Report and accounts
2008

LGC

Setting standards in analytical science

contents

our vision

To be an international market leader in products and services founded on setting standards in analytical science

LGC has emerged stronger and more focussed from what has been a difficult year. Turnover was static at £101.5 million and, despite tight cost control (which unfortunately included a number of redundancies), LGC Group EBITDA declined. Happily, the Group has responded well to these challenges. We have made a number of important senior management appointments, including the appointment of our new Chief Executive David Richardson, and we have strengthened our focus on the efficiency and effectiveness of the Group's processes. These actions, together with improved trading conditions, have resulted in significant new business in a number of our divisions, as well as in improved results towards the end of the financial year. Whilst the UK business climate remains uncertain, LGC faces the future with renewed confidence.

Stuart Wallis
Chairman
28 July 2008

Report of the Directors

The Directors present this report together with the audited financial statements for the year ended 31 March 2008.

Results and dividends

The profit and loss account is set out on page 10 and shows the loss for the financial year of £2,202,000 (2007 - loss £15,944,000). No interim dividend has been paid and no final dividend is proposed.

Principal activities

LGC is an international leader in the provision of laboratory services, measurement standards, reference materials and proficiency testing services to customers in the public and private sectors. From its foundations as a measurement standards organisation, LGC offers products and services that enable its customers to achieve results in challenging analytical and bioanalytical assays, from single analysis through to high-volume automated testing programmes.

LGC is the UK's designated National Measurement Institute for chemical and biochemical analysis and is also the host organisation for the UK's Government Chemist function.

Business review and future developments

The Group's key performance indicators during the year were as follows:

	2008	**2007**	**Change**
	£'000	£'000	%
Turnover	101,455	101,463	0%
Operating profit before exceptional items	4,453	6,498	-31%
Earnings before interest, tax, depreciation and amortisation	11,330	13,739	-18%
Bank debt	42,512	40,266	6%
Average number of employees	1,120	1,161	-4%

Turnover has remained static at £101.5m compared to £101.5m last year. Acquisitions in the current year (covered in more detail below), together with the full year effect of prior year acquisitions, contributed approximately £1.2m to turnover. The treatment of India as a joint venture in the current year reduced turnover by £3.5m. Underlying turnover growth was approximately 2%.

Group EBITDA (earnings before interest, taxation, depreciation and amortisation) is stated before exceptional items and amounted to £11.3m compared to £13.7m in 2007. The decline in EBITDA compared with the prior year reflects the reduction in operating margin, following the re-tender or re-negotiation of certain key contracts.

Average employee numbers (based on full time equivalent employees) decreased in comparison with the prior year, reflecting cost reductions effected during the current financial year.

The Directors expect the Group to continue to develop, both through organic growth and through acquisitions.

Report of the Directors

On 1 December 2007, the Group acquired Breitländer Eichproben und Labormaterial GmbH through its German subsidiary company, LGC Beteiligungs GmbH.

The total consideration (including costs and deferred consideration) relating to the acquisitions described above amounts to approximately £1.6m. Of this, £0.5m had not been paid at 31 March 2008. The balance of £1.1m was satisfied during the year from the Group's cash.

The Group generated £9.4m of cash from operations. Net interest paid amounted to £3.0m, and tax paid a further £0.4m. £2.8m (net) was invested in tangible fixed assets. Net debt advances amounted to £0.6m.

At 31 March 2008, the Group had bank borrowings (including bank guaranteed loan notes) of £42.5m. These bear interest at market rates and have repayments in the year to 31 March 2009 of £3.0m (note 17). In addition, long-term debt instruments (mostly held by shareholders) totalled £53.6m. There are no payments of interest or principal due on these long-term debt instruments before 2013, except in the event of a change of control of the Group.

Employees

The Group is committed to creating an employment environment that will attract, retain and motivate employees. Throughout the Group, emphasis is placed on personal development to meet both today's needs and those of the future. Employee communication and consultation is encouraged at all levels of the business and there is a Consultative Committee at the Teddington site. In addition, the provision of information and consultation between management and staff is facilitated through a Group Consultative Committee across both the UK and Europe and, specifically for the UK, an Employment Committee and a Safety, Health, Environment and Quality Committee.

It is the Group's policy to provide equal opportunities for all staff and applicants on the basis of objective criteria and personal abilities regardless of gender, age and ethnic origin. This policy is designed to ensure that recruitment and advancement are carried out on the basis of merit.

The Group gives full and fair consideration to disabled persons applying for employment, having regard to their particular aptitudes and abilities, as well as the continuing employment and appropriate training of employees who become disabled.

Directors

The membership of the Board during the year was as follows:

Stuart Wallis	Chairman, Non-Executive
David Richardson (appointed 3 December 2007)	Chief Executive
Geoff Battersby	Group Finance Director
Dr Angela Gallop	Director of Science and Innovation, LGC Forensics
Uwe de Buhr	Non-Executive
Lord John Stevens	Non-Executive
Michael O'Donnell	Non-Executive
Euan O'Sullivan (appointed 21 December 2007)	Non-Executive
Dr Richard Worswick (resigned 3 December 2007)	Deputy Chairman and Chief Executive
Tim James (resigned 5 October 2007)	Non-Executive

Report of the Directors

The Directors' interests in shares and debentures of the Group are shown below:

	31 March 2008		**31 March 2007 (or date of appointment if later)**	
	Number of shares	*Number of LTLN (see note 18)*	*Number of shares*	*Number of LTLN (see note 18)*
Executive				
Geoff Battersby	39,178	262,813	32,500	262,813
Dr Angela Gallop	10,000	1,289,365	-	1,289,365
David Richardson	39,178	-	-	-
Non Executive				
Stuart Wallis	39,178	-	22,215	-
Uwe de Buhr	4,750	131,407	3,750	131,407
Michael O'Donnell	-	-	-	-
Lord John Stevens	1,500	17,521	500	17,521
Euan O' Sullivan	-	-	-	-

Michael O'Donnell holds interests in the Company through his investments in entities that have invested in the Company.

The Directors received no share options in the year.

During the year, Key Person Insurance was maintained in respect of Geoff Battersby and Angela Gallop.

Report of the Directors

Corporate Governance

The Directors believe that the Group should maintain appropriate standards of corporate governance, having regard to its responsibilities to its shareholders, staff, customers and other stakeholders.

Board committees in operation during the year were as follows:

Committee	Membership	Responsibilities
Executive	Executive Directors plus key business leaders	Operational matters within powers delegated by the Board.
Audit	Non-Executive Directors	Review of financial reporting, audit arrangements and internal financial control.
Remuneration	Non-Executive Directors	Remuneration of Executive Directors and senior managers.
Nominations and Corporate Governance	Non-Executive Directors	Board structure and appointments.

Research and development activities

The Group is Europe's leading independent provider of analytical and diagnostic services and reference standards.

In the year ended 31 March 2008, research and development was undertaken by the Group's Research & Technology Division, both through Government-funded programmes and in support of the Group's own projects.

Quality, health and safety, and environmental performance

The Group has achieved excellent quality, health and safety, and environmental performance and received high praise from both UKAS and BSi during the past year's surveillance visits. The Group was awarded the RoSPA Order of Distinction for an outstanding performance in Occupational Health and Safety. The Group continues to comply with all environmental legislative requirements and maintains a programme of continuous improvement.

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2008, the Group had an average of 44 (2007 - 49) days' purchases outstanding in trade creditors.

