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Company details

Registered No: 04812200

Directors

Ian Kent (Chairman)
Dr Richard Worswick (Deputy Chairman)
Dr Nigel Law (Chief Executive)
Geoff Battersby (Group Finance Director)
Dr Angela Gallop (Director, Forensic Services)
Uwe de Buhr (Non-Executive)
Joanne Parfrey (Non-Executive)
Brian Phillips (Non-Executive)
Lord Stevens (Non-Executive)

Secretary

Maxine Chow

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

HSBC Plc
54 Clarence Street
Kingston-upon-Thames
Surrey
KT1 0NJ

Registered Office

Queens Road
Teddington
Middlesex
TW11 0LY

Report of the directors

The Directors present this report together with the audited financial statements for the year ended 31 March 2006.

Results and dividends

The profit and loss account is set out on page 15 and shows the loss for the year of £172,000 after taxation (2005 - loss of £1,472,000). No interim dividend has been paid and no final dividend is proposed.

Principal activities, trading review and future developments

LGC is a leading provider of chemical and biochemical analysis, research, validation and consultancy services to clients in the public and private sectors. It serves a diverse range of markets which include food and agriculture, environmental and water services, healthcare, chemicals, pharmaceuticals, regulation and law enforcement.

LGC is also a leading producer and distributor of certified reference materials and the lead contractor for government programmes to promote best practice and innovation in chemical analysis to enhance UK competitiveness. Internationally, LGC is a key player in developing networks to harmonise standards and protocols in chemical and biochemical analysis to promote a common basis for international trade.

Business review

The year ended 31 March 2006 was a further year of growth for the LGC Group.

Group sales increased from £59.7m last year (which represented approximately 11 months' trading of the LGC business acquired in April 2004) to £85.9m. Acquisitions (covered in more detail below) contributed £15.3m to the growth in sales. Excluding the effect of acquisitions, and allowing for the shorter period in the prior year, underlying sales growth was approximately 9%.

Group EBITDA (earnings before interest, taxation, depreciation and amortisation) amounted to £13.6m compared to £10.6m in 2005. This is stated after bearing operating costs associated with acquisitions of £0.3m (2005 - £0.9m).

On 9 August 2005, the Group entered a joint venture arrangement by acquiring 50% of the share capital of Quality Management Holdings Limited and its subsidiary companies, Quality Management Limited and Aquacheck Limited.

On 10 August 2005, the Group acquired the entire share capital of Mountboost Limited (renamed LGC Forensics Limited on 22 March 2006) and its subsidiary Forensic Alliance Limited.

On 22 December 2005 the Group acquired the entire share capital of AGOWA Gesellschaft für molekularbiologische Technologie mbH through its German subsidiary holding company, LGC Beteiligungs GmbH.

The total consideration (including costs, deferred consideration and debt taken on) relating to the acquisitions described above amounts to an estimated £26.5m. Of this, approximately £4.4m had not been paid at 31 March 2006, £2.3m was satisfied by the issue of Loan Notes, and £16.5m was financed by new bank borrowings. The balance of £3.3m was satisfied from the Group's cash flow.

At 31 March 2006, the Group had bank borrowings (including bank guaranteed loan notes) of £42.3m. These bear interest at market rates and have scheduled repayments in the year to 31 March 2007 of £2.1m. In addition, shareholder debt instruments totalled £44.3m. There are no payments of interest or principal due on these shareholder debt instruments before 2013, except in the event of a change of control of the Group.

Report of the directors

Employees

The Group is committed to creating an employment environment which 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 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 and ethnic origin. This policy is designed to ensure that recruitment and advancement are carried out on the basis of merit.

Disabled persons

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:

Ian Kent	Chairman, Non-Executive
Dr Richard Worswick	Deputy Chairman
Geoff Battersby	Group Finance Director
Dr Angela Gallop (appointed 10 August 2005)	Director, Forensic Services
Dr Nigel Law	Chief Executive
Dr John Mason (resigned 30 April 2006)	Director, Corporate Development
Uwe de Buhr	Non-Executive
Joanne Parfrey	Non-Executive
Brian Phillips	Non-Executive
Lord Stevens	Non-Executive

The Directors' interests in shares and debentures of the Group are shown in the report of the Remuneration Committee on page 11.

Key Person Insurance is maintained in respect of Geoff Battersby, Angela Gallop and Nigel Law.

Future development and post balance sheet events

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

On 13 April 2006, the Group entered into an agreement to acquire the business of the Institut für Blutgruppenforschung. Further details are set out in note 30 to the accounts.

On 16 June 2006, the Group exercised its option to acquire the remaining voting shares of Quality Management Holdings Limited not already owned by the Group. Further details are set out in note 30 to the accounts.

Report of the directors

Research and development activities

LGC Limited is Europe's leading independent provider of analytical and diagnostic services and reference standards.

In the year ended 31 March 2006, research and development was undertaken by the Life Sciences division of the company and focused on its HyBeacons® DNA probe technology, which addresses the rapid detection of genetic variation. Its practical applications include the diagnosis of human disease and human and animal genetic profiling.

Quality, health and safety, and environmental performance

LGC 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. LGC was awarded the RoSPA President's Award for an outstanding performance in Occupational Health and Safety, the fifth year that the President's Award has been bestowed on LGC following awards of five gold medals in previous years. LGC 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 2006, the Group had an average of 45 days' purchases outstanding in trade creditors.

Political and charitable contributions

During the year, the Group made various charitable contributions totalling £8,000 (2005 - £7,000). The Group made no political donations in the year (2005 - nil).

Financial instruments

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, foreign exchange risk and interest rate 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 exposure to equity securities price risk as it holds no listed or other equity investments.

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 counterparty.

Report of the directors

Financial instruments (continued)

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 2006 approximately 70% of the Group's bank debt was fixed (2005 - 70%).

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

Foreign exchange risk

The Group is also exposed to cash flow risk as a result of 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.

Prior year adjustment

As explained in note 1, the Group has adopted FRS 17 'Post retirement benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

Statement of disclosure of information to auditors

At the time when the report is approved under section 234A of the Companies Act the following applies:

- (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Ernst & Young LLP were reappointed auditors at the Annual General Meeting on 29 September 2005 and have expressed their willingness to continue in office.

Annual General Meeting

The Annual General Meeting of LGC Group Holdings plc will be held on 26 September 2006.

By order of the Board

Maxine Chow

Company Secretary
19 July 2006

Report on corporate governance

Recognising that the Group has a responsibility towards the public sector and industry as well as its staff and all shareholders, the Directors believe that the Group should aim to achieve high standards of corporate governance.

The Group's operations described below are those in place as at 31 March 2006.

The workings of the Board and its committees

The Board

The activities of the Group are ultimately controlled by the Board which during the year comprised five Non-Executive Directors and five Executive Directors. The Board has overall responsibility for the Group whilst each Executive Director has been given responsibility for specific aspects of the Group's affairs. The Board, which meets every month with additional meetings being called if and when required, is responsible to shareholders for the proper management of the Group. It also has a clearly defined set of responsibilities which cover overall control of all financial, strategic and budgetary matters.

