



LGC report and accounts 2009

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Report of the Directors

The Directors present this report together with the audited financial statements for the year ended 31 March 2009.

Results and dividends

The profit and loss account is set out on page 11 and shows the loss for the financial year of £1,644,000 (2008 - loss £2,202,000). 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 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 for the year were as follows:

	2009	2008	Change
	£000	£000	%
Turnover (including joint venture)	119,625	101,455	18%
Operating profit before exceptional items	13,146	4,453	195%
Earnings before interest, tax, depreciation, amortisation and exceptional items	19,852	11,330	75%
Bank debt	41,317	42,512	-3%
Average number of employees	1,198	1,120	7%

Revenue in the year increased to £119.6m (2008 - £101.5m). The main drivers for the increase were strong reference material and proficiency testing sales both in the UK and overseas, increased demand for forensic casework and DNA analysis, foreign exchange translation benefits and growth in the Group's external scientific programme management activities for UK Government. The Easter break also fell outside the financial year. Two acquisitions were made in the area of forensics e-crime and both have started to make a good contribution to the business. The underlying revenue growth rate (excluding acquisitions and the impact of exchange rates on overseas earnings) was 12%.

Group EBITDA (earnings before interest, taxation, depreciation and amortisation) is stated before exceptional items, and increased significantly to £19.9m (2008 - £11.3m). The increase reflects the revenue growth described above, together with initiatives undertaken to improve the operating margin level.

Average employee numbers (based on full time equivalent employees) increased marginally in the year, reflecting business growth and the impact of the two businesses acquired.

Report of the Directors

On 9 February 2009, the Group acquired the business and assets of Kalagate Limited ("Kalagate"). The Kalagate business is a specialist in imagery and audio analysis to the police and the Crown Prosecution Service.

On 11 February 2009, the Group acquired Focus Forensic Telecommunications Limited ("Focus"). Focus provides cell site analysis services to the police and other law enforcement agencies.

The total consideration (including costs and deferred consideration) relating to the acquisitions described above amounts to approximately £2.7m. Of this, £0.6m had not been paid at 31 March 2009. The balance of £2.1m was satisfied during the year from the Group's cash.

The Group generated £16.7m of cash from operations. Net interest paid amounted to £2.9m, and tax paid a further £0.8m. £4.9m was invested in tangible fixed assets. Net debt repayments amounted to £2.9m.

At 31 March 2009, the Group had bank borrowings of £41.3m. These bear interest at market rates and have repayments in the year to 31 March 2010 of £4.5m (note 17). In addition, long-term debt instruments totalled £58.9m. 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.

The accounts reflect a pension deficit calculated in accordance with FRS17. This reduced during the year to £11.2m reflecting high discount rates as at 31 March 2009. The contributions to the scheme are determined on the funding basis, which more conservatively assesses the long-term requirements.

Business reshaping

In order to improve efficiency, customer service, to provide employees with the appropriate equipment and environment and to enable the Group to further develop, the Board has initiated a programme of reshaping its operations. This involves renewal of its information systems (including an ERP system and the replacement of its laboratory information management systems), consolidation and upgrading of its property arrangements (in particular in the North West of England) and a rationalisation of non-core activities.

In the year ended 31 March 2009, the following exceptional costs have been recognised in the profit and loss account associated with this reshaping programme:

Costs associated with the ERP project	£1.9m
Property exit costs and other restructuring costs	£1.0m
Accelerated depreciation on related tangible fixed assets	£1.0m

In addition, £1.0m has been capitalised in connection with the ERP system.

The Directors anticipate additional costs in relation to this reshaping programme will be incurred in the year ending 31 March 2010. The Directors also expect the Group to continue to show further expansion, both through organic growth opportunities and appropriate acquisitions.

Report of the Directors

Going concern

The financial statements have been prepared on the going concern basis.

In considering the appropriateness of the going concern assumption, the Directors have had regard to:

- future projections for the Group; and
- financing arrangements in place.

The Group has the banking facilities to provide adequate financing to support the Group's operations and the covenants set out in the bank facilities are and are expected to continue to be satisfied.

Whilst acknowledging the inherent risk in any plan, the Directors are concluding that, having considered the factors set out above, it is appropriate to prepare the financial statements on a going concern basis.

Employees

The Group is committed to creating an employment environment that attracts, retains and motivates 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	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	Non-Executive

Report of the Directors

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

	31 March 2009		31 March 2008	
	<i>Number of shares</i>	<i>Number of LTLNs (see note 18)</i>	<i>Number of shares</i>	<i>Number of LTLNs (see note 18)</i>
Executive				
Geoff Battersby	39,178	262,813	39,178	262,813
Dr Angela Gallop	10,000	1,289,365	10,000	1,289,365
David Richardson	39,178	-	39,178	-
Non-Executive				
Stuart Wallis	39,178	-	39,178	-
Uwe de Buhr	4,750	131,407	4,750	131,407
Michael O'Donnell	-	-	-	-
Lord John Stevens	1,500	17,521	1,500	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 David Richardson, Geoff Battersby and Dr Angela Gallop.

