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Charles River Laboratories Edinburgh Limited

**Annual Report and Financial Statements
For the period ended 31 December 2022**

Company Registration No. SC091725



Charles River Laboratories Edinburgh Limited

**Annual Report and Financial Statements
For the period ended 31 December 2022**

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Charles River Laboratories Edinburgh Limited

Directors and advisers for the period ended 31 December 2022

Directors

B Bathgate
R Heneghan

Company number

SC091725

Registered office

Elphinstone Research Centre
Tranent
Scotland
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 period ended 31 December 2022

The directors present the strategic report of the Company for the 53 week period ended 31 December 2022.

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 period was £125,232,000 (2021: £110,355,000). The profit for the financial period amounted to £25,234,000 (2021: £15,805,000). During the period a dividend of £68.18 (2021: £5.45) per ordinary share, totalling £18,750,000, was declared and paid.

During the financial period the Company increased turnover by 13.5 % as a result of the continuing growth in both the pharmaceutical and agrochemical sectors. Gross profit margins decreased from 36.1% to 35.3% and net profit margins increased from 14.3% to 20.1%. Employee numbers increased from 1,249 to 1,344. High levels of new contract awards throughout the period resulted in the Company's revenue backlog remaining at high levels. At the end of the period the Company maintained a strong net asset position. The Company's defined benefit pension scheme benefitted from an actuarial gain, although as a result of advance contributions in prior years it did not receive any cash contributions from the Company during 2022. This resulted in an overall increase in surplus during the period of £2,049,000 moving from £29,965,000 to £32,014,000.

The Company commences 2023 with a substantial order book, and a detailed plan to continue growth in both turnover and profit, through consolidating its strategic partnerships and alliances with the leading global customers in each of its business sectors. The directors have carefully considered the impact to the business of the current emerging global and macroeconomic situations, and have concluded that the business is not significantly impacted. In reaching this conclusion, the directors have carefully considered all available information, including extensive analysis of the negligible impact on the business during 2022, latest forecast results for 2023, overall expected impact to the market sector in which the Company operates, and general impacts to the global economy.

Section 172 statement

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

The directors of the Company must act in a way which they consider, in good faith, would be most likely to promote the success of the Company, and in doing so have regard (amongst other matters) to:

- a. The likely consequences of any decision in the long term,
- b. The interest of the Company's employees,
- c. The need to foster the Company's business relationships with suppliers, customers and others,
- d. The impact of the Company's operations on the community and the environment,
- e. The desirability of the Company maintaining a reputation for high standards of business conduct, and
- f. The need to act fairly between members of the Company.

The Company is a wholly owned subsidiary of Charles River Laboratories International, Inc. a company incorporated in the United States of America and listed on the New York Stock Exchange (NYSE:CRL)

Long term decisions and strategy

Charles River is committed to advancing human health and creating healthier lives. This commitment drives the long-term strategy of the business and is an underlying factor in our decision-making processes. We partner with our clients to help them deliver innovative, safe, and effective medicines to patients as quickly and efficiently as possible. To do this effectively, we have invested, and continue to invest in both our capabilities and technologies, which enable us to maintain a competitive advantage working with our clients from early in the research process all the way through drug approval and beyond.

Charles River Laboratories Edinburgh Limited

Strategic report for the period ended 31 December 2022 (continued)

Section 172 statement (continued)

Interest of our employees

Our people are at the heart of who we are and the driving force in our collective purpose to create healthier lives. It is our culture at Charles River that differentiates us. We create a work environment which gives every person the ability to deliver on business commitments, while having purpose, being energized, and continuously learning, and focusing on quality outcomes. This environment is built on trust, inclusion, accountability, respect, and well-being.

Relationship with suppliers, customers and others

At Charles River, we know that our internal organization and Environmental, Health, Safety, and Sustainability (EHS&S) performance is closely linked to our supply chain. We are dedicated to sustainable and responsible supply chain management, as well as supplier diversity. We consider our suppliers, contractors, consultants, and agents as a part of the Charles River team and we rely on them to help us accomplish both our business and EHS&S objectives.

At Charles River, our purpose is clear, and our passion is strong: together, we support our clients' research every step of the way to create healthier lives. Our core mission is to utilize our scientific expertise, regulatory leadership, and diverse portfolio to provide our clients with efficient, reliable, and scientific results on a cost-effective basis. Our values: care, lead, own, and collaborate, are integral to everything we do at Charles River. These values guide our business decisions and actions, representing the standards we hold ourselves to every day.

Impact on the community and environment

At Charles River, our dedication to EHS&S is an integral part of our commitment to improve lives. Our vision is to embed working safely and sustainably into everything we do and every decision we make. We firmly believe that our care extends to the communities in which we live and work, promoting a program of investment in our local community. During 2022, the Company directly supported not-for-profit organisations in our local areas through financial donations. In addition to this, we enabled our employees, through workforce appeals, to donate to local charities such as food banks, nursing homes, and children's charities.