Political and charitable contributions

During the year, the Group made various charitable contributions totalling £14,000 (2007 - £11,000). The Group made no political donations in the year (2007 - £nil).

Report of the Directors

Principal risks and uncertainties

The principal risks facing the Group are broadly grouped as competitive and financial instrument risk.

Competitive risk

The Group is reliant on a number of contracts, mostly with UK Government bodies, that are subject to periodic competitive tender. Renewal of these contracts is uncertain and is based on financial and performance criteria, in some cases allied to the continuance or otherwise of testing or research programmes.

Financial instrument risk

Financial risk management
The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign exchange risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the Group's finance department.

Price risk
Although no formal programme of commodity price management has been adopted, any significant exposure is reviewed periodically and, where appropriate, fixed by future purchasing agreements. The Group has no listed or other equity investments which expose it to equity security price risk.

Credit risk
The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. A policy of individual customer credit limits is used to manage exposure to any individual customer.

Liquidity risk
The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk
In order to ensure stability of cash outflows and hence manage interest rate risk, the Group has a policy of maintaining a proportion of its debt at fixed rate by use of interest rate swaps. During the year ended 31 March 2008 approximately 33% of the Group's bank debt was fixed (2007 - 67%).

The Group also holds fluctuating cash balances that earn interest at fluctuating market rates. The cash flow risk associated with these balances is small.

Foreign exchange risk
The Group is exposed to cash flow risk as a result of assets and liabilities denominated in foreign currency. This risk is largely mitigated by internally generated cash flows in a similar mix of currencies and some of the risk to exposure to operation in foreign currencies is managed by the issue of forward foreign exchange contracts.

Statement of disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the auditor is unaware. Having made enquires of fellow Directors and the Group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the Directors

Directors' qualifying indemnity provisions

The Company has in force and has granted indemnities to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Acts 1985 and 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report.

Auditors

Ernst & Young LLP were reappointed auditors at the Annual General Meeting on 17 October 2007 and have expressed their willingness to continue in office.

Re-registration as a private limited company

On 14 November 2007, the Company was re-registered as a private limited company.

Annual General Meeting

The Annual General Meeting of LGC Group Holdings Limited will be held on 25 September 2008.

By order of the Board

Maxine Chow
Company Secretary
28 July 2008

Statement of the Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the members of LGC Group Holdings Limited

We have audited the Group and parent Company financial statements (the "financial statements") of LGC Group Holdings Limited for the year ended 31 March 2008 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses , the Group and Company balance sheets, the Group statement of cash flows and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report

to the members of LGC Group Holdings Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 March 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London

July 2008

Group profit and loss account

for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Turnover	2	**101,455**	101,463
Less: share of joint venture's turnover		**(3,539)**	(355)
Continuing operations:			
Ongoing		**97,119**	101,108
Acquisitions		**797**	-
Group turnover		**97,916**	101,108
Raw materials and consumables		**(25,594)**	(24,059)
Staff costs	4	**(39,836)**	(38,779)
Depreciation and amortisation		**(6,300)**	(7,127)
Other external charges		**(21,733)**	(24,645)
Operating profit before exceptional items		**4,453**	6,498
Exceptional items			
Goodwill impairment	5	**-**	(11,561)
Other exceptional items	5	**-**	(1,289)
Pensions curtailment gain	27	**3,059**	-
Continuing operations:			
Ongoing		**7,366**	(6,352)
Acquisitions		**146**	-
Group operating profit/(loss)	3	**7,512**	(6,352)
Share of operating profit of joint venture	12	**577**	114
Amortisation of goodwill on acquisition of joint venture		**-**	(29)
Total operating profit/(loss)		**8,089**	(6,267)
(Loss)/gain on disposal of tangible fixed assets		**(6)**	15
Profit/(loss) on ordinary activities before interest and tax		**8,083**	(6,252)
Interest receivable	6	**364**	221
Interest payable and similar charges	7	**(8,746)**	(7,828)
Loss on ordinary activities before taxation		**(299)**	(13,859)
Tax on loss on ordinary activities	8	**(1,703)**	(1,728)
Tax of joint venture	12	**(200)**	(38)
Loss on ordinary activities after taxation		**(2,202)**	(15,625)
Minority interest		**-**	(319)
Loss for the financial year	21	**(2,202)**	(15,944)

Group statement of total recognised gains and losses

for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Loss for the financial year excluding share of profits of joint venture		**(2,579)**	(15,991)
Share of joint venture's profit and related goodwill amortisation and tax for the year	12	**377**	47
Loss for the financial year		**(2,202)**	(15,944)
Actuarial (loss)/gain on defined benefit pension scheme	27	**(5,799)**	984
Movement on deferred tax relating to pension liability	27	**1,624**	(295)
Exchange difference on retranslation of net assets of subsidiary undertakings		**2,225**	(411)
Acquisition of joint venture		**-**	(482)
Total recognised gains and losses relating to the year		**(4,152)**	(16,148)

Group balance sheet
at 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Intangible assets	10	**45,201**	43,455
Tangible assets	11	**25,620**	26,198
		70,821	69,653
Investment in joint venture			
Share of gross assets		**2,408**	1,616
Share of gross liabilities		**(954)**	(624)
Group fixed asset investments	12	**1,454**	992
Current assets			
Stocks	13	**3,578**	2,560
Debtors	14	**21,486**	19,965
Cash at bank and in hand	15	**6,241**	4,626
		31,305	27,151
Creditors: amounts falling due within one year	17	**(22,554)**	(22,794)
Net current assets		**8,751**	4,357
Total assets less current liabilities		**81,026**	75,002
Long term shareholder debt		**(52,309)**	(47,536)
Other long term liabilities		**(40,435)**	(37,138)
Creditors: amounts falling due after more than one year	18	**(92,744)**	(84,674)
Defined benefit pension liability	27	**(9,891)**	(7,893)
Net liabilities		**(21,609)**	(17,565)
Capital and reserves			
Called up share capital	20	**603**	549
Share premium account	21	**676**	622
Own shares	21	**(33)**	(33)
Profit and loss account	21	**(22,855)**	(18,703)
Shareholders' funds	21	**(21,609)**	(17,565)

David Richardson
Chief Executive
28 July 2008

Geoff Battersby
Group Finance Director
28 July 2008

Company balance sheet
at 31 March 2008

	Notes	**2008** **£000**	2007 £000
Fixed assets			
Investments		**-**	-
		-	-
Current assets			
Debtors	14	**2,875**	2,596
Cash at bank and in hand	15	**-**	1
		2,875	2,597
Creditors: amounts falling due within one year	17	**(149)**	(85)
Net current assets		**2,726**	2,512
Total assets less current liabilities		**2,726**	2,512
Capital and reserves			
Called up share capital	20	**603**	549
Share premium account	21	**676**	622
Profit and loss account	21	**1,447**	1,341
Shareholders' funds	21	**2,726**	2,512

David Richardson
Chief Executive
28 July 2008

Geoff Battersby
Group Finance Director
28 July 2008

Group statement of cash flows

for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Net cash inflow from operating activities	23(a)	**9,427**	11,928
Returns on investment and servicing of finance			
Interest received		**364**	221
Finance lease interest paid		**(6)**	(35)
Interest paid		**(3,408)**	(3,007)
		(3,050)	(2,821)
Taxation			
Corporation and overseas tax paid		**(441)**	(1,027)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	11	**(2,882)**	(4,020)
Receipts from disposal of fixed assets		**38**	78
		(2,844)	(3,942)
Acquisitions and disposals	12		
Payments to purchase subsidiary undertakings		**(1,981)**	(4,819)
Transfer to joint venture		**-**	(84)
Net cash acquired with subsidiary undertakings		**17**	604
		(1,964)	(4,299)
Net cash inflow/(outflow) before financing		**1,128**	(161)
Financing			
Issue of ordinary share capital	20	**108**	8
New long-term loans		**3,542**	3,122
Repayments of finance lease creditors		**(121)**	(123)
Repayments of long-term loans		**(2,941)**	(4,785)
		588	(1,778)
Increase/(decrease) in cash and cash equivalents	15	**1,716**	(1,939)

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis having regard to the repayment terms of LTLNs and DDBs set out in more detail in note 18.