The Board has established the following committees to deal with specific aspects of the Group's affairs, each of which operate within clear terms of reference. The minutes of the Audit, Remuneration and Nominations and Corporate Governance Committees are circulated to all Non-Executive Directors.

Executive Committee

The Executive Committee, which during the year was chaired by the Chief Executive, comprises the Executive Directors, the Director, Business Development, the Director, Analytical Technology (who is also the Government Chemist), the Director of Human Resources and the Director, Commercial Development. It deals with operational matters and has specific powers delegated to it by the Board.

Audit Committee

The Audit Committee, which during the year was chaired by Joanne Parfrey, comprises all the Non-Executive Directors and meets not less than twice a year. The Committee provides a forum for reporting by the Group's external auditors. The Chief Executive attends meetings by invitation and the Group Finance Director is secretary to it.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual financial statements and accompanying reports before their submission to the Board. The Audit Committee also advises the Board on the appointment of external auditors and on their remuneration, both for audit and non-audit work.

The Audit Committee meets with the external auditors, in the absence of management, and reports regularly to the Board.

Remuneration Committee

The Remuneration Committee, which during the year was chaired by Brian Phillips, comprises all the Non-Executive Directors and the Deputy Chairman and has the responsibilities which are set out on page 9. The Chief Executive also attends meetings as an observer.

Report on corporate governance

Nominations and Corporate Governance Committee

The Nominations and Corporate Governance Committee, which during the year was chaired by Ian Kent, comprises all the Non-Executive Directors. The Nominations and Corporate Governance Committee is responsible for putting forward for approval candidates for appointment to the Board, having regard for the structure and balance of the Board and the principal shareholder's special interests as outlined in the Articles of Association.

Internal financial control

The Audit Committee is responsible for overseeing internal financial control within the Group. Reviews of the Group's procedures and processes for financial and operational control are carried out as part of a rolling programme agreed by the Audit Committee. In addition, the Group's external auditors report to the Audit Committee on any matters that have come to their attention during the course of their work.

Identification of business risks

The identification of material operational risk is carried out throughout the Group and is overseen by the members of the Executive Committee. The significant risks that are identified, the way in which they are being managed and any changes to the risk profiles over time are presented to the Board for review. Strategic and operational decisions are made in the context of the Group's operational risk profile.

Budgetary process

Detailed budgets covering all financial aspects of the Group's business are prepared annually and approved by the Board. Performance is monitored at monthly Board meetings where there is a comparison of actual results against budget and updated forecasts.

Investment appraisal

The Group operates formal appraisal and approval systems whereby all significant capital investment and revenue spending proposals are required to meet appropriate operational and financial criteria.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. The accounts are therefore prepared on a going concern basis.

Report of the Remuneration Committee

Information not subject to audit

Remuneration policy

The objectives of the Group's remuneration policy are to:

- set remuneration which comprises salaries, benefits, pensions, performance related bonuses and other benefits in accordance with market conditions in order to attract, motivate and retain high quality executives capable of achieving the Group's aims and targets, whilst keeping salary levels within the means of the Group;
- align the interests of shareholders and executives.

Remuneration Committee

The Remuneration Committee meets as and when necessary. It is responsible to shareholders for determining the remuneration, contract terms, performance related bonuses and other benefits of the Executive Directors and is responsible to the Board for reviewing the benefits for senior managers.

The Remuneration Committee does not consider the fees payable to Non-Executive Directors, which are determined by the Executive Directors or by agreements with investors.

Benefits

Executive Directors' benefits may include salary, pension and related benefits, performance related bonus, use of a company car or provision of a car allowance. The level of benefits is determined by the Remuneration Committee with reference to prevailing market rates, experience and responsibilities.

Salaries

Salaries are reviewed annually or when a change in responsibilities occurs.

Pensions

Three Executive Directors are members of the LGC defined benefit pension scheme. Two are members of defined contribution schemes.

Performance related bonus

The maximum bonus for each Executive Director and senior manager is determined at the beginning of each year by the Remuneration Committee. Part is related to the performance of the Group and the remainder is in respect of individual performance. The maximum possible bonus for any of the Executive Directors for the year 2005/06 was 50% of base salary.

Other benefits

The Remuneration Committee has decided that, for the time being, benefits shall only be through basic salary (including car or car allowance), performance related bonuses, pension and related benefits.

Service contracts

The Group's policy in relation to contracts for Executive Directors is to provide contract periods terminable on notice of one year. Non-Executive Directors are appointed on an annual basis and receive fees.

Report of the Remuneration Committee

Information subject to audit

Directors' remuneration

	Basic salary (1)	Bonus	Ex-gratia	2006 Emoluments excluding pension contributions	2006 Defined contribution pension contributions	2006 Total	2005 Total
	£000	£000	£000	£000	£000	£000	£000
Executive							
Dr Richard Worswick (2)	87	31	-	118	-	118	215
Geoff Battersby	124	39	-	163	11	174	81
Dr Nigel Law (2)	148	53	-	201	-	201	149
Dr John Mason (2)	118	-	50	168	-	168	122
Dr Angela Gallop	94	32	-	126	6	132	-
Non Executive							
Ian Kent	35	-	-	35	-	35	28
Uwe de Buhr	25	-	-	25	-	25	8
Joanne Parfrey (3)	15	-	-	15	-	15	14
Brian Phillips (3)	15	-	-	15	-	15	14
Lord Stevens	26	-	-	26	-	26	-
	687	155	50	892	17	909	631

Notes:

- (1) Including car allowances and benefits in kind
- (2) Directors who were members of the defined benefit pension scheme
- (3) Fee payable to Legal & General in relation to these directors' services

Highest paid director **2006**
£000

Defined benefit scheme

Accrued pension at the end of the year	4
Accrued lump sum at the end of the year	13

Report of the Remuneration Committee

Directors' interests

	31 March 2006			31 March 2005 (or date of appointment)		
	Number of shares	Number of LTLN (as defined in note 18)	Number of GULS (as defined in note 18)	Number of shares	Number of LTLN (as defined in note 18)	Number of GULS (as defined in note 18)
Executive						
Dr Richard Worswick	59,650	2,090,254	113,406	59,650	2,090,254	203,406
Geoff Battersby	32,500	262,813	-	32,500	-	-
Dr Nigel Law	45,000	1,045,136	81,923	35,000	1,045,136	211,923
Dr John Mason	35,000	1,045,136	60,91	35,000	1,045,136	915,911
Dr Angela Gallop (appointed 10 August 2005)	-	1,289,365	-	-	-	-
Non Executive						
Ian Kent	3,750	131,407	-	3,750	-	-
Uwe de Buhr	3,750	131,407	-	3,750	-	-
Joanne Parfrey	-	-	-	-	-	-
Brian Phillips	-	-	-	-	-	-
Lord Stevens	500	17,521	-	-	-	-

As described in note 27, Dr Angela Gallop has an entitlement of up to 34,542 shares of the Company and 1,785,396 guaranteed loan notes of the Group as deferred contingent consideration pursuant to the acquisition of Forensic Alliance Limited.