Code of business conduct

The Charles River Code of Business Conduct and Ethics (Code) describes our values and outlines the requirements and expected behaviour for all of us who work on behalf of the Company. We expect every employee, including the members of our Board and executive leadership, to adhere to our Code. Our Code outlines the laws and policies that apply to our business, such as anti-bribery and anti-corruption, anti-harassment and anti-discrimination, conflicts of interest, intellectual property (IP), data privacy, and the protection of confidential information.

Our Code provides employees with resources to understand these issues and outlines an individual's responsibility to maintain a positive and ethical work environment. All new employees are required to certify to the Code as part of the onboarding process and complete our Code training within 90 days of being enrolled. All current employees receive training on the Code every three years. The Code is also available on our corporate website. In the spirit of transparency, we intend to disclose any future material amendments to the Code.

Acting fairly between members

Ultimate governance and oversight responsibility for all Charles River group companies is held by the Board of Charles River Laboratories International, Inc. which is the ultimate parent entity of the Company and its sole member, Charles River Laboratories Montreal, ULC. The Company, its sole member, and the ultimate parent entity share common directors which ensures transparency, direct communications, and facilitates the sole member's involvement in the decision-making process.

Charles River Laboratories Edinburgh Limited

Strategic report for the period ended 31 December 2022 (*continued*)

Principal risks and uncertainties

Economic and industry risk

The key economic and industrial 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. For 2023 the availability of staff continues to be a risk for the Company. This risk is being managed through co-ordinated recruitment drives, identifying individuals with transferrable skills, and offering cross-training where appropriate.

Financial risk management

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and price risk. The Company does not currently use derivative financial instruments.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, as the Company make sales in US Dollars and Euros. To manage this risk, the Company makes purchases in US Dollars and Euros, where possible.

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other debtors and amounts owed from group undertakings.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

There is a continued level of uncertainty in the global market as a result of the economic downturn in recent years, which can give rise to difficulty in accessing liquidity from third parties.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term inter-company finance.

Price risk

The Company is not exposed to any significant price risk.

Charles River Laboratories Edinburgh Limited

Strategic report for the period ended 31 December 2022 (continued)

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. However, the financial key performance indicators that the directors consider to be important in monitoring the success of the business are as follows:

	2022	2021
	£'000	£'000
Revenue per head	93.18	88.35

Revenue per head is calculated against total average employees throughout the period.

	2022	2021
	%	%
Gross margin	35.3	36.1

The gross margin has decreased slightly from the prior period due to a fluctuation in the mix and style of projects undertaken. This is calculated by dividing the gross profit by the turnover for the period.

	2022	2021
	Days	Days
Debtor days	47	57

Debtor days are calculated by considering the trade debtors balance at period end against the turnover for the period. This is actively managed on a day-to-day basis. Debtor days have decreased compared to the prior period, due to the strong collection process.

Approved by the Board on 31 July 2023 and signed on its behalf by:

B Bathgate
Director

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Brian Bathgate
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Charles River Laboratories Edinburgh Limited

Directors' report for the period ended 31 December 2022

The directors present their annual report and the audited financial statements of the Company for the 53 week period ended 31 December 2022. The comparative period is the 52 week period ended 25 December 2021. The registered number of the Company is SC091725.

Directors

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

B Bathgate
R Heneghan
D Smith (resigned 6 June 2022)
A Romoli (appointed 6 June 2022, resigned 2 June 2023)

Dividends

Interim dividends of £68.18 (2021: £5.45) per ordinary share, amounting to £18,750,000 (2021: £1,500,000) were paid during the period. The directors do not recommend the payment of a final dividend in respect of the period (2021: £nil).

Business performance, future outlook and principal risks and uncertainties

The results for the period are set out on in the Profit and loss account on page 13. The results for the period, future developments and principal risks and uncertainties have been discussed in the Strategic report presented on pages 2 to 5.

Going concern

The directors have prepared a cash flow forecast which shows that they expect the Company to be able to meet its cash obligations as they fall due.

The forecast includes a number of assumptions; however, based on the directors' knowledge of the business and the Company's track record of successfully achieving its targets, they consider that the assumptions which underpin the forecast are realistic and achievable. As discussed in the Strategic report, the business continues to forecast strong performance throughout 2023 and beyond. The directors have also considered, in great detail, the impact of current and emerging global and macroeconomic situations. In particular, the directors have assessed how these affect not only the Company's market sectors and customer base, but also the supply chain. They have prepared a detailed impact assessment of the potential risks to employees, identified mitigating actions and controls, and established a continuity plan designed to ensure the Company's continued ability to fulfil customer contracts. Furthermore, the directors actively monitor government announcements.

As at 31 December 2022, the Company had net current assets of £5,674,000 (2021 - £7,661,000) and a net cash balance of £7,389,000 (2021 - £2,440,000). The Company also had an available unutilised revolving credit facility of £15,000,000 (2021 - £15,000,000).

Consequently, based on all of the available evidence, the directors have a reasonable expectation that the Company has adequate financial resources to continue in existence for the foreseeable future, and they continue to adopt the going concern basis in preparing these financial statements.