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.

Report of the Directors

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 2009, 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.

Post balance sheet events

No material events have occurred since the balance sheet date that might have an impact on the financial statements.

Quality, health and safety, and environmental performance

The Group achieved excellent quality, health and safety, and environmental results during the past year and was awarded the RoSPA Order of Distinction for the fourth year running for an outstanding performance in Occupational Health and Safety. Quality performance was underlined by successful UKAS, BSi/LRQA and customer audits. The Group continues to comply with all environmental legislative requirements and maintains a programme of continuous improvement in all business areas.

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 2009, the Group had an average of 43 (2008 - 44) days' purchases outstanding in trade creditors.

Political and charitable contributions

During the year, the Group made various charitable contributions totalling £17,172 (2008 - £14,000). The Group made no political donations in the year (2008 - £nil).

Principal risks and uncertainties

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

Competitive risk

The Group is reliant on a number of contracts, many 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.

Report of the Directors

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 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 that 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 maintains a proportion of its debt at fixed rate by use of interest rate swaps. During the year ended 31 March 2009 approximately 20% of the Group's bank debt was fixed (2008 - 33%). For the year ending 31 March 2010, approximately 83% of debt is fixed.

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 operations 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 enquiries 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 25 September 2008 and have expressed their willingness to continue in office.

Annual General Meeting

The Annual General Meeting of LGC Group Holdings Limited will be held on 23 September 2009.

By order of the Board

Maxine Chow
Company Secretary
22 July 2009

Statement of the Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 2009 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 2009 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

22 July 2009

Group profit and loss account

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Turnover	2	119,625	101,455
Less: share of joint venture's turnover		(3,938)	(3,539)
Continuing operations:			
Ongoing		115,269	97,119
Acquisitions		418	797
Group turnover		115,687	97,916
Raw materials and consumables		(28,992)	(25,594)
Staff costs	4	(44,806)	(39,836)
Depreciation and amortisation		(6,274)	(6,300)
Other external charges		(22,469)	(21,733)
Operating profit before exceptional items		13,146	4,453
Exceptional items			
Pensions curtailment gain	27	-	3,059
Restructuring and systems development costs	5	(2,959)	-
Accelerated depreciation	5	(1,012)	-
Continuing operations:			
Ongoing		9,007	7,366
Acquisitions		168	146
Group operating profit	3	9,175	7,512
Share of operating profit of joint venture	12	432	577
Total operating profit		9,607	8,089
Loss on disposal of tangible fixed assets		(27)	(6)
Profit on ordinary activities before interest and tax		9,580	8,083
Interest receivable	6	306	364
Interest payable and similar charges	7	(9,411)	(8,746)
Profit/(loss) on ordinary activities before taxation		475	(299)
Tax on profit/(loss) on ordinary activities	8	(1,952)	(1,703)
Tax on joint venture	12	(167)	(200)
Loss for the financial year	21	(1,644)	(2,202)

Group statement of total recognised gains and losses

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Loss for the financial year excluding share of profits of joint venture		(1,909)	(2,579)
Share of joint venture's profit and related tax for the year	12	265	377
Loss for the financial year		(1,644)	(2,202)
Actuarial gain/(loss) on defined benefit pension scheme	27	611	(5,799)
Movement on deferred tax relating to pension liability	27	(171)	1,624
Exchange difference on retranslation of net assets of subsidiary undertakings		1,790	2,225
Total recognised gains and losses relating to the year		586	(4,152)

Group balance sheet

at 31 March 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	10	47,578	45,201
Tangible assets	11	26,286	25,620
		<u>73,864</u>	<u>70,821</u>
Investment in joint venture			
Share of gross assets		2,870	2,408
Share of gross liabilities		(1,034)	(954)
Group fixed asset investments	12	<u>1,836</u>	<u>1,454</u>
Current assets			
Stocks	13	4,745	3,578
Debtors	14	21,512	21,486
Cash at bank and in hand	15	8,981	6,241
		<u>35,238</u>	<u>31,305</u>
Creditors: amounts falling due within one year	17	<u>(28,914)</u>	<u>(22,554)</u>
Net current assets		<u>6,324</u>	<u>8,751</u>
Total assets less current liabilities		<u>82,024</u>	<u>81,026</u>
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Long-term shareholder debt		(57,379)	(52,309)
Other long-term liabilities		(37,612)	(40,435)
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Creditors: amounts falling due after more than one year	18	<u>(94,991)</u>	<u>(92,744)</u>
<hr/>			
Net defined benefit pension liability	27	<u>(8,044)</u>	<u>(9,891)</u>
Net liabilities		<u>(21,011)</u>	<u>(21,609)</u>
<hr/>			
Capital and reserves			
Called up share capital	20	609	603
Share premium account	21	682	676
Own shares	21	(33)	(33)
Profit and loss account	21	(22,269)	(22,855)
Shareholders' deficit	21	<u>(21,011)</u>	<u>(21,609)</u>