Brian Phillips and Jo Parfrey hold interests in the Company through their investments in entities that have invested in the Company.

The Directors received no share options in the year.

Statement of the Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the members of LGC Group Holdings plc

We have audited the Group and parent company financial statements (the "financial statements") of LGC Group Holdings plc for the year ended 31 March 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 30. 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 are responsible 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) as 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 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report on Corporate Governance, Report of the Remuneration Committee, Directors' Report and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 plc

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 2006 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; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
28 July 2006

Group profit and loss account

for the year ended 31 March 2006

		2006	2005
	Notes	£000	(Restated) £000
Turnover	2	86,982	59,728
Less: share of joint venture's turnover		(1,103)	-
Continuing operations:			
Ongoing		70,618	59,728
Acquisitions		15,261	-
Group turnover		85,879	59,728
Raw materials and consumables		(27,207)	(16,993)
Staff costs	5	(31,500)	(22,021)
Depreciation and amortisation		(5,994)	(4,849)
Other external charges		(13,783)	(10,104)
Continuing operations:			
Ongoing		6,136	5,761
Acquisitions		1,259	-
Operating profit	3	7,395	5,761
Share of operating profit in associate		-	25
Amortisation of goodwill on acquisition of associate		-	(4)
Share of operating profit of joint venture		262	-
Amortisation of goodwill on acquisition of joint venture		(26)	-
		7,631	5,782
Loss on disposal of tangible fixed assets		(51)	-
Loss on disposal of associate		-	(40)
Profit on ordinary activities before interest and tax		7,580	5,742
Interest receivable	6	310	328
Interest payable and similar charges	7	(7,040)	(6,047)
Profit on ordinary activities before taxation		850	23
Taxation	8	(703)	(1,351)
Taxation of joint venture		(35)	-
Profit/(loss) for the year		112	(1,328)
Minority interest	21	(284)	(144)
Retained loss for the year	23	(172)	(1,472)

Group statement of total recognised gains and losses

for the year ended 31 March 2006

	Notes	2006 £000	2005 (Restated) £000
Loss for the financial year excluding share of profits of joint venture or associate		(89)	(1,349)
Share of associate's profit and related goodwill amortisation for the year		-	21
Share of joint venture's profit and related goodwill amortisation and tax for the year	12	201	-
Profit/(loss) for the financial year		112	(1,328)
Actuarial loss on pension scheme	28	(1,436)	(504)
Movement on deferred tax relating to pension liability	28	431	151
Exchange difference on retranslation of net assets of subsidiary undertakings		206	7
Gain on disposal of business to joint venture	4	234	-
Total recognised gains and losses relating to the year		(453)	(1,674)
Prior year adjustment	1, 28	(693)	
Total gains and losses recognised since the last report		(1,146)	

Group Balance Sheet

at 31 March 2006

	Notes	2006 £000	2005 (Restated) £000
Fixed assets			
Intangible assets	10	56,098	37,166
Tangible assets	11	26,151	23,290
		<u>82,249</u>	<u>60,456</u>
Investment in joint ventures			
Share of gross assets	12	982	-
Share of gross liabilities	12	(617)	-
Goodwill arising on acquisition	12	1,936	-
		<u>2,301</u>	<u>-</u>
Current assets			
Stocks	13	2,315	1,371
Debtors	14	18,533	13,293
Cash at bank and in hand	15	6,555	6,405
		<u>27,403</u>	<u>21,069</u>
Creditors: amounts falling due within one year	17	<u>(17,341)</u>	<u>(12,364)</u>
Net current assets		<u>10,062</u>	<u>8,705</u>
Total assets less current liabilities		<u>94,612</u>	<u>69,161</u>
Creditors: amounts falling due after more than one year	18	(86,588)	(61,422)
Provisions for liabilities and charges	20	(5)	(269)
Defined benefit pension liability	28	(8,706)	(7,791)
Minority interest	21	(738)	(423)
		<u>(1,425)</u>	<u>(744)</u>
Capital and reserves			
Called up share capital	22	547	537
Share premium account	23	594	537
Own shares	22	(11)	-
Profit and loss account	23	(2,555)	(1,818)
Shareholders' funds	23	<u>(1,425)</u>	<u>(744)</u>

Dr Nigel Law
Chief Executive
19 July 2006

Geoff Battersby
Group Finance Director
19 July 2006

Company Balance Sheet

at 31 March 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Investments	12	-	-
		-	-
Current assets			
Debtors	14	1,215	1,037
Cash at bank and in hand		1	-
		1,216	1,037
Creditors: amounts falling due within one year	17	(125)	(18)
		1,091	1,019
Net current assets		1,091	1,019
Total assets less current liabilities		1,091	1,019
Capital and reserves			
Called up share capital	22	547	537
Share premium account	23	594	537
Profit and loss account	23	(50)	(55)
Shareholders' funds - equity	23	1,091	1,019

Dr Nigel Law
Chief Executive
19 July 2006

Geoff Battersby
Group Finance Director
19 July 2006

Group cash flow statement

for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Net cash inflow from operating activities	25	13,025	8,581
Returns on investment and servicing of finance			
Interest received		310	328
Interest paid		(2,911)	(2,123)
		(2,601)	(1,795)
Taxation			
Corporation and overseas tax paid		(2,166)	(1,038)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	11	(4,278)	(2,238)
Acquisitions and disposals			
Payments to purchase subsidiary undertakings	12	(13,741)	(49,362)
Purchase of joint venture	12	(1,807)	43
Expenses of acquisition	12	(620)	(3,172)
Net cash acquired with subsidiary undertakings	12	(2,484)	4,946
		(18,652)	(47,545)
Net cash outflow before financing		(14,672)	(44,035)
Financing			
Issue of ordinary share capital		69	866
Issue costs on new long term loans		(507)	(2,246)
New long term loans		21,023	55,648
Repayments of finance lease creditor		(124)	-
Repayments of long term loans		(5,619)	(3,836)
		14,842	50,432
Increase in cash and cash equivalents	15	170	6,397

Notes to the financial statements

for the year ended 31 March 2006

1. Accounting policies

Accounting convention

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

Basis of consolidation

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

Changes in accounting policies

The Group has adopted FRS 17 'Post retirement benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of this change in accounting policy to the prior year's profit and loss account is to decrease staff costs by £47,000, increase goodwill amortisation by £72,000, increase interest payable and similar charges by £336,000, decrease deferred taxation charge by £21,000, decrease profit for the year by £340,000 and decrease the total recognised gains and losses by £353,000.

The effect on the balance sheet at 31 March 2005 is to increase goodwill by £1,502,000, increase accruals by £241,000, increase the deferred tax asset by £838,000 and increase the pension deficit by £2,792,000. There is no impact on the balance sheet at 1 April 2004.

These changes affect the results and net assets for the United Kingdom only.

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 on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks and work in progress below) 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. 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.

Notes to the financial statements

for the year ended 31 March 2006

1. Accounting policies (continued)

Interests in joint ventures

The Group has contractual arrangements with other parties which 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.