Basis of consolidation

The Group financial statements consolidate the financial statements of LGC Group Holdings Limited and its subsidiary undertakings, drawn up to 31 March each year. No profit and loss account is presented for LGC Group Holdings Limited as permitted by section 230 of the Companies Act 1985.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary continuing activities, stated net of value added tax.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Amounts recoverable on contracts represent an excess of the value of work carried out to date (which has been recorded as turnover) over cumulative payments on account. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the useful lives of the relevant assets by equal annual instalments.

Interests in joint ventures

The Group has contractual arrangements with other parties that represent joint ventures.
These take the form of agreements to share control over other entities.

Where the joint venture is established through an interest in a company, partnership or other entity (a jointly controlled entity), the Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in the value of individual investments. The Group profit and loss account reflects the share of the jointly controlled entity's results after tax. The Group statement of total recognised gains and losses reflects the Group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

Where necessary, adjustments are made to bring the accounting policies used by the joint ventures into line with those of the Group. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entities.

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies (continued)

The Group ceases to use the equity method on the date from which it no longer has joint control over, or significant influence in, the joint venture.

The Company's investments in subsidiaries, joint ventures and associates
In its separate financial statements the Company recognises its investments in subsidiaries, jointly controlled entities and associates at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

Goodwill
Positive goodwill arising on the acquisition of businesses is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill arising on acquisitions is being amortised over up to 20 years on a straight line basis, the period over which the Group expects to benefit from the reputation, contacts and skills of each acquired business.

If a business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Impairment of fixed assets
The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development
General research and development expenditure is written off as incurred. Specific development expenditure incurred in relation to the establishment of significant new service capabilities in the year is carried forward when its future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised over the period of sales from the related project.

Tangible fixed assets
Tangible fixed assets are recorded at cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the original cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	40 years
Leasehold property	-	lesser of 5-14 years or period of lease
Building plant	-	12 years
Scientific equipment	-	3-15 years
Computers	-	2-5 years
Vehicles	-	5 years

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Foreign currency - Company

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Foreign currency - Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to be refunded tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent, at the balance sheet date, that there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of retained earnings of overseas subsidiaries and joint venture, only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reversed, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee Benefit Trust

The Group operates an Employee Benefit Trust (EBT). The assets and activities of the EBT are consolidated into the Group's financial statements.

Contribution payments made to the EBT are charged to the profit and loss account when they are applied to, or are for the benefit of, employees. Administration expenses deducted from the contributions by the Trustees are charged to the profit and loss account as incurred. Funds unappointed at the balance sheet date are included in the financial statements, although the Group's access to these funds is subject to the agreement of the Trustees of the EBT.

Share based payments

The cost of cash settled transactions is measured at intrinsic value both initially and subsequently at each reporting date and at the date the award is finally settled. Any change in intrinsic value is recognised in the profit and loss account.

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies (continued)

Pensions

The Group operates a defined benefit pension plan which requires contributions to be made to separately administered funds. The scheme was closed to new members on 1 October 2002, from which time membership of a defined contribution plan became available.

The cost of providing benefits under the defined benefit plan is determined separately using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. As this is a closed scheme, current service costs will increase as the members of the scheme approach retirement. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for the plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid value. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Notes to the financial statements
for the year ended 31 March 2008

1. Accounting policies (continued)

Derivative instruments
The Group's policy is to not undertake trading activity in financial instruments.

Forward foreign currency contracts

The Group uses forward exchange contracts to manage the financial risks associated with the Group's underlying business activities and the financing of these activities.

Forward foreign currency contracts are not valued to fair value or shown in the Group balance sheet at the year end.

Interest rate swaps

In order to ensure stability of cash out flows and hence manage interest rate risk, the Group has a policy of maintaining a proportion of its debt at fixed rate by use of interest rate swaps.

Interest rate swaps are not valued to fair value or shown in the Group balance sheet at the year end.

Capital instruments
Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds.

The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate of the carrying amount.

Leasing commitments
Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

for the year ended 31 March 2008

2. Segmental analysis

The Group operates in one principal area of activity as described in the report of the Directors.

Geographical area

2008	Loss before tax and minority interest £000	Turnover by origin £000	Turnover by destination £000	Net liabilities £000
UK	6,052	68,995	63,822	15,889
Europe	3,991	28,921	31,422	5,038
Asia	577	3,539	4,248	1,454
America	-	-	1,138	-
Rest of the world	-	-	825	-
Total	**10,620**	**101,455**	**101,455**	**22,381**
Goodwill	(2,537)	-	-	45,193
Bank and other financing	(8,382)	-	-	(89,183)
Total	**(299)**	**101,455**	**101,455**	**(21,609)**

The Group's share of profit before tax and minority interest, turnover and net assets in the joint venture in the year to 31 March 2008 originated in Asia.

The joint venture turnover by destination in the year to 31 March 2008 is entirely in Asia.

2007	Loss before tax and minority interest £000	Turnover by origin £000	Turnover by destination £000	Net liabilities £000
UK	3,665	73,071	64,896	18,228
Europe	3,810	23,450	29,743	2,827
Asia	1,111	4,942	5,321	992
America	-	-	472	-
Rest of the world	-	-	1,031	-
Total	**8,586**	**101,463**	**101,463**	**22,047**
Goodwill	(14,838)	-	-	43,414
Bank and other financing	(7,607)	-	-	(83,026)
Total	**(13,859)**	**101,463**	**101,463**	**(17,565)**

Notes to the financial statements
for the year ended 31 March 2008

2. Segmental analysis (continued)

The Group's share of profit before tax and minority interest and turnover in the joint venture in the year to 31 March 2007 originated in the UK.

The joint venture turnover by destination in the year to 31 March 2007 comprised 45% in the UK, 47% in Europe and 8% in the rest of the world.

The Group's share of net assets in its joint venture at 31 March 2007 is in Asia.

3. Group operating profit/(loss)

The operating profit relating to acquisitions and continuing operations is as follows:

	Continuing operations		
			Total
	Ongoing	Acquisitions	**2008**
	£000	£000	**£000**
Group turnover	97,119	797	**97,916**
Raw materials and consumables	(25,126)	(468)	**(25,594)**
Staff costs	(39,715)	(121)	**(39,836)**
Depreciation and amortisation	(6,299)	(1)	**(6,300)**
Other external charges	(21,672)	(61)	**(21,733)**
Pensions curtailment gain	3,059	-	**3,059**
	7,366	146	**7,512**

The operating profit/(loss) is stated after (charging)/crediting:			**2008**	2007
			£000	£000
Auditors' remuneration	- audit services		**(170)**	(191)
	- tax and other services		**(128)**	(70)
Amortisation of deferred development expenditure		10	**(33)**	(50)
Depreciation of owned assets		11	**(3,686)**	(3,650)
Depreciation of leased assets		11	**(44)**	(179)
Goodwill impairment provision		10	**-**	(11,561)
Amortisation of goodwill		10	**(2,537)**	(3,248)
Operating lease rentals	- land and buildings		**(1,986)**	(1,696)
	- plant and machinery		**(236)**	(225)
Government grant income			**32**	39
Non-recurring professional fees in connection with acquisitions			**(26)**	(72)
Restructuring costs			**-**	(1,289)
Pensions curtailment gain		27	**3,059**	-

In addition, auditors' fees incurred in connection with acquisitions, and included in the cost of acquistion of fixed asset investments or costs of raising finance, amounted to £nil (2007 - £22,000).