David Richardson
Chief Executive
22 July 2009

Geoff Battersby
Group Finance Director
22 July 2009

Company balance sheet

at 31 March 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Investments		-	-
		-	-
Current assets			
Debtors	14	3,006	2,875
Cash at bank and in hand	15	-	-
		3,006	2,875
Creditors: amounts falling due within one year	17	(115)	(149)
Net current assets		2,891	2,726
Total assets less current liabilities		2,891	2,726
Capital and reserves			
Called up share capital	20	609	603
Share premium account	21	682	676
Profit and loss account	21	1,600	1,447
Shareholders' funds	21	2,891	2,726

David Richardson

Chief Executive
22 July 2009

Geoff Battersby

Group Finance Director
22 July 2009

Group statement of cash flows

for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Net cash inflow from operating activities	23(a)	16,748	9,427
Returns on investment and servicing of finance			
Interest received		306	364
Finance lease interest paid		(14)	(6)
Interest paid		<u>(3,144)</u>	<u>(3,408)</u>
		(2,852)	(3,050)
Taxation			
Corporation tax received/(paid)		313	(310)
Overseas tax paid		<u>(1,067)</u>	<u>(131)</u>
		(754)	(441)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	11	(4,920)	(2,882)
Receipts from disposal of fixed assets		<u>-</u>	<u>38</u>
		(4,920)	(2,844)
Acquisitions and disposals	12		
Payments to purchase subsidiary undertakings		(2,827)	(1,981)
Net cash acquired with subsidiary undertakings		<u>59</u>	<u>17</u>
		(2,768)	(1,964)
Net cash inflow before financing		5,454	1,128
Financing			
Issue of ordinary share capital	20	12	108
New long-term loans		1,115	3,542
Repayments of finance lease creditors		(127)	(121)
Repayments of long-term loans		<u>(3,855)</u>	<u>(2,941)</u>
		(2,855)	588
Increase in cash and cash equivalents	15	2,599	1,716

Notes to the financial statements

for the year ended 31 March 2009

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to meet its liabilities as and when they fall due for the foreseeable future, having regard to the repayment terms of LTLNs and DDBs set out in more detail in note 18.

The financial statements of LGC Group Holdings Limited were approved for issue by the Board of Directors on 22 July 2009.

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 that fall within the Group's ordinary continuing activities, stated net of value added tax.

Turnover is recognised on the sale of goods when the risks and rewards of ownership are transferred to the buyer.

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 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.

Notes to the financial statements

for the year ended 31 March 2009

1. Accounting policies (continued)

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.

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 stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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 2009

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 assets and liabilities of the overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. The exchange differences arising on the retranslation of opening net assets are 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 2009

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 the 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 the 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 will reverse, 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 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 2009

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 obligations 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 2009

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 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.

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 2009

2. Segmental analysis

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

Geographical area

	Profit before tax £000	Turnover by origin £000	Turnover by destination £000	Net liabilities £000
2009				
UK	5,959	74,209	70,231	13,168
Europe	5,762	41,478	41,355	6,559
Asia	432	3,938	5,870	1,836
Rest of the world	-	-	2,169	-
Total	12,153	119,625	119,625	21,563
Goodwill	(2,573)	-	-	47,578
Bank and other financing	(9,105)	-	-	(90,152)
Total	475	119,625	119,625	(21,011)

	Loss before tax £000	Turnover by origin £000	Turnover by destination £000	Net liabilities £000
2008				
UK	6,052	68,995	64,946	15,889
Europe	3,991	28,921	31,422	5,038
Asia	577	3,539	3,654	1,454
Rest of the world	-	-	1,433	-
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, turnover and net assets in the joint venture in the year to 31 March 2009 and the year to 31 March 2008 originated in Asia.

The joint venture turnover by destination in the year to 31 March 2009 and the year to 31 March 2008 is entirely in Asia.

Notes to the financial statements

for the year ended 31 March 2009

3. Group operating profit

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

	Continuing operations		Total 2009 £000
	Ongoing £000	Acquisitions £000	
Group turnover	115,269	418	115,687
Raw materials and consumables	(28,984)	(8)	(28,992)
Staff costs	(44,676)	(130)	(44,806)
Depreciation and amortisation	(6,260)	(14)	(6,274)
Other external charges	(22,371)	(98)	(22,469)
Accelerated depreciation	(1,012)	-	(1,012)
Business reshaping costs	(2,959)	-	(2,959)
	<u>9,007</u>	<u>168</u>	<u>9,175</u>

The operating profit is stated after (charging)/crediting:

	Notes	2009 £000	2008 £000
Auditors' remuneration			
- audit services		(120)	(170)
- other services		(182)	(128)
Amortisation of deferred development expenditure	10	(8)	(33)
Depreciation of owned assets	11	(3,677)	(3,686)
Depreciation of leased assets	11	(16)	(44)
Amortisation of goodwill	10	(2,573)	(2,537)
Operating lease rentals			
- land and buildings		(2,595)	(1,986)
- plant and machinery		(277)	(236)
Business reshaping costs	5	(2,959)	-
Accelerated depreciation	5	(1,012)	-
Pensions curtailment gain	27	-	3,059
		<u>-</u>	<u>3,059</u>

