



*Setting standards
in analytical science*

Report and Accounts 2001

LGC (Holdings) Limited

31 March 2001

Board of LGC (Holdings) Ltd

Ian Kent (57)**Chairman**

Ian Kent was appointed to the Board in May 2001 and became Chairman in July 2001. He is Chairman of Adprotech Ltd, Ardana Bioscience Ltd, Rademacher Group Ltd and Ribo Targets Holdings plc and a Non-Executive Director of Biofocus plc and the Roslin Institute.

Dr Richard Worswick (54)**Chief Executive**

Richard Worswick was appointed Government Chemist and Chief Executive of LGC in 1991. In 1996, he led a management buy-out becoming Chief Executive of LGC (Holdings) Ltd and retaining the role of Government Chemist.

Clive Hall (38)**Group Finance Director and Company Secretary**

Clive Hall was appointed Executive Director of LGC (Holdings) Ltd on 1 March 1999, Group Finance Director on 1 April 1999 and Company Secretary on 1 June 1999.

Dr John Mason (42)**Executive Director**

John Mason was appointed an Executive Director in April 2000, having joined LGC in 1994. He is Head of the Chemicals, Water and Environment division and is Managing Director of LGC's North West Operations.

Dr John Beacham CBE (60)**Non-Executive Director**

John Beacham was nominated by The RSC and appointed to the Board in June 1999. He is Vice Chairman of North Cheshire Hospitals NHS Trust, Chairman of the ProBio Faraday partnership, a Director of the TrusTECH partnership, a member of the Council of the University of Liverpool and a Vice President of the SCI.

Dennis Stocks (66)**Non-Executive Director**

Dennis Stocks was nominated by 3i and appointed to the Board in April 1996. He is currently Chairman of UFC Ltd, Libra Chemicals Ltd and James Briggs Ltd. He is a Non-Executive Director of Fraser Williams Group plc, Smiths Metal Centres Ltd and Wigan and Chorley Groundwork Trust Ltd.

Sir Brian Richards CBE (68)**Non-Executive Director**

Sir Brian Richards stood down as Chairman in July 2001 and is retiring from the Board after the AGM. He is Chairman of Alizyme plc, Cozart Biosciences Ltd, Man Alternative Investments Ltd and a Non-Executive Director of Acambis plc, Prelude Trust plc, Innogenetics NV and Drug Royalty Corporation Inc (Toronto).

Report of the Directors

The Directors present this report together with the audited financial statements for the year ended 31 March 2001.

Results and dividends

The profit and loss account is set out on page 27 and shows the profit for the year of £1,763,000 (2000 - £1,534,000) before taxation and dividends. The Directors propose a final dividend of £373,000 (2000 - £239,000) on the 'A', 'B' and ordinary shares. Interim dividends of 16p per 'A' ordinary share have been paid in respect of the year ended 31 March 2001.

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 the competitiveness of the UK. 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.

A review of operations is contained in the Chief Executive's statement on pages 2 to 3 and in the reviews on pages 4 to 17.

Fixed assets

Significant changes in the fixed assets are shown in notes 9, 10 and 20 to the financial statements.

Quality, safety and environmental performance

LGC has achieved top standards in quality, safety and environmental performance. LGC received high praise from both UKAS and BSI during the past year's surveillance visits and we have been awarded the RoSPA Gold Medal Award for occupational safety for the fifth year in succession. LGC continues to comply with all environmental legislative requirements and seeks to improve upon them further.

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.

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 supported by systems that are subject to audit and are 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.

Report of the Directors

Directors

The membership of the Board as at 1 August 2001 was as follows:

Mr Ian Kent	Chairman
Dr Richard Worswick	Chief Executive
Mr Clive Hall	Group Finance Director
Dr John Mason	
Dr John Beacham	
Mr Dennis Stocks	
Sir Brian Richards	

Sir Brian Richards stood down as Chairman on 1 July 2001 and will resign from the Board after the Annual General Meeting. Ian Kent was appointed a Director on 1 May 2001 and Chairman on 1 July 2001.