Notes to the financial statements

for the year ended 31 March 2008

4. Employee information

(a) Staff costs	**2008 £000**	2007 £000
Wages and salaries	**33,278**	32,165
Social security costs	**3,436**	3,641
Other pension costs	**3,122**	2,973
	39,836	38,779

(b) Average monthly number of employees	**2008 No.**	2007 No.
Scientific	**793**	805
Administration and management	**327**	356
	1,120	1,161

The average number of employees is based on full time equivalents.

(c) Directors' emoluments:

		Basic salary (1) £000	**Bonus £000**	**Emoluments excluding pension contributions £000**	**Defined contribution pension contributions £000**	**2008 Total £000**	2007 Total £000
Executive							
Dr Richard Worswick	(2)	200	-	200	115	315	103
David Richardson		87	41	128	3	131	-
Geoff Battersby		148	78	226	14	240	153
Dr Angela Gallop		140	49	189	10	199	152
Dr Nigel Law		-	-	-	-	-	333
Dr John Mason		-	-	-	-	-	9
Non Executive							
Stuart Wallis		50	-	50	-	50	12
Uwe de Buhr		28	-	28	-	28	25
Michael O'Donnell	(3)	17	-	17	-	17	8
Lord John Stevens		27	-	27	-	27	25
Ian Kent		-	-	-	-	-	29
Joanne Parfrey	(3)	-	-	-	-	-	15
Brian Phillips	(3)	-	-	-	-	-	8
Euan O'Sullivan	(3)	6	-	6	-	6	-
Tim James	(3)	11	-	11	-	11	-
		714	**168**	**882**	**142**	**1024**	872

Notes:
(1) Including car allowances and benefits in kind
(2) Director who was a pensioner member of the defined benefit pension scheme
(3) Fee payable to LGV Capital Limited in relation to these Directors' services

Notes to the financial statements

for the year ended 31 March 2008

4. Employee information (continued)

Highest paid director

	2008 £000	2007 £000
Aggregate emoluments	**315**	333
Defined benefit scheme:		
Accrued pension at the end of the year	N/A	6
Accrued lump sum at the end of the year	N/A	18

5. Exceptional items

In the opinion of the Directors, exceptional items are so material as to have separate disclosure in the profit and loss account if the financial statements are to give a true and fair view.

At 31 March 2007, a review of the carrying value of goodwill resulted in an exceptional non-cash charge of £11.6m in respect of the activities of LGC Forensics and its subsidiary undertakings.

Restructuring costs of £nil (2007 - £1.3m) comprise the costs incurred during the year relating to redundancy and one-off business review costs, and include a provision of £nil (2007 - £0.5m) for the costs of a redundancy programme initiated in March 2007.

6. Interest receivable

	2008 £000	2007 £000
Bank interest receivable	**351**	201
Other interest receivable	**13**	20
	364	221

7. Interest payable and similar charges

	Notes	2008 £000	2007 £000
Bank loans and overdrafts		**3,354**	2,806
Finance leases		**6**	35
Guaranteed Unsecured Loan Notes		**63**	125
Long-Term Loan Notes		**1,408**	1,272
Deep Discount Bonds		**3,477**	3,155
Amortisation of debt issue costs		**345**	342
Other finance charges	27	**93**	93
		8,746	7,828

8. Taxation

(a) Analysis of charge in year:

	Notes	2008 £000	2007 £000
UK corporation tax on the profit for the year		**(508)**	-
Foreign tax		**985**	1,688
Total current tax	8(b)	**477**	1,688

Notes to the financial statements

for the year ended 31 March 2008

8. Taxation (continued)

Deferred tax	**2008 £000**	2007 £000
Utilisation of losses	-	-
Recognition of brought forward losses	-	-
Depreciation in excess of capital allowances	-	-
Other timing differences	**1,226**	40
Total deferred tax	**1,226**	40
Total tax charge for year	**1,703**	1,728

(b) Factors affecting current tax charge for the year:

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 28% (2007 - 30%). The differences are explained below.

	Notes	**2008 £000**	2007 £000
Loss on ordinary activities before taxation		**(299)**	(13,859)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007 - 30%)		**(84)**	(4,158)
Effects of:			
Expenses not deductible for tax purposes		**2,162**	1,128
Research and development tax credit		**(140)**	(150)
Depreciation in excess of capital allowances		**799**	253
Other timing differences		**(1,128)**	(150)
Utilisation of losses		**(529)**	-
Higher tax rates on overseas earnings		**140**	350
Impairment of goodwill		**-**	3,468
Tax losses carried forward		**32**	985
Adjustments in respect of prior years		**(575)**	-
Taxation of joint venture		**(200)**	(38)
Current tax for the year	8(a)	**477**	1,688

(c) Factors that may affect future tax charges

Future tax charges may be affected by the non-deductible expenses, research and development tax credits and higher rates of overseas tax referred to in note 8(b) and the tax losses available for carry forward described in note 8(d).

Notes to the financial statements

for the year ended 31 March 2008

8. Taxation (continued)

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	Notes	**2008** **£000**	2007 £000
Accelerated capital allowances		**-**	(32)
Capital gains		**-**	(68)
Other timing differences		**-**	166
Deferred tax asset included in debtors	14	**-**	66
Deferred tax asset included in pension costs	27	**3,847**	3,383
		3,847	3,449

The movements in deferred taxation during the current year are as follows:

	Notes	**£000**
At 31 March 2007		**3,449**
Included in the profit and loss account	8(a)	**(1,226)**
Included in the statement of total recognised gains and losses	27	**1,624**
At 31 March 2008		**3,847**

No provision has been made for taxation that would arise if the Group's freehold land and buildings were disposed of at their fair value to the Group. The tax payable in the event of such disposal would be approximately £2.7m. At present it is not envisaged that such tax will become payable in the foreseeable future.

Group companies have tax losses carried forward at 31 March 2008 of approximately £5.9m. The related deferred tax asset of £1.6m has not been recognised as the recognition criteria of FRS 19 have not been met.

Notes to the financial statements

for the year ended 31 March 2008

9. Profit attributable to members of the parent company

As permitted by section 230(3) of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The profit dealt with in the financial statements of the Company was £106,000 (2007 - £1,391,000).

10. Intangible fixed assets

Group	Sterling denominated £000	Euro denominated £000	Total Goodwill £000	Development expenditure £000	Total £000
Cost:					
At 1 April 2007	44,044	18,438	62,482	402	62,884
Additions	-	1,595	1,595	-	1,595
Foreign exchange translation	-	3,203	3,203	-	3,203
At 31 March 2008	**44,044**	**23,236**	**67,280**	**402**	**67,682**
Amortisation:					
At 1 April 2007	17,015	2,053	19,068	361	19,429
Charge for the year	1,570	967	2,537	33	2,570
Foreign exchange translation	-	482	482	-	482
At 31 March 2008	**18,585**	**3,502**	**22,087**	**394**	**22,481**
Net book value:					
At 31 March 2008	**25,459**	**19,734**	**45,193**	**8**	**45,201**
At 1 April 2007	27,029	16,385	43,414	41	43,455

Goodwill arising on acquisitions is being amortised over the Directors' estimate of its useful economic life of up to 20 years.