Notes to the financial statements

for the year ended 31 March 2009

4. Employee information

	2009	2008
(a) Staff costs	£000	£000
Wages and salaries	38,144	33,278
Social security costs	4,450	3,436
Other pension costs	2,212	3,122
	<u>44,806</u>	<u>39,836</u>

	2009	2008
(b) Average monthly number of employees	No.	No.
Scientific	861	793
Administration and management	337	327
	<u>1,198</u>	<u>1,120</u>

(c) Directors' emoluments:

	Basic salary (1) £000	Bonus £000	Emoluments excluding pension contributions £000	Defined contribution pension contributions £000	2009 Total £000	2008 Total £000
Executive						
Dr Richard Worswick (2)	-	-	-	-	-	315
David Richardson	270	177	447	27	474	131
Geoff Battersby	173	50	223	17	240	240
Dr Angela Gallop	144	47	191	10	201	199
Non-Executive						
Stuart Wallis	50	-	50	-	50	50
Uwe de Buhr	30	-	30	-	30	28
Michael O'Donnell (3)	18	-	18	-	18	17
Lord John Stevens	30	-	30	-	30	27
Euan O'Sullivan (3)	19	-	19	-	19	6
Tim James (3)	-	-	-	-	-	11
	<u>734</u>	<u>274</u>	<u>1,008</u>	<u>54</u>	<u>1,062</u>	<u>1,024</u>

Notes:

(1) Including car allowances and benefits in kind

(2) Director who was a pensioner member of the defined benefit pension scheme

(3) Includes fee payable to LGV Capital Limited in relation to these Directors' services

Notes to the financial statements

for the year ended 31 March 2009

4. Employee information (continued)

Highest paid director

	2009	2008
	£000	£000
Aggregate emoluments	474	315
Defined benefit scheme:		
Accrued pension at the end of the year	N/A	N/A
Accrued lump sum at the end of the year	N/A	N/A

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.

As part of a programme of reshaping its operations, the Group incurred the following costs in the year:

	2009
	£000
Costs associated with the implementation of Group ERP systems	1,946
Property exit costs and other restructuring costs	1,013
Accelerated depreciation on related tangible fixed assets	1,012
	3,971

6. Interest receivable

	2009	2008
	£000	£000
Bank interest receivable	282	351
Other interest receivable	24	13
	306	364

7. Interest payable and similar charges

		2009	2008
	Notes	£000	£000
Bank loans and overdrafts		3,158	3,354
Finance leases		14	6
Guaranteed Unsecured Loan Notes (GULS)		11	63
Long-Term Loan Notes (LTLNs)		1,544	1,408
Deep Discount Bonds (DDBs)		3,816	3,478
Amortisation of debt issue costs		344	344
Other finance charges	27	524	93
		9,411	8,746

Notes to the financial statements

for the year ended 31 March 2009

8. Taxation

(a) Analysis of charge in year:

		2009	2008
	Notes	£000	£000
Current tax			
UK corporation tax on the profit for the year		(194)	(508)
Foreign tax		1,672	985
Total current tax	8(b)	<u>1,478</u>	<u>477</u>

		2009	2008
		£000	£000
Deferred tax			
Deferred tax on pension liability	27	474	1,226
Total deferred tax		<u>474</u>	<u>1,226</u>
Total tax charge for year		<u>1,952</u>	<u>1,703</u>

(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% (2008 - 28%). The differences are explained below.

		2009	2008
	Notes	£000	£000
Profit/(loss) on ordinary activities before taxation		<u>475</u>	<u>(299)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 - 28%)		133	(84)
Effects of:			
Expenses not deductible for tax purposes		646	794
Interest charged but not paid		1,501	1,368
Research and development tax credit		(189)	(140)
Depreciation in excess of capital allowances		368	799
Other timing differences		(559)	(1,128)
Utilisation of losses		(430)	(529)
Higher tax rates on overseas earnings		369	140
Tax losses carried forward		-	32
Adjustments in respect of prior years		(194)	(575)
Taxation of joint venture		(167)	(200)
Current tax for the year	8(a)	<u>1,478</u>	<u>477</u>

(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 2009

8. Taxation (continued)

(d) Deferred tax

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

	Notes	2009 £000	2008 £000
Deferred tax asset related to pension liability	27	<u>3,202</u>	<u>3,847</u>
		<u>3,202</u>	<u>3,847</u>

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

	Notes	£000
At 31 March 2008		<u>3,847</u>
Included in the profit and loss account	8(a)	(474)
Included in the statement of total recognised gains and losses	27	<u>(171)</u>
At 31 March 2009		<u>3,202</u>

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 2009 of approximately £5.5m. The related deferred tax asset of £1.5m has not been recognised as the recognition criteria of FRS19 have not been met.