Financial risk management

Financial risks and the management of these risks have been discussed in the Strategic Report presented on pages 2 to 5.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

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.

Charles River Laboratories Edinburgh Limited

Directors' report for the period ended 31 December 2022 (continued)

Disabled employees (continued)

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.

Streamlined energy and carbon reporting (SECR) disclosure

The SECR disclosure presents our carbon footprint within the United Kingdom for Scope 1, 2 and 3 emissions based on SECR Legislation, an appropriate intensity metric, the total energy usage of electricity, gas and transport fuel and any energy efficiency actions taken during the relevant financial period.

	Period to 31st December 2022	Period to 25th December 2021
Energy consumption used to calculate emissions (kWh)	49,056,246	51,869,785
Emissions from combustion of gas tCO ₂ e (Scope 1)	6,228	6,837
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	-	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	40	27
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	2,857	3,064
Total gross tCO ₂ e based on above	9,124	9,928
Intensity ratio (tCO ₂ e / floor space m ²)	0.1832194	0.207507

Energy efficiency action summary

During the period, the Company continued to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including;

- Installation of electric vehicle charging points.
- Retrofitting old fluorescent lighting with new LED lighting.
- Replacement of outdated ultra-low temperature freezers with new highly efficient ultra-low temperature freezers.

Charles River Laboratories Edinburgh Limited

Directors' report for the period ended 31 December 2022 (*continued*)

Streamlined energy and carbon reporting (SECR) disclosure (*continued*)

Methodology notes

Reporting period	26 th of December 2021– 31 st of December 2022
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Charles River Laboratories Edinburgh Limited's financial statements made up to the 31st of December 2022.
Reporting method	GHG Emissions reporting is in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2022 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022
Conversion factor source	Natural gas and gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel: U. S. Energy Information Administration - British Thermal Unit Conversion Factors 2020
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from mileage and litres to kWh and GHG emissions using the method above. In the absence of the exact vehicle types average conversion factors were used to calculate emissions. Not having the exact vehicle types, we have used the statistics of 'Vehicles statistics' table VEH1103, issued by the Department for Transport. We used the statistics of the period of Q4 2021 - Q3 2022 as during the preparation of the report the Q4 2022 figures were not published yet.
Reason for the intensity measurement choice	Following the recommendations of the SECR legislation and based on the nature of our business as we perform a wide range of activities, the floor space (tCO ₂ e/floor space m ²) gives the best overview on our efficiency performance on a longer scale.
Estimation	The report contains a small amount of estimated data in Scope 1 natural gas and Scope 2 electricity (less than 1.0%), as in some cases the landlord provided the cost of energy but not the exact amount. For the estimation we used the average consumption of the months for which the data was available.
Rounding	The total tCO ₂ e expressed in the table above might have a slight difference compared to the absolute results due to rounding (no more than 1.0%).

Charles River Laboratories Edinburgh Limited

Directors' report for the period ended 31 December 2022 (*continued*)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland', 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.
- State whether applicable United Kingdom Accounting Standards, comprising 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.
- 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- They have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's 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 re-appointment will be proposed at the Annual General Meeting.

Approved by the Board on 31 July 2023 and signed on its behalf by:

B Bathgate
Director

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Brian Bathgate
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Independent auditors' report to the members of Charles River Laboratories Edinburgh Limited

Report on the audit of the financial statements

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 31 December 2022 and of its profit for the 53 week period 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: Balance sheet as at 31 December 2022; Profit and loss account, Statement of Comprehensive Income and the Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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



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

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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 period ended 31 December 2022 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, 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.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were



related to the posting of inappropriate journal entries in order to improve reported performance. Audit procedures performed by the engagement team included:

- Enquiries of management and individuals outside the finance function around known or suspected instances of non-compliance with laws and regulations, claims and litigation and instances of fraud;
- Identifying and testing journal entries, including those with unexpected accounts combinations impacting revenue;
- Understanding of managements controls designed to prevent and detect irregularities; and
- Challenged management on assumptions and judgements made in their accounting estimates

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

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 obtained 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
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
31 July 2023

Charles River Laboratories Edinburgh Limited

Profit and loss account for the period ended 31 December 2022

	Note	Period ended 31 December 2022 £'000	Period ended 25 December 2021 £'000
Turnover	5	125,232	110,355
Cost of sales		(81,019)	(70,538)
Gross profit		44,213	39,817
Administrative expenses		(17,268)	(13,845)
Operating profit	6	26,945	25,972
Interest receivable and similar income	9	156	-
Interest payable and similar expenses	10	(43)	(105)
Other financial income	11	1,684	2,194
Profit before taxation		28,742	28,061
Tax on profit	12	(3,508)	(12,256)
Profit for the financial period		25,234	15,805

Statement of comprehensive income for the period ended 31 December 2022

		Period ended 31 December 2022 £'000	Period ended 25 December 2021 £'000
Profit for the financial period		25,234	15,805
Other comprehensive income			
Actuarial gain related to the pension scheme	19	1,509	1,992
Deferred taxation on actuarial gains		(377)	3,086
Other comprehensive income for the period, net of tax		1,132	5,078
Total comprehensive income for the financial period		26,366	20,883

The above results relate entirely to continuing activities.