Euro-denominated goodwill is retranslated at the year end rate of exchange.

Company

The Company has no intangible fixed assets.

Notes to the financial statements

for the year ended 31 March 2008

11. Tangible fixed assets

Group	Freehold land and buildings £000	Short term leasehold buildings £000	Building plant £000	Scientific equipment £000	Computers £000	Vehicles £000	Total £000
Cost:							
At 1 April 2007	17,760	983	5,906	20,060	5,155	150	50,014
Acquisitions	-	-	-	32	2	-	34
Additions	-	123	196	1,444	1,103	16	2,882
Foreign exchange translation	40	61	-	657	80	27	865
Disposals	-	(18)	-	(498)	(27)	(39)	(582)
At 31 March 2008	**17,800**	**1,149**	**6,102**	**21,695**	**6,313**	**154**	**53,213**
Depreciation:							
At 1 April 2007	1,890	682	3,450	13,786	3,940	68	23,816
Acquisitions	-	-	-	31	2	-	33
Charge for the year	322	81	637	2,044	624	22	3,730
Foreign exchange translation	18	39	-	440	41	14	552
Disposals	-	(14)	-	(481)	(12)	(31)	(538)
At 31 March 2008	**2,230**	**788**	**4,087**	**15,820**	**4,595**	**73**	**27,593**
Net book value:							
At 31 March 2008	**15,570**	**361**	**2,015**	**5,875**	**1,718**	**81**	**25,620**
At 1 April 2007	15,870	301	2,456	6,274	1,215	82	26,198

The element of land included in freehold land and buildings at 31 March 2008 is £6,788,000 (2007 - £6,788,000).

The net book value of tangible fixed assets includes the following balances in relation to assets held under finance leases:

	Building plant		Scientific equipment		Computers	
	2008	2007	**2008**	2007	**2008**	2007
	£000	£000	**£000**	£000	**£000**	£000
Cost	**43**	43	**457**	457	**131**	131
Depreciation	**41**	34	**332**	295	**131**	131
Net book value	**2**	9	**125**	162	**-**	-

Company

The Company has no tangible fixed assets.

Notes to the financial statements
for the year ended 31 March 2008

12. Fixed asset investments

Group fixed asset investments comprise:

	2008	2007
	£000	£000
Joint venture	**1,454**	992
	1,454	992

The movement in relation to joint venture is as follows:	**£000**
At 1 April 2007	992
Share of profit of joint venture	577
Tax on joint venture	(200)
Foreign exchange translation	85
At 31 March 2008	**1,454**

The Group's investment in LGC Promochem India Private Limited was reclassified from that of a subsidiary undertaking to that of a joint venture at 31 March 2007.

Notes to the financial statements

for the year ended 31 March 2008

12. Fixed asset investments (continued)

As at 31 March 2008, details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
AGOWA Gesellschaft für molekularbiologische Technologie GmbH	Germany	Ordinary	100	Genomics
Aquacheck Limited	England and Wales	Ordinary	100	Non-trading
Breitländer Eichproben und Labormaterial GmbH	Germany	Ordinary	100	Distribution of analytical reference standards and scientific equipment
Forensic Alliance Limited	England and Wales	Ordinary	100	Non-trading
Institut für Blutgruppenforschung LGC GmbH (formerly LGC GmbH)	Germany	Ordinary	100	Forensic analysis
LGC Beteiligungs GmbH	Germany	Ordinary	100	Holding company
LGC Forensics Limited	England and Wales	Ordinary	100	Holding company
LGC GmbH (formerly Mikromol GmbH)	Germany	Ordinary	100	Manufacture of analytical reference standards
LGC (Holdings) Limited	England and Wales	Ordinary	100	Holding company
LGC Investments Limited	England and Wales	Ordinary	100*	Holding company
LGC Limited	England and Wales	Ordinary	100	Chemical and biochemical analysis consultancy and distribution of analytical reference standards
LGC (North West) Limited	England and Wales	Ordinary	100	Holding company
LGC Standards AB (formerly LGC Promochem AB)	Sweden	Ordinary	100	Distribution of analytical reference standards
LGC Standards GmbH (formerly LGC Promochem GmbH)	Germany	Ordinary	100	Distribution of analytical reference standards
LGC Standards Sarl (formerly LGC Promochem Sarl)	France	Ordinary	100	Distribution of analytical reference standards
LGC Science Limited	England and Wales	Ordinary	100*	Non-trading
LGC Standards SL (formerly LGC Promochem SL)	Spain	Ordinary	100	Distribution of analytical reference standards
LGC Standards Spzoo (formerly LGC Promochem Spzoo)	Poland	Ordinary	100	Distribution of analytical reference standards

Notes to the financial statements

for the year ended 31 March 2008

12. Fixed asset investments (continued)

Subsidiary	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
LGC Standards Srl (formerly LGC Promochem Srl)	Italy	Ordinary	100	Distribution of analytical reference standards
LGC (Teddington) Limited	England and Wales	Ordinary	100	Holding company
Promochem Limited	England and Wales	Ordinary	100	Dormant
Quality Management Holdings Limited	England and Wales	Ordinary	100	Holding company
Quality Management Limited	England and Wales	Ordinary	100	Non-trading
University Diagnostics Limited	England and Wales	Ordinary	100	Dormant

Joint venture	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
LGC Promochem India Private Ltd	India	Ordinary	50	Distribution and manufacture of analytical reference standards

*Directly held by the Company

Notes to the financial statements

for the year ended 31 March 2008

12. Fixed asset investments (continued)

Acquisition

In December 2007, the Group entered into an agreement to acquire the Breitländer Eichproben und Labormaterial GmbH, ("Breitländer") based in Hamm, Germany with effect from 1 December 2007.

The consideration for the acquisition of Breitländer comprised

	€000	£000
Cash	1,400	1,043
Contingent deferred consideration	684	542
Direct costs of acquisition	35	26
	2,119	**1,611**

The contingent deferred consideration is payable based on the results of Breitländer in the period ending 31 May 2009 and is due 2 months after the agreed threshold earnings level has been achieved.

The separable net assets of Breitländer at the date of acquisition comprised:

	Book value and fair value to the Group	
	€000	£000
Tangible fixed assets	4	3
Stocks	387	288
Debtors	327	244
Cash	23	17
Total assets	741	552
Creditors due within one year	(719)	(536)
Net assets acquired	22	16
Total consideration (see above)	2,119	1,611
Goodwill arising on acquisition (note 10)	2,097	1,595

Notes to the financial statements

for the year ended 31 March 2008

13. Stocks

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Raw materials and consumables	**2,586**	1,873	**-**	-
Finished goods	**992**	687	**-**	-
	3,578	2,560	**-**	-

The replacement cost of stock is estimated to exceed its book value by approximately £8.4m (2007 - £6m).

In addition to the above, the Group holds consignment stock under terms which effect a transfer of title to the Group only at the point of onward sale to the customer. The value of such stocks held at 31 March 2008 was £0.7m (2007 - £0.5m).