Since 31 March 2007, interest costs associated with the DDBs and LTLNs (see note 18) are deductible for tax purposes only when such interest is paid. The cumulative amount not deducted at 31 March 2009 is £10.3m (2008 - £4.9m). The related deferred tax asset of £2.9m (2008 - £1.4m) has not been recognised as the recognition criteria of FRS19 have not been met.

Group companies have capital allowances in excess of depreciation of approximately £5.0m (2008 - £4.0m). The related deferred tax asset of £1.4m (2008 - £1.1m) has not been recognised as the recognition criteria of FRS19 have not been met.

Notes to the financial statements

for the year ended 31 March 2009

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 £153,000 (2008 - £106,000).

10. Intangible fixed assets

Group	Sterling denominated £000	Euro- denominated £000	Total Goodwill £000	Development expenditure £000	Total £000
Cost:					
At 1 April 2008	44,044	23,236	67,280	402	67,682
Deferred consideration adjustment	-	(144)	(144)	-	(144)
Additions (see note 12)	2,318	-	2,318	-	2,318
Write-off	-	-	-	(402)	(402)
Foreign exchange translation	-	3,523	3,523	-	3,523
At 31 March 2009	46,362	26,615	72,977	-	72,977
Amortisation:					
At 1 April 2008	18,585	3,502	22,087	394	22,481
Charge for the year	1,511	1,062	2,573	8	2,581
Write-off	-	-	-	(402)	(402)
Foreign exchange translation	-	739	739	-	739
At 31 March 2009	20,096	5,303	25,399	-	25,399
Net book value:					
At 31 March 2009	26,266	21,312	47,578	-	47,578
At 1 April 2008	25,459	19,734	45,193	8	45,201

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.

The deferred consideration adjustment arose due to the earnout agreement of Breitländer Eichproben und Labormaterial GmbH not being achieved in the current year.

Company

The Company has no intangible fixed assets.

Notes to the financial statements

for the year ended 31 March 2009

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 2008	17,800	1,149	6,102	21,695	6,313	154	53,213
Acquisitions	-	-	11	-	110	10	131
Additions	152	72	670	2,527	1,485	14	4,920
Foreign exchange translation	44	76	-	711	70	-	901
Disposals	-	-	-	(329)	-	(14)	(343)
At 31 March 2009	17,996	1,297	6,783	24,604	7,978	164	58,822
Depreciation:							
At 1 April 2008	2,230	788	4,087	15,820	4,595	73	27,593
Acquisitions	-	-	-	-	13	-	13
Charge for the year	317	74	512	2,139	629	22	3,693
Accelerated depreciation	29	18	280	458	227	-	1,012
Foreign exchange translation	20	42	-	443	33	3	541
Disposals	-	-	-	(304)	-	(12)	(316)
At 31 March 2009	2,596	922	4,879	18,556	5,497	86	32,536
Net book value:							
At 31 March 2009	15,400	375	1,904	6,048	2,481	78	26,286
At 1 April 2008	15,570	361	2,015	5,875	1,718	81	25,620

The element of land included in freehold land and buildings at 31 March 2009 is £6,788,000 (2008 - £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		Vehicles		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost	-	43	73	457	15	131	10	-	98	631
Depreciation	-	41	37	332	1	131	-	-	38	504
Net book value	-	2	36	125	14	-	10	-	60	127

Company

The Company has no tangible fixed assets.

Notes to the financial statements

for the year ended 31 March 2009

12. Fixed asset investments

Group fixed asset investments comprise:

	2009	2008
	£000	£000
Joint venture	1,836	1,454
	1,836	1,454

The movement in relation to joint venture is as follows:	£000
At 1 April 2008	1,454
Share of profit of joint venture	432
Tax on joint venture	(167)
Foreign exchange translation	117
At 31 March 2009	1,836

There are no balances due to or due from the Group to the joint venture.

Notes to the financial statements

for the year ended 31 March 2009

12. Fixed asset investments (continued)

As at 31 March 2009, 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
Focus Forensic Telecommunications Limited	England and Wales	Ordinary	100	Analysis of GPS signalling of mobile phones
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 2009

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	Nature of business and shares held
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 2009

12. Fixed asset investments (continued)

Acquisition

In February 2009, the Group entered into an agreement to acquire the entire issued share capital of Focus Forensic Telecommunications Limited ("Focus") based in Worcestershire, United Kingdom with effect from 11 February 2009.

The consideration for the acquisition of Focus comprised:

	£000
Cash	900
Deferred consideration	180
Direct costs of acquisition	127
	1,207

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

	Book value and fair value to the Group £000
Tangible fixed assets	23
Debtors	206
Cash	59
Total assets	288
Creditors due within one year	(85)
Net assets acquired	203
Total consideration (see above)	1,207
Goodwill arising on acquisition (note 10)	1,004

Acquisition

In February 2009, the Group entered into an agreement to acquire the business and net assets of Kalagate Limited based in St Neots, United Kingdom with effect from 9 February 2009.