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group.

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 acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. Goodwill is denominated in the currency or currencies which reflect the expected future cash flows of the acquired entity. 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.

Acquisitions comprise business with established track records of profitable growth and development. Goodwill arising on acquisitions is being amortised over 20 years on a straight line basis, the period over which the Group expects to benefit from the businesses' reputation, contacts and skills.

If a subsidiary, associate or 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.

Notes to the financial statements

for the year ended 31 March 2006

1. Accounting policies (continued)

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.

Impairment of fixed assets

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

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	-	5 - 14 years
Building plant	-	12 years
Scientific equipment	-	3 - 15 years
Computers	-	2 - 7 years
Vehicles	-	5 years

Stock and work in progress

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 initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, except where hedge accounting is applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the financial statements

for the year ended 31 March 2006

1. Accounting policies (continued)

Foreign currency - Group

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets or 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 associates, 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.

Notes to the financial statements

for the year ended 31 March 2006

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 mid-market 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.

Financial instruments

The Company uses forward exchange contracts to manage the financial risks associated with the Company's underlying business activities and the financing of these activities. The Company's policy is to not undertake trading activity in financial instruments.

Notes to the financial statements

for the year ended 31 March 2006

1. Accounting policies (continued)

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.

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 also charged to the profit and loss account as incurred. Funds unappointed at the balance sheet date are included in the financial statements, although the Company's access to these funds is subject to the agreement of the Trustees of the EBT.

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 income statement on a straight line basis over the lease term.

Notes to the financial statements

for the year ended 31 March 2006

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 and minority interest	Turnover by origin	Turnover by destination	Net assets
2006	£000	£000	£000	£000
UK	5,328	64,615	60,714	25,692
Europe	4,251	18,499	21,004	4,132
Asia	834	3,868	4,321	1,476
America	-	-	522	-
Rest of the world	-	-	421	-
Total	10,413	86,982	86,982	31,300
Goodwill	(2,523)	-	-	56,007
Bank and other financing	(7,040)	-	-	(87,994)
Minority interests	-	-	-	(738)
Total	850	86,982	86,982	(1,425)

The Group's share of profit before tax and minority interest and turnover in the joint venture is originated in the United Kingdom.

The joint venture turnover by destination comprises 48% in the UK, 43% in Europe, 2% in the Americas, 3% in Asia and 4% in the rest of the world.

The Group's share of net assets in the joint venture is in the United Kingdom.

	Profit before tax and minority interest	Turnover by origin	Turnover by destination	Net assets
2005	(Restated) £000	£000	£000	(Restated) £000
UK	5,910	42,437	40,109	22,131
Europe	1,511	15,050	16,708	2,524
Asia	360	2,241	2,432	846
America	-	-	232	-
Rest of the world	-	-	247	-
Total	7,781	59,728	59,728	25,501
Goodwill	(1,711)	-	-	37,020
Bank and other financing	(6,047)	-	-	(62,842)
Minority interests	-	-	-	(423)
Total	23	59,728	59,728	(744)

Notes to the financial statements

for the year ended 31 March 2006

3. Operating profit

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

	Continuing operations £000	Acquisitions £000	Total 2006 £000
Turnover	70,618	15,261	85,879
Raw materials and consumables	(22,439)	(4,768)	(27,207)
Staff costs	(24,657)	(6,843)	(31,500)
Depreciation and amortisation	(5,537)	(457)	(5,994)
Other external charges	(11,849)	(1,934)	(13,783)
	<u>6,136</u>	<u>1,259</u>	<u>7,395</u>
This is stated after charging:	2006	2005 (Restated) (note 1) £000	
	<u>£000</u>	<u>£000</u>	
Auditors' remuneration - audit services	196	125	
- other services	129	143	
Amortisation of deferred development expenditure	55	108	
Depreciation of owned assets	3,297	2,963	
Depreciation of leased assets	119	-	
Amortisation of goodwill	2,523	1,778	
Operating lease rentals - land and buildings	1,438	858	
- plant and machinery	392	248	
Government grant income	38	37	
Non-recurring professional fees in connection with acquisitions	<u>279</u>	<u>860</u>	

In addition, auditor's fees incurred in connection with acquisitions, and included in the cost of acquisition of fixed asset investments or costs of raising finance, amounted to £180,000 (2005 - £231,000).

The deferred government grant income included in accruals and deferred income at 31 March 2006 is £36,000 (2005 - £45,000).

4. Gain on disposal of business to joint venture

Prior to the acquisition of a 50% interest in a joint venture, Quality Management Holdings Limited ("QM"), on 9 August 2005 (see note 12c), the proficiency testing business of the LGC Group ("LGC PT business") has been included in the Profit and Loss Account within continuing operations.

The LGC PT business was transferred to the joint venture in exchange for shares and, from that date, is reported separately within the Group Profit and Loss Account in accordance with the accounting convention for joint ventures.

The disposal of the LGC PT business to QM gave rise to a gain for the Group of £234,000, which has been treated as an unrealised gain in the Statement of Total Recognised Gains and Losses.

Notes to the financial statements

for the year ended 31 March 2006

5. Employee information

	2006	2005 (Restated)
(a) Staff costs	£000	£000
Wages and salaries	26,385	17,785
Social security costs	2,760	1,978
Other pension costs	2,355	2,258
	<u>31,500</u>	<u>22,021</u>

	2006	2005
(b) Average monthly number of employees	No.	No.
Scientific	660	500
Administration and management	287	222
	<u>947</u>	<u>722</u>

Information on Directors' emoluments is included in the Report of the Remuneration Committee.

6. Interest receivable

	2006	2005
	£000	£000
Bank interest receivable	<u>310</u>	<u>328</u>

7. Interest payable and similar charges

	2006	2005 (Restated)
	£000	£000
Bank loans and overdrafts	2,166	1,820
Finance leases	17	-
Guaranteed Unsecured Loan Notes	375	358
Long Term Loan Notes	1,062	835
Deep Discount Bonds	2,852	2,464
Amortisation of debt issue costs	324	234
Other finance charges (see note 28)	225	336
Other loans	19	-
	<u>7,040</u>	<u>6,047</u>

Notes to the financial statements

for the year ended 31 March 2006

8. Taxation

(a) Analysis of charge in year:

	2006	2005
	£000	(Restated) £000
Current tax		
UK corporation tax on the profit for the year	171	-
Foreign tax	867	838
Total current tax (note 8b)	<u>1,038</u>	<u>838</u>
Deferred tax		
Utilisation of losses	-	519
Recognition of brought forward losses	(500)	-
Depreciation in excess of capital allowances	151	(174)
Other timing differences	14	168
Total deferred tax (note 20)	<u>(335)</u>	<u>513</u>
Total tax charge for year	<u><u>703</u></u>	<u><u>1,351</u></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 30% (2005 - 30%). The differences are explained below.