14. Debtors

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£000**	£000	**£000**	£000
Trade debtors		**15,412**	13,736	**-**	-
Amounts recoverable from long-term contracts		**4,430**	3,955	**-**	-
Amounts owed by Group undertakings		**-**	-	**2,874**	2,595
Other debtors		**589**	241	**1**	1
Prepayments and accrued income		**1,055**	1,967	**-**	-
Deferred tax	8(d)	**-**	66	**-**	-
		21,486	19,965	**2,875**	2,596

15. Cash

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Cash at bank and in hand at 1 April	**4,626**	6,555	**1**	1
Net cash inflow/(outflow)	**1,716**	(1,939)	**(1)**	-
Effect of foreign exchange movements	**(101)**	10	**-**	-
Cash at bank and in hand at 31 March	**6,241**	4,626	**-**	1

The cash balance at 31 March 2008 includes £2,708,000 (2007 - £2,570,000) held by the EBT. The Group has no access to the EBT cash balance (see note 16).

Notes to the financial statements

for the year ended 31 March 2008

16. Employee Benefit Trust

An Employee Benefit Trust (EBT), managed by Kleinwort Benson (Jersey) Trustees Limited, is established for the benefit of the employees of the Group. The EBT holds cash, shares and Long-Term Loan Notes of the Group. The assets, liabilities and activities of the EBT are included in the Group's financial statements, as follows:

Profit and loss account:

	2008	2007
	£000	£000
Staff costs	**(250)**	-
Adjustment to prior year accrual	**-**	20
Other external charges	**(5)**	(9)
Bank interest receivable	**138**	119
Interest receivable from Group undertakings	**42**	38
	(75)	168

Net assets:

	2008	2007
	£000	£000
Investments in Group undertakings (shares)	**33**	33
Long-Term Loan Notes (LTLN)	**318**	318
Cash at bank	**2,708**	2,570
Amounts owed from Group undertakings	**145**	103
Accruals	**(250)**	-
Trade creditors	**(15)**	(10)
	2,939	3,014

Reserves:

	2008	2007
	£000	£000
Profit and loss reserves at 1 April	**3,014**	2,846
Net (loss)/income for the year	**(75)**	168
Profit and loss reserves at 31 March	**2,939**	3,014

The EBT's financial statements have been consolidated into the Group financial statements.

The investments held by the EBT consist of shares of the Company (note 20).

The Long-Term Loan Notes (LTLN) were issued by the Company's subsidiary undertaking, LGC Investments Limited. Details of the loan repayment terms are disclosed in note 18.

As described in note 28, at an Exit Event, the Trustees of the EBT have indicated their intention to fund cash bonuses payable to employees in relation to their holdings of the Group's Phantom Shares.

The administration of funds held by the EBT is at the discretion of the Trustees of the EBT, and is to be used solely for the benefit of current and prior employees of the Group. Accordingly the Group does not have access to these funds.

Notes to the financial statements

for the year ended 31 March 2008

17. Creditors: amounts falling due within one year

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£000**	£000	**£000**	£000
Obligations under finance leases	19	**69**	42	**-**	-
Current instalments due on loans		**3,024**	3,322	**-**	-
Less deferred debt issue costs		**(345)**	(344)	**-**	-
Payments received on account		**3,391**	2,880	**-**	-
Amounts owed to Group undertakings		**-**	-	**139**	85
Trade creditors		**4,009**	4,340	**-**	-
Corporation tax		**932**	813	**-**	-
Other taxation and social security		**2,540**	3,514	**-**	-
Accruals and deferred income		**8,736**	7,299	**10**	-
Deferred consideration on acquisitions		**198**	928	**-**	-
		22,554	22,794	**149**	85

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

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£000**	£000	**£000**	£000
Bank loans		**38,961**	34,772	**-**	-
Obligations under finance leases	19	**70**	185	**-**	-
Guaranteed Unsecured Loan Notes (GULS)		**527**	2,172	**-**	-
Long-Term Loan Notes (LTLNs)		**15,401**	13,993	**-**	-
Deep Discounted Bonds (DDBs)		**38,167**	34,688	**-**	-
Less deferred debt issue costs		**(1,162)**	(1,508)	**-**	-
Deferred consideration on acquisitions		**780**	372	**-**	-
		92,744	84,674	**-**	-

Bank loans are provided under a syndicated facility, secured on the assets of the Company and certain of its subsidiary undertakings. The loans are repayable by instalments through to March 2013, or earlier in the event of a change of control of the Company. The rates of interest payable on the loans during the year averaged approximately 2.4% above LIBOR.

Bank facilities at 31 March 2008 comprise:

	Euro denominated	Sterling denominated	Total
	€000	**£000**	**£000**
Bank loans drawn down	14,728	30,304	41,985
Guarantee of GULS	-	527	527
Working capital facilities (not drawn down at 31 March 2008)	-	3,000	3,000
Undrawn committed facilities available to finance deferred consideration and capital expenditure	-	3,798	3,798
	14,728	37,629	49,310

Notes to the financial statements

for the year ended 31 March 2008

18. Creditors: amounts falling due after more than one year (continued)

The GULS are issued by LGC Investments Limited and are repayable at the option of the GULS holders at six monthly intervals through to December 2008 at which time any GULS outstanding will be repaid in full. They are guaranteed by the banks under the facility described above. Upon repayment, an equivalent amount of bank loans is available under the facility. The GULS bear interest at LIBOR minus 0.5%. A guarantee fee is also payable to the banks, which during the year averaged 2.5%.

The LTLNs are issued by LGC Investments Limited and are repayable in April 2013, or earlier in the event of a change of control of the Company. They have a nominal value of £11,151,162 (2007 - £11,151,162) and bear interest at 10%, which is rolled up annually.

The DDBs have a nominal value of £61.9m (2007 - £61.9m). They were issued in April 2004 at a price of £26.2m and are repayable in April 2013, or earlier in the event of a change of control of the Company. The amount redeemable under the bonds increases annually by 10%.

Offset against creditors is £1,507,000 (2007 - £1,852,000) being deferred costs incurred in raising the Group's finance. These costs are being charged to the Group profit and loss account over the period of the related facilities. The charge in the year was £345,000 (2007 - £342,000).

The maturity of the loans, GULS, LTLN and DDBs is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Repayable by instalments	**£000**	£000	**£000**	£000
- within one year	**3,024**	3,322	**-**	-
- between one and two years	**2,527**	4,042	**-**	-
- between two and five years	**36,951**	16,399	**-**	-
- over five years	**53,578**	65,184	**-**	-
Less: issue costs	**(1,507)**	(1,852)		
	94,573	87,095	**-**	-

19. Obligations under finance leases

The net lease obligations which the Company is committed to are:

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
- within one year	**69**	42	**-**	-
- between one and two years	**70**	185	**-**	-
	139	227	**-**	-

Notes to the financial statements

for the year ended 31 March 2008

20. Share capital

	Authorised			
	2008	2007	**2008**	2007
	No.	No.	**£000**	£000
Ordinary shares of £0.50 each	**1,289,861**	1,289,861	**645**	645

	Allotted, called up and fully paid			
	2008	2007	**2008**	2007
	No.	No.	**£000**	£000
Ordinary shares of £0.50 each	**1,205,478**	1,098,014	**603**	549

During the year, the Company has issued the following ordinary shares:

Date	Nominal value	Price per share	Cash consideration £000	Number of shares
12 December 2007	£0.50	£1.00	5	5,000
20 March 2008	£0.50	£1.00	102	102,464