The consideration for the acquisition of Kalagate comprised:

	£000
Cash	1,000
Deferred consideration	400
Direct costs of acquisition	97
	1,497

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

	Book value and fair value to the Group £000
Tangible fixed assets	95
Debtors	250
Total assets	345
Creditors due within one year	(162)
Net assets acquired	183
Total consideration (see above)	1,497
Goodwill arising on acquisition (note 10)	1,314

Notes to the financial statements

for the year ended 31 March 2009

13. Stocks

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Raw materials and consumables	785	487	-	-
Goods purchased for resale	2,633	2,099	-	-
Finished goods	1,327	992	-	-
	<u>4,745</u>	<u>3,578</u>	<u>-</u>	<u>-</u>

The replacement cost of stock is estimated to exceed its book value by approximately £13.7m (2008 - £8.4m).

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 2009 was £1.0m (2008 - £0.7m).

14. Debtors

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade debtors	16,730	15,412	-	-
Amounts recoverable from long-term contracts	2,119	4,430	-	-
Amounts owed by Group undertakings	-	-	3,006	2,874
Other debtors	525	589	-	1
Prepayments and accrued income	2,138	1,055	-	-
	<u>21,512</u>	<u>21,486</u>	<u>3,006</u>	<u>2,875</u>

15. Cash

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Cash at bank and in hand at 1 April	6,241	4,626	-	1
Net cash inflow/(outflow)	2,599	1,716	-	(1)
Effect of foreign exchange movements	141	(101)	-	-
Cash at bank and in hand at 31 March	<u>8,981</u>	<u>6,241</u>	<u>-</u>	<u>-</u>

The cash balance at 31 March 2009 includes £2,626,000 (2008 - £2,708,000) 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 2009

16. Employee Benefit Trust (EBT)

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:

	2009	2008
	£000	£000
Staff costs	(136)	(250)
Other external charges	12	(5)
Bank interest receivable	112	138
Interest receivable from Group undertakings	46	42
	<u>34</u>	<u>(75)</u>

Net assets:

	2009	2008
	£000	£000
Investments in Group undertakings (shares)	33	33
Long-Term Loan Notes (LTLNs)	318	318
Cash at bank	2,626	2,708
Amounts owed from Group undertakings	191	145
Accruals	(192)	(250)
Trade creditors	(3)	(15)
	<u>2,973</u>	<u>2,939</u>

Reserves:

	2009	2008
	£000	£000
Profit and loss reserves at 1 April	2,939	3,014
Net income/(loss) for the year	34	(75)
Profit and loss reserves at 31 March	<u>2,973</u>	<u>2,939</u>

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 21).

The Long-Term Loan Notes (LTLNs) 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 the EBT's 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 2009

17. Creditors: amounts falling due within one year

	Notes	Group		Company	
		2009 £000	2008 £000	2009 £000	2008 £000
Obligations under finance leases	19	31	69	-	-
Current instalments due on loans		4,455	3,024	-	-
Less deferred debt issue costs		(344)	(345)	-	-
Payments received on account		2,457	3,391	-	-
Amounts owed to Group undertakings		-	-	98	139
Trade creditors		4,823	4,009	-	-
Corporation tax		2,011	932	-	-
Other taxation and social security		3,307	2,540	-	-
Accruals and deferred income		11,191	8,640	17	10
Defined contribution scheme		85	40	-	-
Deferred government grant income		43	56	-	-
Deferred consideration on acquisitions		855	198	-	-
		<u>28,914</u>	<u>22,554</u>	<u>115</u>	<u>149</u>

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

	Notes	Group		Company	
		2009 £000	2008 £000	2009 £000	2008 £000
Bank loans		36,862	38,961	-	-
Obligations under finance leases	19	19	70	-	-
Guaranteed Unsecured Loan Notes (GULS)		-	527	-	-
Long-Term Loan Notes (LTLNs)		16,945	15,401	-	-
Deep Discounted Bonds (DDBs)		41,984	38,167	-	-
Less deferred debt issue costs		(819)	(1,162)	-	-
Deferred consideration on acquisitions		-	780	-	-
		<u>94,991</u>	<u>92,744</u>	<u>-</u>	<u>-</u>

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 2.7% above LIBOR.

Bank facilities at 31 March 2009 comprise:

	Euro- denominated €000	Sterling denominated £000	Total £000
Bank loans drawn down	12,832	29,560	41,317
Working capital facilities (not drawn down at 31 March 2009)	-	3,000	3,000
Undrawn committed facilities available to finance deferred consideration and capital expenditure	-	3,231	3,231
	<u>12,832</u>	<u>35,791</u>	<u>47,548</u>

Notes to the financial statements

for the year ended 31 March 2009

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

The GULS were issued by LGC Investments Limited and are repayable at the option of the GULS holders at six monthly intervals through to December 2008 and have now been repaid in full. They were guaranteed by the banks under the facility described above. Upon repayment, an equivalent amount of bank loans was available under the facility. The GULS bore interest at LIBOR minus 0.5%. A guarantee fee was 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 (2008 - £11,151,162) and bear interest at 10%, which is rolled up annually.