	2006	2005
	£000	(Restated) £000
Profit on ordinary activities before taxation	<u>850</u>	<u>23</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	255	7
Effects of:		
Expenses not deductible for tax purposes	1,035	718
Research and development tax credit	(160)	(103)
Depreciation in excess of capital allowances	37	174
Other timing differences	(83)	(81)
Utilisation of losses	(70)	26
Higher tax rates on overseas earnings	24	97
Current tax for the year (note 8a)	<u><u>1,038</u></u>	<u><u>838</u></u>

The Directors are aware that HM Revenue and Customs is challenging the taxation treatment of interest charged on certain loans provided by private equity investors to the companies in which they invest. The outcome of this is uncertain but may lead to a change in the tax treatment of interest currently treated as allowable in the Group's financial statements. The total tax credit deriving from such loans in the year was £0.9m.

(c) Factors that may effect 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 8b.

Notes to the financial statements

for the year ended 31 March 2006

9. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £5,000 (2005 - £55,000 loss).

10. Intangible fixed assets

Group	Sterling denominated £000	Euro denominated £000	Subtotal: Goodwill £000	Development expenditure £000	Total £000
Cost:					
At 1 April 2005 as previously reported	25,868	11,356	37,224	402	37,626
Prior year adjustment (note 1)	1,574	-	1,574	-	1,574
At 1 April 2005 (as restated)	27,442	11,356	38,798	402	39,200
Additions (note 12)	16,236	5,029	21,265	-	21,265
Foreign exchange translation	-	263	263	-	263
At 31 March 2006	43,678	16,648	60,326	402	60,728
Amortisation:					
At 1 April 2005 as previously reported	1,186	520	1,706	256	1,962
Prior year adjustment for (note 1)	72	-	72	-	72
At 1 April 2005 (as restated)	1,258	520	1,778	256	2,034
Charge for the year	1,903	620	2,523	55	2,578
Foreign exchange translation	-	18	18	-	18
At 31 March 2006	3,161	1,158	4,319	311	4,630
Net book value:					
At 31 March 2006	40,517	15,490	56,007	91	56,098
At 1 April 2005	26,184	10,836	37,020	146	37,166

Goodwill arising on acquisitions is being amortised over the directors' estimate of its useful economic life of 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 2006

11. Tangible fixed assets

Group	Freehold land and buildings £000	Short term leasehold £000	Building plant £000	Scientific equipment £000	Computers £000	Vehicles £000	Total £000
Cost:							
At 1 April 2005	17,650	536	2,870	13,226	3,584	72	37,938
Acquisitions	-	16	1,243	2,326	772	59	4,416
Additions	66	28	1,146	2,521	506	11	4,278
Foreign exchange translation	4	6	-	49	7	6	72
Disposals	-	(30)	-	(729)	(555)	(14)	(1,328)
At 31 March 2006	17,720	556	5,259	17,393	4,314	134	45,376
Depreciation:							
At 1 April 2005	1,237	280	2,073	8,733	2,294	31	14,648
Acquisitions	-	10	225	1,629	449	31	2,344
Charge for the year	429	78	408	1,630	855	16	3,416
Foreign exchange translation	1	3	-	30	5	3	42
Disposals	-	(3)	(6)	(703)	(504)	(9)	(1,225)
At 31 March 2006	1,667	368	2,700	11,319	3,099	72	19,225
Net book value:							
At 31 March 2006	16,053	88	2,559	6,074	1,215	62	26,151
At 1 April 2005	16,413	256	797	4,493	1,290	41	23,290

The element of land included in freehold land and buildings at 31 March 2006 is £6,788,581 (2005 - £6,750,000).

The net book value of tangible fixed assets includes £23,000 building plant (made up of cost £43,000 and accumulated depreciation of £20,000); £283,000 scientific equipment (made up of cost £457,000 and accumulated depreciation of £174,000) and £44,000 computer software (made up of cost £131,000 and accumulated depreciation of £87,000) in relation to assets held under finance leases (2005 - £nil).

Company

The Company has no tangible fixed assets.

Notes to the financial statements

for the year ended 31 March 2006

12. Fixed assets investments

Fixed asset investments comprise:

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Subsidiary undertakings	-	-	-	-
Joint venture (note 12c)	2,301	-	-	-
	2,301	-	-	-

The movement in relation to joint ventures is as follows:

	Group £000	Company £000
At 1 April 2005	-	-
Acquisitions	2,100	-
Share of profit of joint venture	262	-
Tax on joint venture	(35)	-
Amortisation of goodwill	(26)	-
At 31 March 2006	2,301	-

As at 31 March 2006, 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
LGC Beteiligungs GmbH	Germany	Ordinary	100	Holding company
LGC Limited	England and Wales	Ordinary	100	Chemical and biochemical analysis consultancy and distribution 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 Promochem AB	Sweden	Ordinary	100	Distribution of analytical reference standards
LGC Promochem GmbH	Germany	Ordinary	100	Distribution of analytical reference standards

Notes to the financial statements

for the year ended 31 March 2006

12. Fixed assets investments (continued)

Subsidiary	Country of incorporation	Type of shares	Proportion of voting rights	Nature of business
LGC Promochem India Private Ltd	India	Ordinary	50	Distribution of analytical reference
LGC Promochem Sarl	France	Ordinary	100	Distribution of analytical reference
LGC Promochem SL	Spain	Ordinary	100	Distribution of analytical reference
LGC Promochem Spzoo	Poland	Ordinary	100	Distribution of analytical reference
LGC Promochem Srl	Italy	Ordinary	100	Distribution of analytical reference
LGC Science Limited	England and Wales	Ordinary	100*	Chemical and biochemical analysis
LGC (Teddington) Limited	England and Wales	Ordinary	100	Holding company
LGC (North West) Limited	England and Wales	Ordinary	100	Holding company
Mikromol GmbH	Germany	Ordinary	100	Manufacture of analytical reference standards
AGOWA Gesellschaft für molekularbiologische Technologie mbH	Germany	Ordinary	100	Genomics
Forensic Alliance Limited	England and Wales	Ordinary	100	Forensic analysis
LGC GmbH	Germany	Ordinary	100	Holding company
LGC Forensics Limited	England and Wales	Ordinary	100	Holding company
Promochem Limited	England and Wales	Ordinary	100	Dormant
University Diagnostics Ltd	England and Wales	Ordinary	100	Dormant
Joint venture	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
Quality Management Holdings Limited	England and Wales	Ordinary	50	Holding company
Quality Management Limited	England and Wales	Ordinary	50	Proficiency testing
Aquacheck Limited	England and Wales	Ordinary	50	Proficiency testing

*Directly held by the Company

Notes to the financial statements

for the year ended 31 March 2006

12. Fixed assets investments (continued)

Acquisitions

(a) On 10 August 2005, the Group acquired the entire share capital of LGC Forensics Limited (previously known as Mountboost Limited) and its subsidiary Forensic Alliance Limited.

