2016	33,510	39,073	-	72,583
Charge for the year	1,412	2,287	-	3,699
Disposals	-	(106)	-	(106)
<b>At 30 December 2017</b>	<b>34,922</b>	<b>41,254</b>	<b>-</b>	<b>76,176</b>
<b>Net book value</b>				
<b>At 30 December 2017</b>	<b>32,693</b>	<b>5,454</b>	<b>1,658</b>	<b>39,805</b>
At 30 December 2016	35,853	5,398	588	39,839

Heritable property includes the cost of land which is not depreciated of £432,000 (2016: £432,000).

# Charles River Laboratories Edinburgh Limited

## 11. Tangible assets (continued)

Leased asset included above:

	Heritable property £'000	Plant and machinery £'000	Total £'000
Net book value			
At 30 December 2017	-	64	64
At 31 December 2016	-	107	107

## 12. Stocks and work-in-progress

	2017 £'000	2016 £'000
Raw materials and consumables	1,021	946

The amount of stocks recognised as an expense during the year was £3,809,000 (2016: £4,545,000).  
There is no material difference between the carrying amount of stock and the replacement cost.

## 13. Debtors

	2017 £'000	2016 £'000
Trade debtors	12,763	12,961
Short term investments	20,000	-
Amounts recoverable on long term contracts	7,743	7,343
Amounts owed by group undertakings	1,271	1,640
Other debtors	980	411
Taxation recoverable	6,364	5,747
Prepayments and accrued income	2,903	1,281
Deferred tax asset recoverable within 12 months	-	3,544
	52,024	32,927

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

## 14. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Payments received on account for long term contracts	14,200	11,136
Trade creditors	2,976	1,991
Amounts owed to group undertakings	2,184	1,761
Taxation and social security	696	634
Other creditors	4,954	3,271
Accruals and deferred income	1,279	1,548
Deferred tax payable within 12 months (See Note 17)	2,213	-
	28,502	20,341

# Charles River Laboratories Edinburgh Limited

Amounts owed to group undertakings are normal trading balances and are unsecured, interest free and repayable on demand.

## 15. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Finance leases	28	69
	28	69

## 16. Finance leases

The future minimum finance lease payments are as follows:

	2017 £'000	2016 £'000
Later than one year and not later than five years	29	87
Total gross payments	29	87
Less: finance charges	(1)	(18)
Carrying amount of liability	28	69

The finance leases primarily relate to equipment which is leased from the manufacturer's agent. The remaining lease term is ten quarterly payments. At the end of the lease term the Company has the option to purchase the assets at the scrap value of the machinery plus an administration fee.

## 17. Deferred taxation

### Analysis of deferred tax balances:

	2017 £'000	2016 £'000
Fixed asset timing differences	5,208	5,240
Short term timing differences	(2,995)	(7,500)
R&D expenditure credit	-	(1,284)
Total (asset)/liability	2,213	(3,544)

### Analysis of movements in deferred tax provisions

#### Deferred tax (assets)/Liabilities:

	2017 £'000	2016 £'000
Provision at start of year	(3,544)	861
Adjustment in respect of prior years	(351)	538
Deferred tax charge to income statement for year	1,331	331
Deferred tax (credit)/charge in OCI for year	4,777	(5,274)
Total liability/(asset)	2,213	(3,544)



# Charles River Laboratories Edinburgh Limited

## 18. Called-up share capital

	2017 £'000	2016 £'000
<b>Authorised:</b>		
275,000 (2016: 275,000) ordinary shares of £1 each	275	275
325,000 (2016: 325,000) 10% cumulative redeemable preference shares of £1 each	325	325
	<b>600</b>	<b>600</b>
<b>Allotted, issued and fully paid:</b>		
275,000 (2016: 275,000) ordinary shares of £1 each	275	275

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The preference shares are classified as liabilities in the balance sheet. On a winding-up, the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The holders have no voting rights unless the dividend is in arrears by six months or more.

## 19. Financial commitments

At 31 December 2017, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and Buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Not later than one year	163	206	11	16
Later than one year and not later than five years	43	199	10	21
Later than five years	-	7	-	-
	<b>206</b>	<b>412</b>	<b>21</b>	<b>37</b>

## 20. Capital commitments

Contracts placed for future capital expenditure not provided in the financial statements are as follows:

	2017 £'000	2016 £'000
Contracted for but not provided for	2,071	383

# Charles River Laboratories Edinburgh Limited

## 21. Pension arrangements

The Company participates in a group defined benefit pension scheme with assets being held in a separate trustee administered fund, and the related costs are assessed in accordance with the advice of professionally qualified actuaries. This scheme was closed to new entrants on 1 January 2003 and was closed to future benefit accrual on 30 November 2016. The former active members have retained their salary link, thus no curtailment gain or loss was recognised in the prior year. The group also participates in a group defined contribution scheme.

The total pension cost for the year in these financial statements amounted to £2,541,000 (2016: £2,396,000). This cost comprised £nil (2016: £nil) in relation to the defined benefit scheme and £2,541,000 (2016: £2,396,000) in relation to the defined contribution scheme. There are no prepaid or accrued contributions at either year end in respect of the defined contribution scheme.