The notes on pages 16 to 34 form part of these financial statements.

Charles River Laboratories Edinburgh Limited

Balance Sheet as at 31 December 2022

	Note	As at 31 December 2022 £'000	As at 25 December 2021 £'000
Fixed assets			
Tangible assets	13	57,060	48,043
Current assets			
Inventories	14	2,348	1,910
Debtors	15	49,549	46,006
Cash at bank and in hand	16	7,389	2,440
		59,286	50,356
Creditors: amounts falling due within one year	17	(53,612)	(42,695)
Net current assets		5,674	7,661
Total assets less current liabilities		62,734	55,704
Creditors: amounts falling due after more than one year	18	-	(23)
Post-employment benefits	19	32,014	29,965
Provision for other liabilities	20	(19,542)	(16,665)
Net assets		75,206	68,981
Capital and reserves			
Called up share capital	22	275	275
Capital redemption reserve		325	325
Share premium account		1,059	1,059
Retained earnings		73,547	67,322
Total equity		75,206	68,981

The financial statements on pages 13 to 34 were authorised for issue by the Board of Directors on 31 July 2023 and were signed on its behalf.

B Bathgate
Director

DocuSigned by:
Brian Bathgate
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Charles River Laboratories Edinburgh Limited
Registered no. SC091725

Charles River Laboratories Edinburgh Limited

Statement of changes in equity For the period ended 31 December 2022

	Retained earnings		Total Retained earnings £'000	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Total £'000
	Share appropriation £'000	Other £'000					
Balance as at 26 December 2020	6,487	44,231	50,718	275	325	1,059	52,377
Profit for the financial period	-	15,805	15,805	-	-	-	15,805
Actuarial gain related to the pension scheme	-	5,078	5,078	-	-	-	5,078
Total comprehensive income for the period	-	20,883	20,883	-	-	-	20,883
Charge to equity for share based payments	1,287	(4,066)	(2,779)	-	-	-	(2,779)
Dividends	-	(1,500)	(1,500)	-	-	-	(1,500)
Total transactions with owners, recognised directly in equity	1,287	(5,566)	(4,279)	-	-	-	(4,279)
Balance as at 25 December 2021	7,774	59,548	67,322	275	325	1,059	68,981
Profit for the financial period	-	25,234	25,234	-	-	-	25,234
Actuarial gain related to the pension scheme	-	1,132	1,132	-	-	-	1,132
Total comprehensive income for the period	-	26,366	26,366	-	-	-	26,366
Charge to equity for share based payments	1,703	(3,094)	(1,391)	-	-	-	(1,391)
Dividends	-	(18,750)	(18,750)	-	-	-	(18,750)
Total transactions with owners, recognised directly in equity	1,703	(21,844)	(20,141)	-	-	-	(20,141)
Balance as at 31 December 2022	9,477	64,070	73,547	275	325	1,059	75,206

Dividends of £68.18 per ordinary share totalling £18,750,000 were paid during the current period.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

1. General information

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

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

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.

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 periods presented, unless otherwise stated.

a. Basis of preparing the financial statements

These financial statements cover the 53 week period beginning 26 December 2021 and ending 31 December 2022. The comparative reporting period covered the 52 week period beginning 27 December 2020 and ending 25 December 2021.

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 period.

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.

b. Going concern

The directors have prepared a cash flow forecast which shows that they expect the Company to be able to meet its cash obligations as they fall due.

The forecast includes a number of assumptions; however, based on the directors' knowledge of the business and the Company's track record of successfully achieving its targets, they consider that the assumptions which underpin the forecast are realistic and achievable. As discussed in the Strategic report, and in the Directors' report, the directors have also considered, in great detail, the impact of current and emerging global and macroeconomic conditions. In particular, the directors have assessed how these are likely to affect not only the Company's market sectors and customer base, but also the supply chain. They have prepared a detailed impact assessment of the potential risks to employees, identified mitigating actions and controls, and established a continuity plan designed to ensure the Company's continued ability to fulfil customer contracts. Furthermore, the directors actively monitor government announcements.