The consideration for the acquisition of LGC Forensics Limited comprised:

	£000
Cash	9,612
Long Term Loan Notes (note 18)	2,266
Contingent deferred consideration	3,343
Direct costs of acquisition	387
	15,608

Contingent deferred consideration is payable up to a maximum amount as follows:

	£000
3,138,331 Guaranteed unsecured loan notes	3,138
60,178 Ordinary shares of LGC Group Holdings plc	205
	3,343

The contingent deferred consideration is payable based on the profitability of the enlarged LGC Forensics business in the period up to 31 March 2007, and is payable in July 2007. The deferred consideration has been recognised in full based on the expectation that the threshold earning levels will be fully achieved. For this purpose the ordinary shares of LGC Group Holdings plc have been valued at £3.40 per share.

In addition, the Group advanced £3,350,000 to LGC Forensics Limited to repay bank financing.

Separable net assets of LGC Forensics Limited and Forensic Alliance Limited at the date of acquisition comprised:

	Book value	Fair value adjustments	Fair value to the Group
	£000	£000	£000
Tangible fixed assets	1,875	-	1,875
Stocks	59	-	59
Debtors	4,728	-	4,728
Cash	762	-	762
Total assets	7,424	-	7,424
Creditors due within one year	(4,054)	(438)	(4,492)
Creditors due after one year	(3,450)	-	(3,450)
Provisions for liabilities and charges	(110)	-	(110)
	(190)	(438)	(628)
Total consideration (see above)			15,608
Goodwill arising on acquisition			16,236

The fair value adjustments comprise provisions for bonus and other staff costs in line with the Group policy.

Notes to the financial statements

for the year ended 31 March 2006

12. Fixed assets investments (continued)

Effect of the acquisition:

The summarised consolidated profit and loss account of LGC Forensics Limited for the financial periods prior to the effective date of acquisition (10 August 2005) are as follows:

	1 April 2004 to 31 March 2005	1 April 2005 to 10 August 2005
	£000	£000
Turnover	19,000	8,559
Operating profit	1,165	689
Profit before tax	779	434
Taxation	(304)	(155)

There have been no gains and losses other than those stated above in the periods.

(b) On 22 December 2005, the Group acquired the entire share capital of AGOWA Gesellschaft für molekularbiologische Technologie mbH ("Agowa"), a company registered in Germany.

The consideration for the acquisition of Agowa comprised:

	€000	£000
Cash	6,000	4,130
Contingent deferred consideration	1,500	1,032
Direct costs of acquisition	339	233
	7,839	5,395

The contingent deferred consideration of up to €1,500,000 is payable based on the results of Agowa to 31 December 2006 and is due in two equal instalments payable in March 2007 and March 2008. The deferred consideration has been recognised in full on the expectation that threshold earnings levels will be fully achieved.

Separable net assets of Agowa at the date of acquisition:

	Book value and fair value to the Group	
	€000	£000
Tangible fixed assets	287	197
Stocks	64	44
Debtors	453	312
Cash	298	205
Total assets	1,102	758
Creditors due within one year	(570)	(392)
Net assets acquired	532	366
Total consideration (see above)	7,839	5,395
Goodwill arising on acquisition	7,307	5,029
Foreign exchange translation		73
Goodwill at 31 March 2006		5,101

Notes to the financial statements

for the year ended 31 March 2006

12. Fixed assets investments (continued)

Effect of the acquisition:

The summarised consolidated profit and loss account of Agowa for the financial periods prior to the effective date of acquisition (22 December 2005) were as follows:

	1 January 2004 to 30 December 2004 €000	1 January 2005 to 22 December 2005 €000	1 January 2004 to 30 December 2004 £000	1 January 2005 to 22 December 2005 £000
Turnover	3,160	3,420	2,170	2,335
Operating profit	1,553	1,663	1,066	1,135
Profit before tax	1,598	1,701	1,097	1,161
Taxation	(622)	(670)	(427)	(457)

(c) On 9 August 2005, the Group acquired a 50% interest in Quality Management Holdings Limited and its subsidiaries, Quality Management Limited and Aquacheck Limited.

The consideration for the acquisition comprises:

	£000
Cash	1,727
Transfer of the Proficiency Testing business of LGC Limited	234
Value of tangible fixed assets transferred	59
Direct costs of acquisition	80
	2,100

The Group's share of separable net assets of Quality Management Holdings Limited and its subsidiaries at the date of acquisition comprised:

	Book value £000	Joint venture's share £000	Fair value to the Group £000
Fixed assets	278	(139)	139
Current assets	1,865	(932)	933
Liabilities due within one year	(1,862)	931	(931)
Liabilities due after more than one year	(5)	2	(3)
Total net assets purchased	276	(138)	138
Goodwill arising on acquisition			1,962
Total consideration (see above)			2,100

Notes to the financial statements

for the year ended 31 March 2006

12. Fixed assets investments (continued)

As at 21 March 2006, the Group's share of the joint venture assets and liabilities was as follows:

	£000
Fixed assets	171
Current assets	811
Liabilities due within one year	(617)
	365

Pursuant to the acquisition agreement, the Group has an option, exercisable up to 30 June 2006, to acquire the remaining voting shares for a consideration of £2,130,000 plus an additional consideration calculated by reference to the profits of the joint venture prior to exercise of the option (see note 30).

In addition, the Company has entered an agreement to acquire the non-voting shares in August 2007 for a maximum consideration of £285,000.

13. Stocks

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Raw materials and consumables	2,315	1,371	-	-

For stocks recorded in the Balance Sheet, the difference between the purchase price and production cost of stocks and their replacement cost is not material. No value is attributed in the financial statements to stock produced (at negligible incremental cost) in excess of the foreseeable requirements. The replacement cost of such stock exceeds its book value, but is not readily ascertainable.

14. Debtors

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade debtors	13,618	10,286	-	-
Amounts recoverable from long term contracts	3,448	1,891	-	-
Amounts owed by Group undertakings	-	-	1,215	1,037
Other debtors	312	152	-	-
Prepayments and accrued income	1,155	964	-	-
	18,533	13,293	1,215	1,037

Notes to the financial statements

for the year ended 31 March 2006

15. Cash

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Cash at bank and in hand at 1 April	6,405	(2)	-	-
Net cash inflow/(outflow)	170	6,397	1	-
Effect of foreign exchange movements	(20)	10	-	-
Cash at bank and in hand at 31 March	6,555	6,405	1	-

The cash balance at 31 March 2006 includes £2,630,000 (2005 - £3,224,000) held by the EBT. The Group has restricted access to the EBT cash balance (see note 16).

16. Employee Benefit Trust (EBT)

An Employee Benefit Trust (EBT), managed by Kleinwort Benson (Jersey) Trustees Limited, was established for the benefit of the employees of the Group. The EBT now 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:

	2006 £000	2005 £000
Staff costs	(175)	(367)
Other external charges	(11)	(12)
Bank interest receivable	112	-
Interest receivable from group undertakings	65	105
	(9)	(274)

Net assets:

	2006 £000	2005 £000
Investments in Group undertakings (shares)	11	-
Long Term Loan Notes (LTLN)	318	-
Cash at bank	2,630	3,224
Amounts owed from Group undertakings	65	-
Accruals	(175)	(367)
Trade creditors	(3)	(2)
	2,846	2,855

Reserves:

	2006 £000	2005 £000
Profit and loss reserves at 1 April	3,222	3,129
Net expenses for the year	(376)	(274)
Profit and loss reserves at 31 March	2,846	2,855

Notes to the financial statements

for the year ended 31 March 2006

16. Employee Benefit Trust (EBT) (continued)

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

The investments held by the EBT consist of shares of the Company. See note 22.