Directors' responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the Group's profit for the year.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and have applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards;
- prepared the financial statements on the going concern basis.

During the year the Directors were required to ensure that proper accounting records were kept which disclosed with reasonable accuracy at all times the financial position of the Group enabling them to ensure that the financial statements comply with the Companies Act 1985. The Directors are required to safeguard the assets of the Group and to take reasonable steps for the prevention and detection of fraud and other irregularities.

Substantial interests in share capital at 31 March 2001

In addition to the Directors, the following held in excess of 3 per cent of the ordinary share capital of the Company:

	Number of shares	Percentage
3i plc	91,600	26
The Royal Society of Chemistry	91,600	26
Kleinwort Benson (Jersey) Trustees Ltd	32,240	9.2

The Directors' share interests are shown in the report of the Remuneration Committee on pages 23 to 25.

Auditors

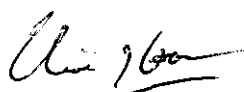
MacIntyre Hudson have expressed their willingness to continue in office.

Annual General Meeting

The Annual General Meeting will be held on 24 September 2001.

On behalf of the Board

Clive Hall Company Secretary 1 August 2001



Report on corporate governance

Recognising that the Group has a responsibility towards the public sector and industry, the Directors believe that the Group should aim to achieve high standards of corporate governance. They have decided therefore, in so far as it is practicable for a private unlisted company, to comply with the Combined Code. The Report of the Auditors on the Group's compliance with these Codes and Rules is included in the Auditors' Report on page 26.

The workings of the Board and its committees

The Board

The activities of the Group are ultimately controlled by the Board which currently comprises four independent Non-Executive Directors and three Executive Directors. The number of Non-Executive Directors will return to three on the resignation of Sir Brian Richards after the Annual General Meeting. 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 appointed the following committees to deal with specific aspects of the Group's affairs.

Executive Management Committee

The Executive Management Committee comprises the Executive Directors and senior managers. It deals with operational matters and has specific powers delegated to it by the Board.

Audit Committee

The Audit Committee, which is chaired by Dennis Stocks, 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 and the Group Finance Director attend meetings by invitation.

The Audit Committee is also responsible for reviewing a wide range of financial matters including the annual statement 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.

Remuneration Committee

The Remuneration Committee, which is chaired by John Beacham, is made up of all the Non-Executive Directors and has the responsibilities which are set out on page 23.

Nomination Committee

The Nomination Committee, which is chaired by Ian Kent, is made up of all the Non-Executive Directors. The Nomination 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 shareholders' special interests as outlined in the Articles of Association.

The Royal Society of Chemistry Advisory Committee

Under an Agreement between the DTI, The RSC and the Company, The RSC has established an Advisory Committee to advise the Government Chemist in relation to the discharge of his functions, to report to the Secretary of State on the Government Chemist's Annual Review and LGC's discharge of its obligations under the Agreement and make itself available to advise DTI on matters relating to analytical science. The RSC Advisory Committee is currently chaired by Professor Edward Abel CBE.

Report on corporate governance

The RSC Advisory Committee commissions periodic audits of LGC's science relating to the discharge of the Government Chemist function and the Committee meets to consider this and other reports. The Committee submitted comments on the Annual Review of the Government Chemist to the Secretary of State for Trade and Industry during the year.

Internal financial control

The Audit Committee has appointed an independent auditor to review and make recommendations on the Group's procedures and processes for financial and operational control. The auditor presented his report to the Audit Committee and the recommendations included in the report are being implemented. Further reviews of the Group's procedures and processes for financial and operational control are being carried out as part of a rolling programme agreed by the Audit Committee.

Identification of business risks

The identification of material operational risk is carried out by the members of the Executive Management 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 in a quarterly risk report for review. Strategic and operational decisions are made in the context of the Group's operational risk profile. The Group's internal risk controls are reviewed when the annual risk review of the Group is conducted.