Consequently, based on all of the available evidence, the directors have a reasonable expectation that the Company has adequate financial resources to continue in existence for the foreseeable future, and they continue to adopt the going concern basis in preparing these financial statements.

c. 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;

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

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

c. Exemptions for qualifying entities under FRS 102 (*continued*)

- 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;
- 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.

d. Consolidated financial statements

The Company is a wholly owned (indirect) subsidiary of Charles River Laboratories International, Inc. It is included in the consolidated financial statements of Charles River Laboratories International, Inc. which are publicly available. Therefore, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the Company's separate financial statements.

e. 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 Profit and loss account.

f. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered net of discounts and rebates allowed by the Company and value added taxes.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer, (b) the Company retains no continuing involvement or control over the goods, (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity. (e) when the specific criteria relating to the each of Company's sales channels have been met, as described below.

i) Sale of services

The Company provides pharmaceutical, veterinary and agrochemical research services to its customers in exchange for a fee which is generally dependent on the resource dedicated to the project and charged at a certain rate per full time equivalent (FTE) employee per year. Revenue on such contracts is recognised as the services are rendered. The Company also receives milestone payments, these are recognised as revenue when achieved. In other cases, the Company performs research services on a fixed price basis. In this case, turnover is recognised as work is performed using the percentage of completion method, as measured by costs incurred to date compared to estimated total costs at completion.

The timing of revenue recognition, billings and cash collections results in contract assets (unbilled revenue), and contract liabilities (current and long-term deferred revenue and customer contract deposits) on the balance sheet. A contract asset is recorded when a right to consideration in exchange for goods or services transferred to a customer is conditioned other than passage of time. A contract liability is recorded when consideration is received, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a contract. Contract liabilities are recognised as revenue after control of the products or services is transferred to the customer and all revenue recognition criteria have been met.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements
Period ended 31 December 2022

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

g. Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items that are material either because of their size or their nature, and are considered non-recurring. These items are presented within the line items to which they best relate and reported separately as exceptional items.

h. 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.

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 Profit and loss account 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 Profit and loss account in respect of pension costs is the contributions payable in the financial period. Differences between contributions payable in the financial period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

iv) Share-based payments

The Company participates in a number of equity-settled, share-based compensation plans operated by Charles River Laboratories International, Inc. (Note 8). 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 Profit and loss account.

The intrinsic value of options exercised during the period is invoiced to the Company by Charles River Laboratories International, Inc. Any differences between the intrinsic value and the expense recognised in the Profit and loss account for the period, are recognised as a debit or credit to the share-based payment reserve within shareholders' funds, and are shown in the statement of changes in equity.

National Insurance Contributions (NIC) payable by the Company 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.

i. Taxation

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

The Government enacted the R&D expenditure credit ("RDEC") tax relief from 1 April 2013 and the Company entered the scheme on this date. The Company has treated the RDEC as grant income within the financial statements.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

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

i. Taxation (*continued*)

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 period or prior periods. 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.

j. Research and development expenditure

Research and development expenditure is charged to the Profit and loss account as incurred.

k. Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

i) Land and buildings

These include industrial premises and offices, and are stated at cost less accumulated depreciation and accumulated impairment losses.

ii) Plant and machinery

These are stated at cost less accumulated depreciation and accumulated impairment losses

iii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Land and buildings	40 years
Plant and machinery	3 to 10 years

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.

iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

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

v) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use and are reviewed for impairment at each reporting date.

vi) Derecognition

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 profit and loss account.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

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

l. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised and added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

m. 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 Profit and loss account on a straight-line basis over the period of the lease.

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 Profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

n. Inventories

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

o. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

p. Provisions and contingencies

i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

3. Summary of significant accounting policies (continued)

p. Provisions and contingencies (continued)

ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

q. 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 Profit and loss account.

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 Profit and loss account.

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.

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

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.

r. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s. Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

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

t. Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned.

4. Critical accounting judgements and key source of estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

The critical judgements, apart from those involving estimates, made by the directors, that had a significant effect on the amounts recognised in the entity financial statements, are as set out below:

(i) Recoverability of debtors

The Company makes a judgement as to whether trade and other debtor balances are recoverable, based on available evidence such as the age of the debt, historical experience, and debtor correspondence. Any amounts judged as not recoverable are written off to the profit and loss account in the period that the judgement is determined. Any amounts previously provided for the impairment of the debt are released from the provision and credited to the profit and loss account in the same period.

(b) Key accounting estimates and uncertainties

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

(i) Useful economic lives of intangible fixed assets

The annual amortisation on intangible fixed assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are reviewed annually and are amended when necessary to reflect current estimates based on technological advancement, economic utilisation, and market developments.

(ii) Useful economic lives of tangible fixed assets

The annual depreciation on tangible fixed 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 reviewed 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 13 for the carrying amount of the tangible fixed assets and note 3 for the useful economic lives for each class of tangible fixed assets.

(iii) Actuarial estimates of pension scheme assets or liabilities

The net defined benefit pension assets or liabilities is an estimate based on actuarial assumptions and a standard approach to the valuation, using the projected unit credit method. The Company relies on a report prepared by an appointed independent qualified actuary. To prepare the valuation report, the actuary uses assumptions in a forward looking financial and demographic model from a wide range of possibilities. The principal estimated assumptions are life expectancy, rate of salary increase, rate of inflation, and the corporate bond discount rate. See Note 19 for detailed information regarding the assumptions used.