Notes to the financial statements

for the year ended 31 March 2008

21. Reconciliation of shareholders' funds and movements on reserves

Group

	Notes	Share capital £000	Own shares £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2006		547	(11)	594	(2,555)	(1,425)
Retained loss for the year		-	-	-	(15,944)	(15,944)
Exchange difference on retranslation of net assets of subsidiary undertakings		-	-	-	(411)	(411)
Actuarial gains for the year (net of deferred tax)		-	-	-	689	689
Shares purchased by the EBT		-	(22)	-	-	(22)
Joint venture profit taken to subsidiary		-	-	-	(482)	(482)
Issue of shares		2	-	28	-	30
At 1 April 2007		549	(33)	622	(18,703)	(17,565)
Retained loss for the year		-	-	-	(2,202)	(2,202)
Exchange difference on retranslation of net assets of subsidiary undertakings		-	-	-	2,225	2,225
Actuarial losses for the year (net of deferred tax)		-	-	-	(4,175)	(4,175)
Issue of shares		54	-	54	-	108
At 31 March 2008		**603**	**(33)**	**676**	**(22,855)**	**(21,609)**

Company

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2006	547	594	(50)	1,091
Profit for the year	-	-	1,391	1,391
Issue of shares	2	28	-	30
At 1 April 2007	549	622	1,341	2,512
Profit for the year	-	-	106	106
Issue of shares	54	54	-	108
At 31 March 2008	**603**	**676**	**1,447**	**2,726**

Notes to the financial statements

for the year ended 31 March 2008

22. Financial commitments

At 31 March the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Operating leases which expire:				
- within one year	**50**	22	**11**	78
- in two to five years	**1,263**	1,181	**45**	83
- in over five years	**684**	548	**2**	4
	1,997	1,751	**58**	165

23. Notes to the statement of cash flows

(a) Reconciliation of operating profit/(loss) to net cash flow from operating activities:	**2008**	2007
	£000	£000
Operating profit/(loss)	**7,512**	(6,352)
Depreciation of tangible fixed assets	**3,730**	3,829
Amortisation of development expenditure	**33**	50
Amortisation and impairment of goodwill	**2,537**	14,809
Pensions curtailment gain	**(3,059)**	-
Increase in stock	**(730)**	(953)
Increase in debtors	**(1,343)**	(1,791)
(Decrease)/increase in creditors	**(218)**	1,340
Increase in accruals, provisions and deferred income	**965**	996
Net cash inflow from operating activities	**9,427**	11,928

(b) Reconciliation of net cash flow to movement in net debt:	**2008**	2007
	£000	£000
Increase/(decrease) in cash	**1,716**	(1,939)
Cash inflow from increase in loans	**(3,542)**	(3,122)
Repayment of long term loans	**2,941**	4,785
Amortisation of issue costs	**(345)**	(342)
Interest on LTLN and DDBs rolled up	**(4,885)**	(4,427)
Change in net debt resulting from cash flow	**(4,115)**	(5,045)
Exchange difference	**(1,748)**	366
Movement in net debt	**(5,863)**	(4,679)
Net debt at 1 April	**(82,469)**	(77,790)
Net debt at 31 March	**(88,332)**	(82,469)

Notes to the financial statements

for the year ended 31 March 2008

24. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £368,000 for the Group and £nil for the Company (2007 - £432,000 and £nil respectively), and authorised but not yet contracted for amounted to £2,308,000 for the Group and £nil for the Company (2007 - £770,000 and £nil respectively).

25. Derivatives

The Group purchases interest rate swaps to manage interest rate volatility on Euro denominated long-term loans and forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives at the balance sheet date are as follows:

Group

	2008	2007
	£000	£000
Interest rate swaps	**54**	167
Forward foreign currency contracts	**90**	(21)

The fair value of interest rate swaps is determined by reference to their market values. The fair value of forward foreign currency contracts is determined by reference to their intrinsic value at the balance sheet date discounted for timing differences where significant.

Company

The Company had no derivative instruments contracted in the period.

26. Related party transactions

(a) Funds managed by LGV Capital Limited (LGV) hold 60.22% (2007 - 66.12%) of the ordinary share capital of the Company at 31 March 2008. In addition, LGV holds the entire issued amount of DDBs (note 18).

During the year, LGV charged the Company £33,647 (2007 - £31,000) in respect of services as Directors of Michael O'Donnell, Joanne Parfrey, Tim James and Euan O'Sullivan.

At the year end there were creditors of £8,750 (2007 - £nil) outstanding in relation to these expenses.

(b) The ownership of Long-Term Loan Notes (including accrued interest) is as follows:

	2008	2007
	£000	£000
Directors (as stated in the Directors' report)	**2,261**	7,764
Other shareholders	**11,881**	5,084
Non-shareholders	**1,259**	1,145
	15,401	13,993

27. Pensions and other post retirement benefits

(a) Defined benefit scheme

The Group operates a defined benefit funded pension scheme, which is closed to new members. The assets of the scheme are held in a separate trustee administered fund.

The scheme deficits at 31 March 2005, 31 March 2006, 31 March 2007 and 31 March 2008 have been based on the actuarial calculations in June 2005, May 2006, April 2007 and June 2008 respectively by the actuaries of Scottish Widows plc, which assessed the liabilities of the scheme using the projected unit method. Scheme assets are stated at their market values at the respective balance sheet dates. The last triennial valuation of the scheme was prepared in May 2005, and reflected the scheme assets and liabilities as at 1 August 2004.

Main assumptions:

	2008	2007	2006	2005
	%	%	%	%
Rate of salary increase	**3.4**	4.1	3.9	3.8
Rate of increase in pensions in payment	**3.4**	3.1	2.9	2.8
Discount rate	**6.1**	5.6	5.2	5.7
Inflation assumption	**3.4**	3.1	2.9	2.8

	2008		2007		2006		2005	
	UK long -term rate of return expected %	**Value £000**	UK long -term rate of return expected %	Value £000	UK long -term rate of return expected %	Value £000	UK long -term rate of return expected %	Value £000
Equities	**7.5**	**21,214**	7.8	24,724	7.4	23,349	7.7	17,398
Bonds	**5.4**	**6,764**	5.1	3,267	4.7	1,378	4.8	1,016
Other	**5.3**	**2,679**	5.1	3,400	4.7	2,964	4.8	1,666
Total market value of assets		**30,657**		31,391		27,691		20,080
Present value of scheme liabilities		**(44,395)**		(42,667)		(40,128)		(31,210)
Pension liability before deferred tax		**(13,738)**		(11,276)		(12,437)		(11,130)
Related deferred tax asset		**3,847**		3,383		3,731		3,339
		(9,891)		(7,893)		(8,706)		(7,791)

An analysis of the defined benefit cost for the year ended 31 March is as follows:

The amounts credited/(charged) to operating profit/(loss) were:	**2008**	2007
	£000	£000
Regular current service cost and operating charges	**(1,880)**	(2,118)
Exceptional curtailment gain	**3,059**	-
	1,179	(2,118)

The amounts charged to other finance expenses were:	**2008**	2007
	£000	£000
Expected return on pension scheme assets	**2,296**	1,994
Interest on pension scheme liabilities	**(2,389)**	(2,087)
Total other finance charges	**(93)**	(93)

Notes to the financial statements

for the year ended 31 March 2008

27. Pensions and other post retirement benefits (continued)

The amounts recognised in the statement of total recognised gains and losses were:

	2008	2007
	£000	£000
Actual return less expected return on pension scheme assets	**(4,340)**	(108)
Experience gains/(losses) arising on scheme liabilities	**234**	(411)
(Loss)/gain arising from changes in assumptions underlying the present value of scheme liabilities	**(1,693)**	1,503
	(5,799)	984
Increase/(decrease) in deferred tax asset	**1,624**	(295)
	(4,175)	689

Analysis of movements in deficit during the year:

	2008	2007
	£000	£000
At 1 April	**(11,276)**	(12,437)
Regular operating charges	**(1,880)**	(2,118)
Exceptional curtailment gain	**3,059**	-
Total other finance charges	**(93)**	(93)
Actuarial (loss)/gain	**(5,799)**	984
Contributions	**2,251**	2,388
At 31 March	**(13,738)**	(11,276)

The contributions and regular operating charges include £426,000 (2007 - £471,000) relating to employees' contributions.