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 Company 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

Remuneration policy

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

- set remuneration 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 Company;
- 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.

Benefits

Executive Directors' benefits may include salary, pension, performance related bonus, use of a company car and share options. 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

All Executive Directors are members of the LGC Staff Pension Scheme, a defined benefits scheme.

Performance related bonus

The maximum bonus for each Director and senior manager is determined at the beginning of each year by the Remuneration Committee. Part is related to the performance of the Company and the remainder is in respect of individual performance. The maximum possible bonus agreed for the year 2000/01 was 50% of base salary.

Report of the Remuneration Committee

Share options

The Group operates an Inland Revenue Approved Discretionary Share Option Scheme which is open to employees and Directors. Options are granted at the valuation of the shares on the date of grant.

Details of options held by the Directors are given on page 25.

Other benefits

The Remuneration Committee has decided that, for the time being, benefits shall only be through basic salary, performance related bonuses, pensions, share options and use of a company car.

Service contracts

The Group's policy in relation to contracts for Executive Directors is to provide contract periods not exceeding two years and notice of one year. Non-Executive Directors are appointed on an annual basis and receive fees.

Directors' remuneration

Directors' emoluments

	Basic salary £'000	Annual bonus £'000	2001 Emoluments excluding pension contributions £'000	Pension contributions £'000	2000 emoluments excluding pension contributions £'000
Executive					
Dr Richard Worswick	95	48	143	13	112
Other Executive Directors	126	33	159	17	93
Non-Executive					
Sir Brian Richards	16	-	16	-	16
Dr John Beacham	16	-	16	-	12
Mr Dennis Stocks	16	-	16	-	15
Other	-	-	-	-	8
	269	81	350	30	256

Report of the Remuneration Committee

The Directors of the Company during the year and their beneficial interests in the ordinary share capital of the Company were:

Executive	Number of shares	
	at 1 April 2000	& 31 March 2001
Dr Richard Worswick		25,700
Mr Clive Hall		8,750
Dr John Mason		4,500

Non-Executive	Date of appointment	Number of shares	
		at 1 April 2000	& 31 March 2001
Sir Brian Richards (Chairman)	1 April 1996	2,000	
Mr Dennis Stocks	1 April 1996	2,000	
Dr John Beacham	16 June 1999	1,000	

The following Directors each have options for shares exercisable between the dates and at the prices detailed below:

	Number of shares	Date exercisable	Price
Mr Clive Hall	1,250	1 December 2002-2009	£5.50
Mr Clive Hall	100	10 November 2003	£6.30
Dr John Mason	200	21 February 2000-2007	£1.00
Dr John Mason	1,500	1 December 2002-2009	£5.50

None of the Directors held a material interest in any significant contract to which the Company or any of its subsidiaries were party during the year.

Auditors' report to the shareholders of LGC (Holdings) Ltd

We have audited the financial statements on pages 27 to 44.

Respective responsibilities of Directors and auditors

As described on page 20, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

We review whether the statements on pages 21 and 22 reflect the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange (A 1.2, 1.3, 6.1, 6.2 and D 1.1, 2.1 and 3.1) in so far as is practicable for a private, unlisted company and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MacIntyre Hudson

Chartered Accountants
Registered Auditor
1 August 2001

MacIntyre Hudson
Greenwood House
4/7 Salisbury Court
London
EC4Y 8BT

Consolidated profit and loss account

for the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Turnover		26,502	22,975
Operating costs	2	(24,987)	(21,705)
Goodwill amortisation		121	148
Operating profit		1,636	1,418
Share of operating loss of associated company		-	(6)
Total operating profit		1,636	1,412
Investment income	4	132	127
Interest payable and similar charges	5	(5)	(5)
Profit on ordinary activities before taxation		1,763	1,534
Taxation on profit on ordinary activities	6	(479)	(418)
Profit on ordinary activities after taxation		1,284	1,116
Minority interest		5	-
Profit on ordinary activities after taxation and minority interest		1,289	1,116
Dividends	8	(390)	(342)
Retained profit for the year	17	899	774

All amounts above relate to continuing operations.