(iv) Percentage of completion revenue recognition

Revenue on long term projects is estimated based on the percentage of completion method, applied to the overall agreed contract value. If the estimates of the end result of a contract change, the sales and profits recognised are adjusted in the period when the change first becomes known and can be evaluated

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

5. 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:

	2022 £'000	2021 £'000
United Kingdom	45,742	43,160
Other	79,490	67,195
	125,232	110,355

6. Operating profit

Operating profit is stated after charging/(crediting):

	2022 £'000	2021 £'000
Depreciation and amounts written off tangible fixed assets	6,310	5,472
Auditors' remuneration for audit services	213	195
Operating lease rentals	621	690
Loss on the sale of tangible fixed assets	119	-
Research & Development tax credit	(6,098)	(5,509)
Foreign exchange loss	175	181

7. Employee information

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

	2022 Number	2021 Number
Operating areas	1,056	945
Administration	288	304
	1,344	1,249

Their aggregate remuneration (including directors' remuneration) comprised:

	2022 £'000	2021 £'000
Wages and salaries	44,326	40,600
Social security costs	5,195	4,394
Other pension costs (Note 19)	4,858	4,686
Share option costs (Note 8)	1,704	1,287
	56,083	50,967

Directors' remuneration

	2022 £'000	2021 £'000
Aggregate remuneration	413	419

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

7. Employee information (continued)

The directors participate in share option schemes and long-term incentive schemes operated by the ultimate parent company (Note 8). 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. One director exercised share options during the period (2021: one). No directors have shares that were received or receivable under long-term incentive schemes during the period (2021: none).

There were no directors (2021: none) to whom retirement benefits were accruing under defined benefit pension schemes in respect of qualifying services. There were no directors (2021: none) to whom retirement benefits were accruing under defined contribution pension schemes in respect of qualifying services.

Highest paid director

One director is paid by the Company. The other directors are paid by other group undertakings. 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:

	2022 £'000	2021 £'000
Aggregate remuneration	413	419

The accrued pension entitlement under the group's defined benefit pension scheme of the highest paid director at 31 December 2022 was £nil (2021: £nil). The highest paid director exercised share options during the period and the prior period.

8. Share based payments and share options

The ultimate parent company Charles River Laboratories International, Inc. has established a number of approved share option plans and arrangements, under which employees may be granted share based awards such as stock options, restricted stock units (RSU's), and performance share units (PSU's):

There are currently 3 approved plans in operation:

- The 2007 Incentive Plan (2007 Plan) as amended in 2009, 2011, 2013 and 2015, effective from May 2007.
- The 2016 Incentive Plan (2016 Plan), effective from May 2016
- The 2018 Incentive Plan (2018 Plan), effective from May 2018

Under each of the plans, the general terms and conditions are as follows:

- Stock options, which entitle the holder to purchase a specified number of shares of common stock at an exercise price equal to the closing market price of common stock on the date of grant; typically vest over 4 years; and typically expire 5 years from date of grant.
- RSU's, which represent an unsecured promise to grant at no cost a set number of shares of common stock upon the completion of the vesting schedule, and typically vest over 2 to 4 years. With respect to RSUs, recipients are not entitled to cash dividends and have no voting rights on the stock during the vesting period.
- PSU's, which entitle the holder to receive at no cost, a specified number of shares of common stock within a range of shares from zero to a specified maximum and typically vest over 3 years. Payout of this award is contingent upon achievement of certain performance and market conditions.

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.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

8. Share based payments and share options (continued)

	2022	2021
Volatility	33%	32%
Risk free interest rates	2.7%	1.0%
Expected dividend yield	Nil	Nil
Weighted average remaining contractual life of options outstanding at 31 December (2021: 25 December)	6.0 years	6.0 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 6.0 years.

The Company recognised total expenses of £1,704,000 related to Charles River Laboratories International, Inc. equity-settled share-based payment transactions in the period ended 31 December 2022 (2021 - £1,287,000).

9. Interest receivable and similar income

	2022	2021
	£'000	£'000
Bank interest received	6	-
Capitalised interest	150	-
Total interest receivable and similar income	156	-

10. Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest payable on overdrafts and bank loans	5	-
Interest payable on other loans	38	-
Finance leases and hire purchase contracts	-	105
Total interest payable and similar expenses	43	105

11. Other financial income

	2022	2021
	£'000	£'000
Foreign exchange losses	(175)	(181)
Intercompany royalties and management income	1,319	2,029
Interest income on defined benefit pension scheme	540	346
Total other financial income	1,684	2,194

Charles River Laboratories Edinburgh Limited

Notes to the financial statements
Period ended 31 December 2022

12. Tax on profit

a) Analysis of tax charge in the financial period:	2022	2021
	£'000	£'000
Current tax		
UK corporation tax on profits of the period	1,225	1,694
Adjustment in respect of previous periods	(217)	69
Total current tax charge	1,008	1,763
Deferred tax (Note 20)		
Origination and reversal of timing differences	1,906	3,222
Adjustment in respect of previous periods	(8)	(194)
Effect of changes in tax rates	602	7,465
Total deferred tax	2,500	10,493
Total tax per Profit and loss account	3,508	12,256