The DDBs have a nominal value of £61.9m (2008 - £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 £1,163,000 (2008 - £1,507,000) 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 £344,000 (2008 - £345,000).

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

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Repayable by instalments				
- within one year	4,455	3,024	-	-
- between one and two years	3,387	2,527	-	-
- between two and five years	92,404	36,951	-	-
- over five years	-	53,578	-	-
Less: issue costs	(1,163)	(1,507)	-	-
	<u>99,083</u>	<u>94,573</u>	<u>-</u>	<u>-</u>

19. Obligations under finance leases

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

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
- within one year	31	69	-	-
- between one and two years	19	70	-	-
	<u>50</u>	<u>139</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2009

20. Share capital

	Authorised			
	2009 No.	2008 No.	2009 £000	2008 £000
Ordinary shares of £0.50 each	<u>1,289,861</u>	<u>1,289,861</u>	<u>645</u>	<u>645</u>

	Allotted, called up and fully paid			
	2009 No.	2008 No.	2009 £000	2008 £000
Ordinary shares of £0.50 each	<u>1,217,537</u>	<u>1,205,478</u>	<u>609</u>	<u>603</u>

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

Date	Nominal value	Price per share	Cash consideration £000	Number of shares
21 November 2008	£0.50	£1.00	7	6,591
11 March 2009	£0.50	£1.00	-	4
23 March 2009	£0.50	£1.00	5	5,464

Notes to the financial statements

for the year ended 31 March 2009

21. Reconciliation of shareholders' funds and movements on reserves

Group	Share capital £000	Own shares £000	Share premium account £000	Profit and loss account £000	Total £000
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 1 April 2008	603	(33)	676	(22,855)	(21,609)
Retained loss for the year	-	-	-	(1,644)	(1,644)
Exchange difference on retranslation of net assets of subsidiary undertakings	-	-	-	1,790	1,790
Actuarial gains for the year (net of deferred tax)	-	-	-	440	440
Issue of shares	6	-	6	-	12
At 31 March 2009	609	(33)	682	(22,269)	(21,011)

Company

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2007	549	622	1,341	2,512
Profit for the year	-	-	106	106
Issue of shares	54	54	-	108
At 1 April 2008	603	676	1,447	2,726
Profit for the year	-	-	153	153
Issue of shares	6	6	-	12
At 31 March 2009	609	682	1,600	2,891

Notes to the financial statements

for the year ended 31 March 2009

22. Financial commitments

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

	Land and buildings		Other	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating leases which expire:				
- within one year	157	50	19	11
- in two to five years	1,441	1,263	24	45
- in over five years	997	684	-	2
	<u>2,595</u>	<u>1,997</u>	<u>43</u>	<u>58</u>

23. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash flow from operating activities:

	2009 £000	2008 £000
Group operating profit	9,175	7,512
Depreciation of tangible fixed assets	4,705	3,730
Amortisation of development expenditure	8	33
Amortisation of goodwill	2,573	2,537
Deferred consideration adjustment	144	-
Pensions curtailment gain	-	(3,059)
Increase in stock	(839)	(730)
Decrease/(increase) in debtors	1,152	(1,343)
Increase/(decrease) in creditors	86	(218)
(Decrease)/increase in accruals, provisions and deferred income	(256)	965
Net cash inflow from operating activities	<u>16,748</u>	<u>9,427</u>

(b) Analysis of net debt

	At 1 April 2008 £000	Cash flow £000	Exchange differences £000	Other non-cash movements £000	At 31 March 2009 £000
Cash at bank and in hand	6,241	2,599	141	-	8,981
Bank loans	(41,985)	2,234	(1,566)	-	(41,317)
GULS	(527)	527	-	-	-
LTLNs	(15,401)	-	-	(1,544)	(16,945)
DDBs	(38,167)	-	-	(3,817)	(41,984)
Issue costs	1,507	-	-	(344)	1,163
	<u>(88,332)</u>	<u>5,360</u>	<u>(1,425)</u>	<u>(5,705)</u>	<u>(90,102)</u>

Notes to the financial statements

for the year ended 31 March 2009

24. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £649,000 for the Group and £nil for the Company (2008 - £368,000 and £nil respectively), and authorised but not yet contracted of £1,508,000 for the Group and £nil for the Company (2008 - £2,308,000 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

	2009	2008
	£000	£000
Interest rate swaps	(99)	54
Forward foreign currency contracts	42	90

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 59.63% (2008 - 60.22%) of the ordinary share capital of the Company at 31 March 2009. In addition, LGV holds the entire issued amount of DDBs (note 18).

During the year, LGV charged the Company £31,215 (2008 - £33,647) in respect of services as Directors of Michael O'Donnell and Euan O'Sullivan.

At the year end there were creditors of £4,731 (2008 - £8,750) outstanding in relation to these expenses.