The Group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 31 to 44 form part of these financial statements.

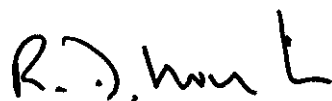
Consolidated balance sheet

as at 31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Positive goodwill	20	101	171
Negative goodwill	20	-	(191)
		101	(20)
Other intangible assets	10	276	379
Tangible assets	9	9,702	9,891
Investment in associated undertaking	11	-	1
		10,079	10,251
Current assets			
Stock and work in progress	12	1,014	893
Debtors	13	5,244	4,070
Investments	11	-	-
Cash at bank and in hand		5,553	3,199
		11,811	8,162
Current liabilities			
Creditors: amounts falling due within one year	14	(7,600)	(5,088)
Net current assets		4,211	3,074
Total assets less current liabilities		14,290	13,325
Creditors: amounts falling due after more than one year	15	(878)	(957)
Provisions for liabilities and charges	16	(623)	(470)
Equity minority interest		2	-
Net assets		12,791	11,898
Capital and reserves			
Share capital			
Ordinary shares	17	352	352
Capital redemption reserve	17	31	31
Share premium account	17	1,386	1,386
Capital reserve	17	9,989	9,989
Profit and loss account	17	1,033	140
Shareholders' funds (including non-equity interests)		12,791	11,898

On behalf of the Board

Dr Richard Worswick
Director
1 August 2001



Clive Hall
Director
1 August 2001



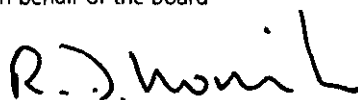
The notes on pages 31 to 44 form part of these financial statements.

Company balance sheet

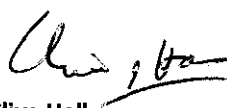
as at 31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	11	2,400	2,331
Current assets			
Debtors	13	108	11
Investments	11	-	-
Cash at bank and in hand		5	42
		113	53
Current liabilities			
Creditors: amounts falling due within one year	14	(866)	(840)
Net current assets		(753)	(787)
Net assets		1,647	1,544
Capital and reserves			
Share capital			
Ordinary shares	17	352	352
Capital redemption reserve	17	31	31
Share premium account	17	1,386	1,386
Profit and loss account	17	(122)	(225)
Shareholders' funds (including non-equity interests)		1,647	1,544

On behalf of the Board



Dr Richard Worswick
Director
1 August 2001



Clive Hall
Director
1 August 2001

The notes on pages 31 to 44 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	23	4,120	2,461
Return on investments and servicing of finance	24	127	38
Capital expenditure and financial investment	24	(1,413)	(1,423)
Taxation	24	(223)	(345)
Acquisitions and disposals	24	-	(146)
Equity dividends paid		(257)	(148)
Cash inflow before use of liquid resources and financing		2,354	437
Financing	24	-	(1,157)
Net cash increase/(decrease) in the year	25	2,354	(720)

The notes on pages 31 to 44 form part of these financial statements.

Notes to the financial statements

Note 1 (a-e)

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The principal accounting policies are:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

(b) Basis of consolidation

Group financial statements include the results of its trading subsidiaries.

- **Overseas subsidiaries**

The accounts of overseas subsidiaries and associated undertakings are translated into sterling on the following basis:

Assets and liabilities are at the rate of exchange ruling at the year end date;

Profit and loss account items are at the average rate of exchange for the financial year;

Exchange differences arising on the translation into sterling are recorded as movements on reserves.

- **Associated undertakings**

In accordance with FRS 9, all companies where the Group exercises significant influence, normally by Board representation and/or ownership of 25% of the voting rights on a long term basis, are treated as associated undertakings. The value of the associated undertakings reflects the Group's share of the net assets of the companies concerned. The Group's share of the profit before taxation of associated undertakings is included in the Group profit and loss account. All associated undertakings have financial years which are coterminous with the Group's.