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.

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.

17. Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
		(Restated)		
	£000	£000	£000	£000
Obligations under finance leases (note 19)	181	-	-	-
Current instalments due on loans	2,131	1,700	-	-
Less debt issue costs	(347)	(280)	-	-
Payments received on account	907	946	-	-
Intercompany balances	-	-	117	-
Trade creditors	5,068	3,119	-	18
Corporation tax	219	907	-	-
Other taxation and social security	2,596	1,513	-	-
Accruals and deferred income	6,586	4,459	8	-
	<u>17,341</u>	<u>12,364</u>	<u>125</u>	<u>18</u>

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

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank loans	35,291	15,518	-	-
Obligations under finance leases (note 19)	169	-	-	-
Guaranteed Unsecured Loan Notes (GULS)	4,863	9,235	-	-
Long Term Loan Notes (LTLN)	12,720	9,720	-	-
Deep Discounted Bonds (DDBs)	31,534	28,681	-	-
Less debt issue costs	(1,848)	(1,732)	-	-
Deferred consideration on acquisitions	3,859	-	-	-
	<u>86,588</u>	<u>61,422</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2006

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

Bank loans are provided under a syndicated facility, secured on the assets of the company and 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 2.2% above LIBOR.

Bank facilities at 31 March 2006 comprise:

	€000	£000	Total £000
Bank loans drawn down	14,865	26,928	37,306
Guarantee of GULS	-	4,863	4,863
Working capital facilities (not drawn down at 31 March 2006)	-	5,000	5,000
Undrawn committed facilities available to finance deferred consideration and capital expenditure	1,500	5,100	6,147
	<u>16,365</u>	<u>41,891</u>	<u>53,316</u>

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 1.9%.

The LTLN 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 (2005 - £8,884,745) and bear interest at 10%, which is rolled up annually.

During the year, £2,266,000 LTLN were issued in consideration for the acquisition of LGC Forensics Limited as explained in note 12a.

The DDBs have a nominal value of £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 £2,195,000 (2005 - £2,012,000) being deferred costs incurred in raising the Group's finance. These costs are being charged to the Profit and Loss Account over the period of the related facilities. The charge in the year was £324,000 (2005 - £234,000).

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

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Repayable by instalments				
- within one year	2,131	1,700	-	-
- between one and two years	3,479	2,001	-	-
- between two and five years	13,992	8,601	-	-
- over five years	66,937	52,552	-	-
Less: issue costs	(2,195)	(2,012)	-	-
	<u>84,344</u>	<u>62,842</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2006

19. Obligations under finance leases

	Group		Company	
	2006	2005	2006	2005
The net lease obligations which the Company is committed to are:	£000	£000	£000	£000
- within one year	181	-	-	-
- between one and two years	98	-	-	-
- between two and five years	71	-	-	-
	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>

20. Provisions for liabilities and charges

	Pension Scheme (note 28) (Restated)	Other	Deferred tax	
			Total	Company
	£000	£000	£000	£000
At 1 April 2004	-	-	-	-
Acquisitions	(3,000)	(432)	(3,432)	-
Arising in the year:				
Profit and Loss Account	(188)	701	573	-
Statement of total recognised Gains and Losses	(151)	-	(151)	-
At 1 April 2005	(3,339)	269	(3,070)	-
Acquisitions	-	110	110	-
Arising in the year	(392)	(374)	(766)	-
At 31 March 2006	<u>(3,731)</u>	<u>5</u>	<u>(3,726)</u>	<u>-</u>

Other deferred tax consists of:

	2006	2005
	£000	£000
Accelerated capital allowances	174	(74)
Capital gains	247	247
Other timing differences	(416)	96
	<u>5</u>	<u>269</u>

No provision has been made for taxation which 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 £2.9. 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 2006 of approximately £6.8. Of the related deferred tax asset of £2m, £1.5m 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 2006

21. Minority interest

	Group	
	2006	2005
	£000	£000
At 1 April	423	-
Acquisitions	-	287
Share of subsidiary's profit for the year	284	144
Foreign exchange translation	31	(8)
At 31 March	<u>738</u>	<u>423</u>

22. Share capital

	Authorised			
	2006	2005	2006	2005
	No.	No.	£000	£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			
	2006	2005	2006	2005
	No.	No.	£000	£000
Ordinary shares of £0.50 each	<u>1,093,714</u>	<u>1,073,714</u>	<u>547</u>	<u>537</u>

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

Date	Nominal value	Price per share	Cash consideration £000	Number of shares
15 January 2006	£0.50	£3.40	22	6,500
20 March 2006	£0.50	£3.40	46	13,500

As set out on note 12a, the Company has a contingent obligation to issue 60,718 shares to the vendors of LGC Forensics Limited.

As explained in note 16, the EBT has purchased 11,325 shares of the Company for a consideration of £1 per share.

Notes to the financial statements

for the year ended 31 March 2006

23. Reconciliation of shareholders' funds and movements on reserves

Group	Share capital	Own shares	Share premium account	Profit and loss account (Restated)	Total
	£000	£000	£000	£000	£000
At 1 April 2004	104	-	104	-	208
Loss for the year	-	-	-	(1,472)	(1,472)
Exchange difference on retranslation of net assets of subsidiary undertakings	-	-	-	7	7
Actuarial losses for the year	-	-	-	(353)	(353)
Issue of shares	433	-	433	-	866
At 1 April 2005	537	-	537	(1,818)	(744)
Retained loss for the year	-	-	-	(172)	(172)
Exchange difference on retranslation of net assets of subsidiary undertakings	-	-	-	206	206
Actuarial losses for the year	-	-	-	(1,005)	(1,005)
Gain on disposal of business to joint venture (see note 4)	-	-	-	234	234
Share purchased by the EBT	-	(11)	-	-	(11)
Issue of shares	10	-	57	-	67
At 31 March 2006	547	(11)	594	(2,555)	(1,425)
Company	Share	Share	Profit	Total	
	£000	£000	£000	£000	
At 1 April 2005	537	537	(55)	1,019	
Profit for the year	-	-	5	5	
Issue of shares	10	57	-	67	
At 31 March 2006	547	594	(50)	1,091	

Notes to the financial statements

for the year ended 31 March 2006

24. Financial commitments

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

	Land and buildings		Other	
	2006	2005	2006	2005
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	53	21	41	92
In two to five years	1,057	58	246	150
In over five years	548	798	-	27
	<u>1,658</u>	<u>877</u>	<u>287</u>	<u>269</u>

25. Notes to the statement of cash flows

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

	2006	2005
	£000	(Restated) £000
Operating profit	7,395	5,761
Depreciation of tangible fixed assets	3,416	2,963
Amortisation of development expenditure	55	108
Amortisation of goodwill	2,523	1,778
Increase/(decrease) in stock	(842)	159
Decrease/(increase) in debtors	1	(2,513)
Increase in creditors	184	294
Increase in accruals, provisions and deferred income	293	31
Net cash inflow from operating activities	<u>13,025</u>	<u>8,581</u>

(b) Reconciliation of net cash flow to movement in net debt.