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

	2009	2008
	£000	£000
Directors	2,488	2,261
Other shareholders	12,907	11,881
Non-shareholders	1,550	1,259
	16,945	15,401

During the year, services amounting to £213,000 (2008 - £53,000) have been purchased on arm's length terms from Forensic Access Limited, a company, the minority shares in which are held in a discretionary trust for the son of Dr Angela Gallop. Dr Gallop has no involvement with the management of Forensic Access Limited and is not a trustee of the discretionary trust.

Notes to the financial statements

for the year ended 31 March 2009

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, 31 March 2008 and 31 March 2009 have been based on actuarial calculations in June 2005, May 2006, April 2007, June 2008 and May 2009 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 October 2008, and reflected the scheme assets and liabilities as at 1 August 2007.

Main assumptions:

	2009	2008	2007	2006	2005
	%	%	%	%	%
Rate of salary increase	3.2	3.4	4.1	3.9	3.8
Rate of increase in pensions in payment	3.2	3.4	3.1	2.9	2.8
Discount rate	6.9	6.1	5.6	5.2	5.7
Inflation assumption	3.2	3.4	3.1	2.9	2.8

	2009		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	UK long -term rate of return expected %	Value £000
Equities	7.0	15,383	7.5	21,214	7.8	24,724	7.4	23,349	7.7	17,398
Bonds	5.6	7,372	5.4	6,764	5.1	3,267	4.7	1,378	4.8	1,016
Other	4.4	2,951	5.3	2,679	5.1	3,400	4.7	2,964	4.8	1,666
Total market value of assets		25,706		30,657		31,391		27,691		20,080
Present value of scheme liabilities		(36,952)		(44,395)		(42,667)		(40,128)		31,210
Pension liability before deferred tax		(11,246)		(13,738)		(11,276)		(12,437)		(11,130)
Related deferred tax asset		3,202		3,847		3,383		3,731		3,339
		(8,044)		(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 (charged)/credited to operating profit were:	2009	2008
	£000	£000
Regular current service cost and operating charges	(1,027)	(1,880)
Exceptional settlement gain	-	3,059
	(1,027)	1,179
The amounts charged to other finance expenses were:	2009	2008
	£000	£000
Expected return on pension scheme assets	2,184	2,296
Interest on pension scheme liabilities	(2,708)	(2,389)
Total other finance charges	(524)	(93)

Notes to the financial statements

for the year ended 31 March 2009

27. Pensions and other post retirement benefits (continued)

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

	2009	2008
	£000	£000
Actual return less expected return on pension scheme assets	(9,747)	(4,340)
Experience (losses)/gains arising on scheme liabilities	(33)	234
Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities	10,391	(1,693)
	611	(5,799)
(Decrease)/increase in deferred tax asset	(171)	1,624
	440	(4,175)

Analysis of movements in deficit during the year:

	2009	2008
	£000	£000
At 1 April	(13,738)	(11,276)
Regular operating charges	(1,027)	(1,880)
Exceptional curtailment gain	-	3,059
Total other finance charges	(524)	(93)
Actuarial gain/(loss)	611	(5,799)
Contributions	3,432	2,251
At 31 March	(11,246)	(13,738)

The contributions and regular operating charges include £428,000 (2008 - £426,000) relating to employees' contributions.

The exceptional curtailment gain in the prior year reflected 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:

	2009	2008
	£000	£000
At 1 April	3,847	3,383
Debited to the profit and loss account in the year	(474)	(1,160)
(Debited)/credited to the statement of total recognised gains and losses	(171)	1,624
At 31 March	3,202	3,847

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:

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Difference between expected return and actual return on pension scheme assets					
- amount	(9,747)	(4,340)	(108)	3,950	333
- % of scheme assets	(38%)	(14%)	-	14%	2%
Experience (losses)/gains arising on scheme liabilities					
- amount	(33)	234	(411)	(313)	(107)
- % of present value of scheme liabilities	-	(1%)	1%	1%	-
Change in assumptions					
- amount	10,584	(1,693)	1,503	(5,073)	(730)
- % of present value of scheme liabilities	(29%)	4%	(2%)	13%	3%

(b) Defined contribution scheme

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

The contributions made to the plan in the year were £871,000 (2008 - £704,000). At the end of the year contributions of £85,000 (2008 - £40,000) were outstanding.

Contributions of £1,052,800 (2008 - £871,000) are expected to be made to the plan in the next financial year.

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 employer's National Insurance on any payments made. At 31 March 2009, 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 2008 and 31 March 2009 was £nil.

The following table illustrates the number of, and movements in, Phantom shares during the year:

	£000
Phantom shares in issue at 1 April 2008	1,950
Issued during the year	200
Relinquished during the year	(150)
Phantom shares in issue at 31 March 2009	2,000

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.



1700.00
 20.00
 30.00

741,07
 444,38

33,568
 26,851

20 310
 20 370

20 310
 20 370

175

Ask	Bid	Ask	Bid	As
			0.86	0.8



safety • service • analysis • research • measurement

expertise • quality



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