Other comprehensive income/(expense) items

Deferred tax current period charge/(credit) on actuarial gain/(loss)	377	(3,086)
Total deferred tax on actuarial gain/(loss) per other comprehensive income/(expense)	377	(3,086)

b) Factors affecting tax charge for the period

The tax assessed for the period is different (2021: different) to the standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit before tax	28,742	28,061
Tax on profit at standard UK Corporation tax rate of 19.00% (2021: 19.00%)	5,461	5,332
Effects of:		
Expenses not deductible for tax purposes	64	123
Income not taxable	(436)	(28)
Effect of group relief	(1,662)	-
Adjustment from previous periods	(226)	(125)
Tax rate changes	602	7,465
Share options movements not recognised	(295)	(511)
Total tax on profit	3,508	12,256

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

12. Tax on profit (continued)

c) Factors affecting tax charge for future periods

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current UK corporation tax rate of 19%.

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023. Deferred taxes on the balance sheet have been measured at 25% (2021 – 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

13. Tangible assets

	Land and buildings	Plant and machinery	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 26 December 2021	72,439	60,600	4,773	137,812
Additions	7,044	6,345	2,117	15,506
Transfers	377	1,292	(1,669)	-
Disposals	(366)	(617)	-	(983)
At 31 December 2022	79,494	67,620	5,221	152,335
Accumulated depreciation				
At 26 December 2021	41,342	48,427	-	89,769
Charge for the period	1,868	4,442	-	6,310
Disposals	(217)	(587)	-	(804)
At 31 December 2022	42,993	52,282	-	95,275
Net book value				
At 31 December 2022	36,501	15,338	5,221	57,060
At 25 December 2021	31,097	12,173	4,773	48,043

Land and buildings includes the cost of land which is not depreciated of £432,000 (2021: £432,000).

14. Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	2,348	1,910

The amount of stocks recognised as an expense during the period was £6,189,000 (2021: £6,049,000). There is no material difference between the carrying amount of stock and the replacement cost.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

15. Debtors

	2022 £'000	2021 £'000
Trade debtors	16,022	17,206
Amounts owed by group undertakings	4,941	5,853
Amounts recoverable on long term contracts	12,428	10,201
Other debtors	1,876	491
Taxation recoverable	12,343	11,083
Prepayments and accrued income	1,939	1,172
	49,549	46,006

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

16. Cash at bank and in hand

Cash at bank includes a restricted amount of £130,000 held on guarantee in favour of HMRC. All other cash at bank and in hand is freely disposable.

17. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Payments received on account for long term contracts	25,836	18,722
Trade creditors	12,431	9,601
Amounts owed to group undertakings	3,766	1,592
Taxation and social security	2,207	2,147
Other creditors	6,796	7,099
Accruals and deferred income	2,576	3,534
	53,612	42,695

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

18. Creditors: Amounts falling due after more than one year

	2022 £'000	2021 £'000
Finance leases	-	23

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

19. Post-employment benefits

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 period. The group also participates in a group defined contribution scheme.

The total pension cost for the period in these financial statements amounted to £4,858,000 (2021: £4,686,000). This cost comprised £nil (2021: £nil) in relation to the defined benefit scheme and £4,858,000 (2021: £4,686,000) in relation to the defined contribution scheme. There are no prepaid or accrued contributions at either period 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 2020 by Mercer Limited. The main assumptions of the most recent valuation are as follows:

Discount rate	
- Pre-retirement	1.99% per annum
- Post-retirement	1.99% per annum
RPI inflation	3.16% per annum
Salary growth	3.16% per annum
Post retirement pension increases	
- Pre April 2006	3.00% per annum
- Post April 2006	2.05% per annum

Results of valuation

Market value of scheme assets	£178,100,000
Level of funding	93%

During the period the Company made deficit reduction contributions of £nil (2021: £6,000,000). 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 31 December 2022 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 and are disclosed at the end of this note.

Guaranteed Minimum Pensions (GMP equalisation)

The Company has recognised the increase in accounting liabilities as a result of the plan having to equalise historic transfer values allowing for the effects of unequal guaranteed minimum pensions between 17 May 1990 and 26 October 2018, following the High Court ruling on 20 November 2020. The Company has adopted method "C2" for calculating its liability, following guidance from its actuarial advisors. The liability estimate is split as follows, based on membership data as at 1 January 2017 (the most recent actuarial valuation date at the time of calculation) and an effective calculation date of 26 December 2020.