	2006	2005
	£000	£000
Increase in cash	170	6,397
Cash inflow from increase in loans	(21,023)	(55,648)
Loan notes issued in consideration for acquisitions	(2,266)	(9,454)
Repayment of long term loans	5,619	3,691
Issue costs of new long term loans	507	2,246
Amortisation of issue costs	(324)	(243)
Interest on LTLN and DDBs rolled up	(3,914)	(3,299)
Change in net debt resulting from cash flow	(21,231)	(56,310)
Exchange difference	(114)	(135)
Movement in net debt	(21,345)	(56,445)
Net debt at 1 April 2005	(56,445)	-
Net debt at 31 March 2006	<u>(77,790)</u>	<u>(56,445)</u>

Notes to the financial statements

for the year ended 31 March 2006

26. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £455,000 for the Group and £nil for the company (2005 - £58,000 and £nil respectively), and authorised but not yet contracted £1,290,000 for the Group and £nil for the Company (2005 - £1,707,000 and £nil respectively).

27. Related party transactions

Funds managed by Legal & General Ventures Limited ('LGV') hold 68.4% of the ordinary share capital of the Company at 31 March 2006. During the year, the following transactions involved LGV:

LGV charged the Company £30,000 (2005 - £28,000) in respect of services as directors of Joanne Parfrey and Brian Phillips.

At the year end there were creditors of £nil (2005 - £nil) outstanding in relation to these expenses.

On 10 June 2005, LGC Investments Limited, a subsidiary undertaking, acquired the entire share capital of LGC Forensics Limited as detailed in note 12a. Prior to the acquisition Dr Angela Gallop, who on the day of the transaction was appointed LGC Group's Director, Forensic Services, held a 57% interest in LGC Forensics Limited.

Dr Gallop is entitled to contingent deferred consideration (as described in note 12a) up to a maximum of:

	£000
Guaranteed Unsecured Loan Notes (GULS)	1,785
Shares in LGC Group Holdings plc	117
	<u>1,902</u>

In addition, £63,000 of services were purchased from Forensic Access Limited, a company wholly owned by Dr Angela Gallop (LGC Group's Director, Forensic Services).

The amount due to Forensic Access at 31 March 2006 was £23,000. The amount due from Forensic Access at 31 March 2005 was £18,000.

The Group has also purchased and sold services from a joint venture, Quality Management Holdings Limited and its subsidiary companies (QM) to the value of £22,899 and £284,730. Quality Management Holdings Limited has £63,000 payable to the Group in respect of management services at 31 March 2006.

Notes to the financial statements

for the year ended 31 March 2006

28. 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 and 31 March 2006 have been based on the actuarial valuations in June 2005 and May 2006 respectively by the actuaries of Scottish Widows plc which assesses the liabilities of the scheme using the projected unit method. Scheme assets are stated at their market values at the respective balance sheet dates.

Main assumptions:

	2006	2005
	%	%
Rate of salary increase	3.9	3.8
Rate of increase in pensions in payment	2.9	2.8
Discount rate	5.2	5.7
Inflation assumption	2.9	2.8

	2006		2005	
	UK long-term rate of return expected	Value	UK long-term rate of return expected	Value
	%	£000	%	£000
Equities	7.4	23,349	7.7	17,398
Bonds	4.7	1,378	4.8	1,016
Other	4.7	2,964	4.8	1,666
Total market value of assets		<u>27,691</u>		<u>20,080</u>
Present value of scheme liabilities		<u>(40,128)</u>		<u>(31,210)</u>
Pension liability before deferred tax		<u>(12,437)</u>		<u>(11,130)</u>
Related deferred tax asset		<u>3,731</u>		<u>3,339</u>
		<u><u>(8,706)</u></u>		<u><u>(7,791)</u></u>

Notes to the financial statements

for the year ended 31 March 2006

28. Pensions and other post retirement benefits (continued)

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

The amounts charged to operating profit were:	2006 £000	2005 £000
Current service cost and operating charges	(1,956)	(2,130)
The amounts charged to other finance expenses were:	2006 £000	2005 £000
Expected return on pension scheme assets	1,554	1,236
Interest on pension scheme liabilities	(1,779)	(1,572)
Total other finance charges	(225)	(336)

The amounts recognised in the Statement of Total Recognised Gains and Losses were:

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	3,950	333
Experience losses arising on scheme liabilities	(313)	(107)
Loss arising from changes in assumptions underlying the present value of scheme liabilities	(5,073)	(730)
	(1,436)	(504)
Increase in deferred tax asset	431	151
	(1,005)	(353)

Analysis of movements in deficit during the year:

	2006 £000	2005 £000
At 1 April	(11,130)	-
Acquisitions	-	(10,001)
Total operating charges	(1,956)	(2,130)
Total other finance income	(225)	(336)
Actuarial loss	(1,436)	(504)
Contributions	2,310	1,841
At 31 March	(12,437)	(11,130)

The contributions and operating charges include £457,000 (2005 - £338,000) relating to employees' contributions.

Analysis of movement of related deferred tax asset	2006 £000	2005 £000
At 1 April	3,339	3,000
(Debited)/credited to the Profit and Loss Account in the year	(39)	188
Credited to the Statement of Total Recognised Gains and Losses	431	151
At 31 March	3,731	3,339

Notes to the financial statements

for the year ended 31 March 2006

28. Pensions and other post retirement benefits (continued)

History of experience gains and losses:

	2006	2005
	£000	£000
Difference between expected return and actual return on pension scheme assets		
- amount	3,950	333
- % of scheme assets	14%	2%
Experience (losses) arising on scheme liabilities		
- amount	(313)	(107)
- % of present value of scheme liabilities	1%	-
Change in assumptions		
- amount	(5,073)	(730)
- % of present value of scheme liabilities	13%	-3%

(b) Defined contribution scheme

The Company also operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The contributions made to the plan in the year were £408,000 (2005 - £278,000). At the end of the year, contributions of £nil (2005 - £nil) were outstanding.

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.

30. Post balance sheet events

(a) On 13 April 2006, the Group acquired the business of the Institut für Blutgruppenforschung (IBF). The consideration, which was funded from the Group's own cash, comprised a fixed consideration of €2,400,000 of which €2,000,000 was paid on completion and €400,000 is payable in October 2006 plus additional consideration, up to a maximum of €750,000, payable dependent on the financial performance of the acquired business in the financial years ending 31 March 2007, 2008 and 2009.

(b) On 16 June 2006, the Group acquired the remaining 50% of the voting shares of Quality Management Holdings Limited not already held. The consideration amounted to £2,352,000 and was paid from the Group's own cash.