The exceptional curtailment gain reflects the impact on the deficit of the change in expected growth in pensionable pay as a result of changes made to the operation of the scheme.

Analysis of movement of related deferred tax asset:	**2008**	2007
	£000	£000
At 1 April	**3,383**	3,731
Debited to the profit and loss account in the year	**(1,160)**	(53)
Credited/(debited) to the statement of total recognised gains and losses	**1,624**	(295)
At 31 March	**3,847**	3,383

Notes to the financial statements

for the year ended 31 March 2008

27. Pensions and other post retirement benefits (continued)

History of experience gains and losses:

	2008	2007	2006	2005
	£000	£000	£000	£000
Difference between expected return and actual return on pension scheme assets				
- amount	**(4,340)**	(108)	3,950	333
- % of scheme assets	**(14%)**	-	14%	2%
Experience gains/(losses) arising on scheme liabilities				
- amount	**234**	(411)	(313)	(107)
- % of present value of scheme liabilities	**(1%)**	1%	1%	-
Change in assumptions				
- amount	**(1,693)**	1,503	(5,073)	(730)
- % of present value of scheme liabilities	**4%**	(2%)	13%	3%

(b) Defined contribution scheme

The Group also operates a defined contribution pensions scheme for its employees. The assets of the schemes are also held separately from those of the Group in independently administered funds.

The contributions made to the plan in the year were £704,000 (2007 - £590,000). At the end of the year contributions of £40,000 (2007 - £nil) were outstanding.

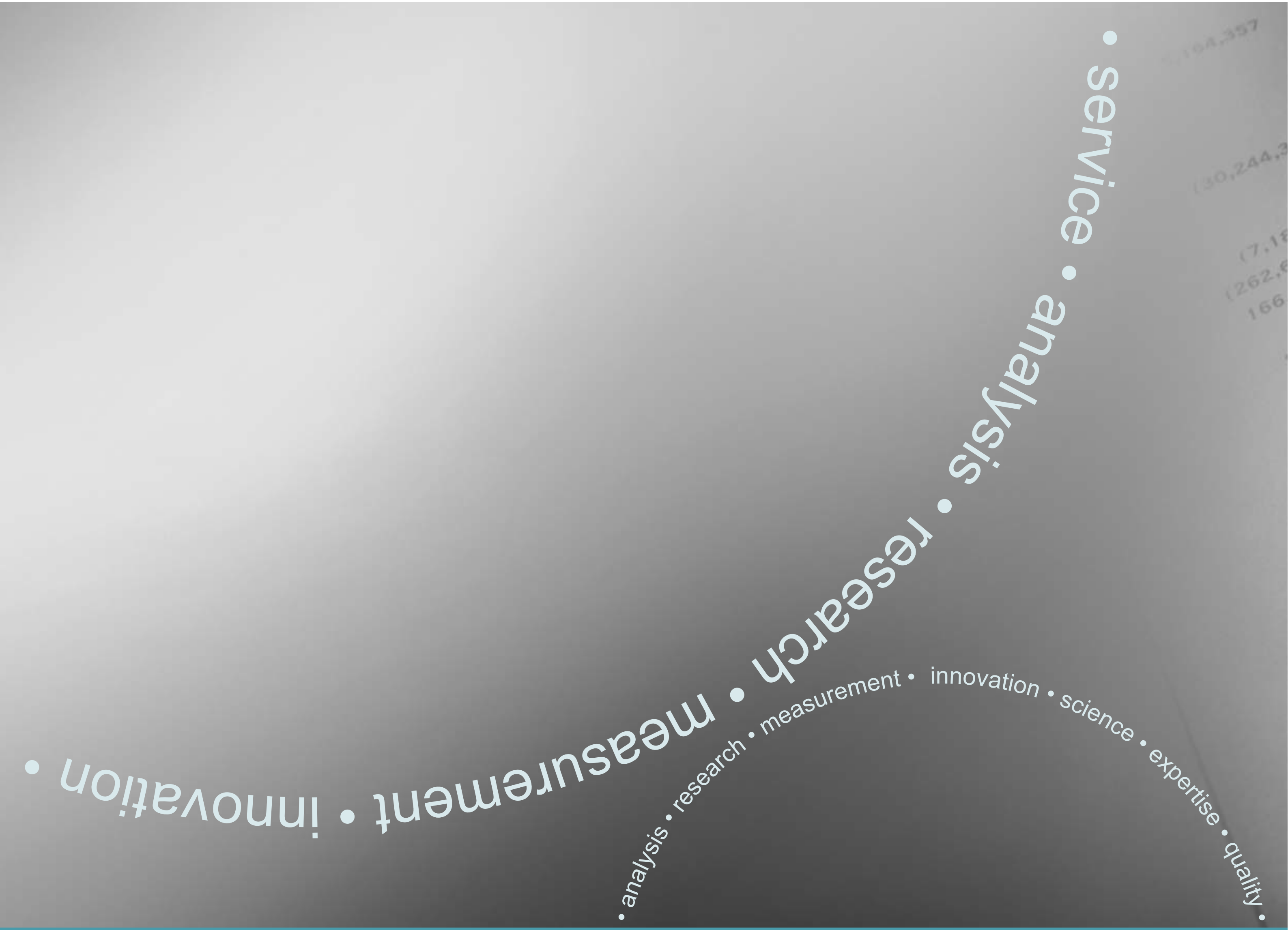
28. Share based payments

On 1 August 2005 the Group introduced a Phantom Share Scheme. Upon the sale or listing of LGC Group Holdings Limited (an "Exit Event"), holders of the Phantom Shares are entitled to a cash bonus equal to one-thirtieth of the amount by which the value of an ordinary share in LGC Group Holdings Limited exceeds £30, subject to the agreement of the Employee Benefit Trust (EBT). To the extent that the cash bonus cost exceeds the funds held by the EBT, the Group is committed to fund the excess. The Group is also responsible for any employers National Insurance on any payments made. At 31 March 2008, the Scheme had issued approximately 2 million Phantom Shares out of a maximum of 3 million available for issue.

As the fair value of the Phantom Shares cannot be determined reliably, an intrinsic value calculation was carried out by the Directors. This concluded that the value of the accrued benefit under the Phantom Share Scheme at 31 March 2007 and 2008 was £nil.

29. Ultimate holding company

The majority shareholder and ultimate controlling party of the Group is LGV 3 Private Equity Fund Limited Partnership, an English Limited Partnership which is made up of a number of investors. None of the investors has a controlling interest in the partnership.



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