(c) Turnover

Turnover represents the value of goods and services provided during the year, excluding VAT.

(d) Deferred income

Deferred income represents funds in respect of future building works. Funds in respect of capital expenditure are released to the profit and loss account over the anticipated life of the assets to match the depreciation charged. Funds which are non-specific are released to the profit and loss account in the period to which they relate.

(e) Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998, when FRS 10 was adopted, has been written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal. Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life not exceeding 20 years.

Negative goodwill arising on consolidation in respect of acquisitions since 1 April 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are depreciated.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Notes to the financial statements

Note 1 (f-l)

(f) Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets to their residual value by equal annual instalments over their expected useful lives.

The following asset lives for the depreciation of fixed assets on a straight line basis have been used:

	Years
Freehold buildings	40
Building plant	12
Scientific equipment	3-15
Computers and software	2-7
Vehicles	5

(g) Intangible fixed assets

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.

(h) Stock and work in progress

Stock consists of reference materials and reagents and is stated at the lower of cost and net realisable value. Cost of manufactured stock comprises the sales value of the stock less selling expenses. Reference materials comprise purchased and LGC manufactured stock.

Work in progress is valued at the lower of cost and net realisable value. Cost comprises direct materials and labour plus attributable overheads at normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion.

(i) Deferred taxation

Deferred taxation arises in respect of items where there is a timing difference between their accounting and taxation treatments. Provision for deferred taxation, using the liability method, is made in full in the year in which the timing difference arises.

(j) Pension costs

The Company operates a defined benefit scheme providing benefits based on final pensionable pay. Pension costs are charged to the profit and loss account over the periods benefiting from the employees' services.

(k) Finance and operating leases

The cost of operating leases is charged to the profit and loss account as incurred. Assets acquired under finance leases are included in the balance sheet as fixed assets and depreciated over their useful lives. Interest is charged to the profit and loss account using the actuarial method.

(l) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling on the balance sheet date. Exchange differences are dealt with through the profit and loss account.

Notes to the financial statements

Notes 2 - 5

2. Operating costs

	2001 £'000	2000 £'000
Staff costs (see note 7)	12,387	11,420
Materials and consumables	6,812	5,125
Building, power and repairs to equipment	1,690	1,337
Depreciation	1,496	1,528
Loss resulting from impairment review	-	199
Administrative expenses	2,321	1,824
Operating leases	226	220
Auditors' remuneration		
For audit work	39	36
For non-audit work	16	16
	24,987	21,705

3. Operating leases

At 31 March 2001 the Group was committed to making the following payments during the next year in respect of operating leases:

	2001		2000	
	Property	Equipment	Property	Equipment
Leases expiring in the next year	-	114	-	25
Leases expiring in the second to fifth years inclusive	40	25	40	188
Leases expiring after more than five years	-	-	-	-
	40	139	40	213

4. Investment income

	2001 £'000	2000 £'000
Interest receivable - bank deposits	132	127

5. Interest payable and similar charges

Bank interest paid/payable	3	-
Finance charges in respect of finance leases	1	4
Loan note interest	1	1
	5	5

Notes to the financial statements

Notes 6 - 8

6. Taxation on profit on ordinary activities

	2001	2000
	£'000	£'000
UK corporation tax at 30%	487	204
<i>With respect to prior years</i>	-	(200)
Deferred tax at 30%	(8)	414
	479	418

7. Information regarding employees

(a) Staff costs

Wages and salaries	10,283	9,397
Social security costs	1,308	745
Other pension costs	796	1,278
	12,387	11,420

(b) Average number of employees

	2001	2000
Direct scientific staff, administration and management	437	405

(c) Information on Directors' remuneration is included in the Remuneration Committee report on pages 23 to 25.