The pension scheme is actuarially valued every three years and the last valuation was at 1 January 2014 by Mercer Limited. The main assumptions of the most recent valuation are as follows:

Discount rate	4.70% <i>per annum</i>
Investment return	6.20% <i>per annum</i>
RPI inflation	3.20% <i>per annum</i>
Salary growth	3.20% <i>per annum</i>
Post retirement pension increases	2.20% <i>per annum</i> on total pensions

### *Results of valuation*

Market value of scheme assets	£126,057,000
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Level of funding	99%
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During the year the company continued to make deficit reduction contributions of £2,500,000 (2016: £2,500,000). A revised funding target is currently under review.

Additional disclosures regarding the group's defined benefit pension scheme required under the provisions of Section 28 of FRS 102 are set out below.

The actuarial valuation described above has been updated as at 30 December 2017 by Mercer Limited, a qualified independent actuary using revised assumptions that are consistent with the requirements of Section 28 of FRS 102. Investments have been valued, for this purpose, at fair value.

# Charles River Laboratories Edinburgh Limited

## 21. Pension arrangements (continued)

	2017	2016
	£'000	£'000
<b>Change in defined benefit obligation</b>		
Benefit obligation at end of prior year	185,649	137,546
Service cost	-	-
Interest expense	4,956	5,214
Effect of changes in actuarial assumptions	(17,351)	50,514
Benefits paid from plan assets	(4,160)	(7,625)
Benefit obligation at end of year	169,094	185,649

	2017	2016
	£'000	£'000
<b>Change in fair value of plan assets</b>		
Fair value of plan assets at end of prior year	140,125	130,584
Interest income	3,761	4,991
Actuarial return on plan assets	10,753	9,675
Employer contributions	2,500	2,500
Benefits paid from plan assets	(4,160)	(7,625)
Fair value of plan assets at end of year	152,979	140,125

	2017	2016
	£'000	£'000
<b>Amounts recognised in the balance sheet</b>		
Defined benefit obligations	169,094	185,649
Fair value of plan assets	152,979	140,125
Funded status	16,115	45,524
Net defined benefit liability (asset)	16,115	45,524

	2017	2016
	£'000	£'000
<b>Cost relating to defined benefit plans:</b>		
Current service cost	-	-
Net interest cost	1,195	222
<b>Cost related to defined benefit plans included in the income statement</b>	<b>1,195</b>	<b>222</b>

### Re-measurements (recognised in other comprehensive income)

	2017	2016
	£'000	£'000
Effects of changes in assumptions	(17,351)	50,514
(Return) on plan assets (excluding interest income)	(10,753)	(9,675)
<b>Total re-measurements included within Other comprehensive income</b>	<b>(28,104)</b>	<b>40,839</b>
 Total cost related to defined benefit plans recognised in income statement and Other comprehensive income	 (26,909)	 41,061

# Charles River Laboratories Edinburgh Limited

## 21. Pension arrangements (continued)

	2017	2016
Plan assets	%	%
The asset allocations at the year end were as follows:		
Equities	39.3	36.7
Bonds	9.0	34.3
Other	51.5	28.5
Cash	0.2	0.5
	100.0	100.0

There were no amounts invested in the Company's own financial instruments.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.2% (2016: 6.2%) assumption.

	2017	2016
	£'000	£'000
Actual return on plan assets	14,514	14,667

### Weighted average assumptions used to determine benefit obligations

Discount rate	2.60%	2.70%
Rate of compensation increase	3.20%	3.30%
Rate of inflation (RPI)	3.20%	3.20%
Pension increases (pre April 2006)	3.00%	3.20%
Pension increases (post April 2006)	2.05%	2.30%

### Weighted average assumptions used to determine pension expense for year ended:

Discount rate	2.70%	3.90%
Expected long-term return on plan assets	6.20%	6.20%
Rate of salary increase	3.30%	3.20%
Rate of price inflation (RPI)	3.30%	3.20%
Rate of pension increases (pre April 2006)	3.20%	3.10%
Rate of pension increases (post April 2006)	2.30%	2.20%

### Weighted average life expectancy for mortality tables used to determine benefit obligations at:

Male member age 65 (current life expectancy)	23.3	23.3
Female member age 65 (current life expectancy)	23.3	23.3
Male member age 40 (life expectancy at age 65)	24.6	24.6
Female member age 40 (life expectancy at age 65)	24.6	24.6

### Contributions

The Company expects to contribute £4,500,000 to its pension plan in 2018 (2017: £2,500,000).

# **Charles River Laboratories Edinburgh Limited**

## **22. Ultimate parent company and ultimate controlling party**

The immediate parent company is Charles River Laboratories Preclinical Services Montreal Inc., a company registered in Canada. The ultimate parent undertaking and controlling party for the whole year was Charles River Laboratories International Inc, a company registered in the United States of America, which is the parent undertaking of the smallest and the largest group in to which the results of the Company are consolidated. Copies of the consolidated financial statements of Charles River Laboratories International Inc can be obtained from the Company Secretary at Charles River Laboratories International Inc, 251 Ballardvale Street, Wilmington, MA 01887.

## **23. Related party transactions**

The Company has taken exemption under paragraph 33.1A of FRS 102 "Related Party Disclosures", and is exempt from disclosing related party transactions with fellow members of the group headed by Charles River Laboratories International Inc. The Company is a wholly owned subsidiary of Charles River Laboratories International Inc. and is included in its consolidated financial statements which are publicly available.