Liability of future GMP equalisation on historic transfer values	£10,000
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The key assumptions underpinning the estimate are set out below:

Discount rate	2.90%
RPI Inflation	3.30%
CPI Inflation	2.30%
Deferred pension revaluation	2.30%
Rate of pension increase (RPI max 5%)	3.10%
Rate of pension increase (CPI max 3%)	1.90%

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

19. Post-employment benefits (*continued*)

	2022	2021
	£'000	£'000
Change in defined benefit obligation		
Benefit obligation at end of prior period	206,359	196,655
Interest expense	3,681	3,119
Effect of changes in actuarial assumptions	(97,722)	10,105
Effects of experience adjustments	10,929	-
Benefits paid from plan assets	(3,665)	(3,520)
Benefit obligation at end of period	119,582	206,359

	2022	2021
	£'000	£'000
Change in fair value of plan assets		
Fair value of plan assets at end of prior period	236,324	218,282
Interest income	4,221	3,465
Actuarial return on plan assets	(85,284)	12,097
Employer contributions	-	6,000
Benefits paid from plan assets	(3,665)	(3,520)
Fair value of plan assets at end of period	151,596	236,324

	2022	2021
	£'000	£'000
Amounts recognised in the balance sheet		
Defined benefit obligations	119,582	206,359
Fair value of plan assets	151,596	236,324
Net defined benefit asset	(32,014)	(29,965)

	2022	2021
	£'000	£'000
Cost relating to defined benefit plans:		
Current service cost (GMP equalisation)	-	-
Net interest income	(540)	(346)
Income related to defined benefit plans included in the Profit and loss account	(540)	(346)

	2022	2021
	£'000	£'000
Re-measurements (recognised in other comprehensive income)		
Effects of changes in assumptions	(97,722)	10,105
Effect of experience adjustments	10,929	-
(Return) on plan assets (excluding interest income)	85,284	(12,097)
Total re-measurements included within Other comprehensive income	(1,509)	(1,992)

Total credit related to defined benefit plans recognised in Profit and loss account and Other comprehensive income	2,049	2,338
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Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

19. Post-employment benefits (continued)

Plan assets	2022	2021
	%	%
The asset allocations at the period end were as follows:		
Equities	5.1	19.2
Bonds	67.4	44.3
Other*	24.5	32.3
Cash	3.0	4.2
	100.0	100.0

*Other consists of diversified growth funds (5.1%) and liability driven investments (19.4%). There were no amounts invested in the Company's own financial instruments.

	2022	2021
	£'000	£'000
Actual return on plan assets	(81,063)	15,562

Weighted average assumptions used to determine benefit obligations

Discount rate	5.00%	1.60%
Rate of compensation increase	3.20%	3.80%
Rate of inflation (RPI)	3.20%	3.40%

Contributions

The Company expects to contribute £nil to its pension plan in 2023 (2022: £nil).

Charles River Laboratories Edinburgh Limited

Notes to the financial statements
Period ended 31 December 2022

20. Provision for other liabilities

Provision for liabilities and charges comprise:

	2022 £'000	2021 £'000
Deferred taxation	19,542	16,665
	19,542	16,665

Analysis of deferred tax balances:

	2022 £'000	2021 £'000
Fixed asset timing differences	12,056	9,631
Short term timing differences	7,486	7,034
R&D expenditure credit	-	-
Total liability	19,542	16,665

Analysis of movements in deferred tax provisions

Deferred tax (assets)/liabilities:	2022 £'000	2021 £'000
Provision at start of period	16,665	10,142
Adjustment in respect of prior periods	(8)	(1,077)
Deferred tax charge to Profit and loss account for period	2,508	10,686
Deferred tax charge/(credit) in OCI for period	377	(3,086)
Total liabilities	19,542	16,665

Deferred tax (asset):	2022 £'000	2021 £'000
Recoverable within 12 months	(60)	-
Recoverable after 12 months	(458)	(457)
	(518)	(457)

Deferred tax liabilities:	2022 £'000	2021 £'000
Payable within 12 months	2,946	1,051
Payable after 12 months	17,114	16,071
	20,060	17,122

21. Dividends

	2022 £000's	2021 £000's
Dividends of £68.18 paid on ordinary shares (2021: £5.45)	18,750	1,500
	18,750	1,500

The directors do not recommend the payment of a further final dividend in respect of the period (2021: £nil)

Charles River Laboratories Edinburgh Limited

Notes to the financial statements Period ended 31 December 2022

22. Called up share capital

	2022	2021
	£'000	£'000
Authorised:		
275,000 (2021: 275,000) ordinary shares of £1 each	275	275
325,000 (2021: 325,000) 10% cumulative redeemable preference shares of £1 each	325	325
	600	600

Allotted, issued and fully paid:

275,000 (2021: 275,000) ordinary shares of £1 each	275	275
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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.

23. Financial commitments

At 31 December 2022 and 25 December 2021, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022	2021
	£'000	£'000
Not later than one year	598	621
Later than one year and not later than five years	2,006	2,259
Later than five years	574	919
	3,178	3,799

24. Capital commitments

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

	2022	2021
	£'000	£'000
Contracted for but not provided for	11,323	6,498

The above capital commitments relate to a considerable building expansion programme being conducted at the Tranent site to support the business growth.

25. 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.

Charles River Laboratories Edinburgh Limited

Notes to the financial statements
Period ended 31 December 2022

26. 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 period 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 into 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.

27. Events after the end of the reporting period

There are no significant events to note.