8. Dividends

	2001	2000
	£'000	£'000
Equity dividends		
Interim dividend of 16p (2000 - 16p) on 'A' ordinary shares	17	19
Proposed final dividend on 'A' ordinary shares	268	239
Proposed final dividend on 'B' ordinary shares	60	-
Proposed final dividend on ordinary shares	45	-
Non-equity dividends		
Dividend of 10p on preference shares	-	84
	390	342

Notes to the financial statements

Note 9

9. Tangible fixed assets

Group	Land and buildings £'000	Building plant £'000	Scientific equipment £'000	Computers and software £'000	Vehicles £'000	Total £'000
Cost						
At 1 April 2000	5,278	1,987	5,517	1,486	159	14,427
Additions	73	-	779	458	39	1,349
Disposals	-	-	(251)	(190)	(79)	(520)
Adjustments	-	-	263	93	-	356
At 31 March 2001	5,351	1,987	6,308	1,847	119	15,612
Accumulated depreciation						
At 1 April 2000	393	581	2,267	1,250	45	4,536
Charge for the year	134	196	977	162	27	1,496
Disposals	-	-	(227)	(190)	(61)	(478)
Adjustments	-	-	263	93	-	356
At 31 March 2001	527	777	3,280	1,315	11	5,910
Net book value at 31 March 2001	4,824	1,210	3,028	532	108	9,702
Net book value at 31 March 2000	4,885	1,406	3,250	236	114	9,891

The net book value of assets acquired under finance leases was £43,000 (2000 - £52,000). The depreciation charged in respect of these assets in the year was £15,000 (2000 - £15,000).

The element of land included in land and buildings at 31 March 2001 is £1,104,000 (2000 - £1,104,000).

The adjustments relate to a correction in the net book value of assets disposed of in prior years.

LGC (Holdings) Ltd

The Company has no tangible fixed assets.

Notes to the financial statements

Notes 10 - 11

10. Other intangible assets

	2001	Group	LGC (Holdings) Ltd	
	£'000	2000	2001	2000
	£'000	£'000	£'000	£'000
Balance brought forward at 1 April 2000	379	482	-	-
Development expenditure incurred during the year	-	-	-	-
Development expenditure amortised during the year	(103)	(103)	-	-
Balance at 31 March 2001	276	379	-	-

11. Investments

Fixed assets

Shares in subsidiary undertakings at cost

Balance brought forward at 1 April 2000	-	-	2,319	2,175
Pipeline Developments Ltd	-	-	-	71

Additions to existing investments

LGC Nordic AB	-	-	65	73
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Acquired during the year

LGC France Sarl	-	-	5	-
LGC Deselaers SI	-	-	11	-
Balance at 31 March 2001	-	-	2,400	2,319

Shares in associated undertaking at cost

At 1 April 2000	1	5	12	10
Purchased in the year: PURE Risk Management Ltd	-	2	-	2
Transfer to current assets	(1)	-	(12)	-
Share of the results of the year after taxation	-	(6)	-	-
Balance at 31 March 2001	-	1	-	12
Total fixed asset investments	-	1	2,400	2,331

In November 2000, the company announced its intention to sell its stake in PURE Risk Management Ltd. This investment is now included as a current asset investment and full provision has been made against the carrying value of this investment.

Notes to the financial statements

Notes 12 - 14

12. Stock and work in progress

	2001	Group	LGC (Holdings) Ltd	
	2000	2001	2000	
	£'000	£'000	£'000	£'000
Stock	615	393	-	-
Work in progress	399	500	-	-
	1,014	893	-	-

13. Debtors

Trade debtors	4,736	3,493	-	-
Other debtors	81	70	108	11
Prepayments and accrued income	277	298	-	-
Corporation tax	72	209	-	-
Employee Benefit Trust	78	-	-	-
	5,244	4,070	108	11

Included within trade debtors is a balance of £371,898 (2000 - £313,263) which represents guaranteed income which has not been invoiced.

The purchase balance on the Employee Benefit Trust has arisen due to the shares in the Discretionary Share Option Scheme (note 18) being purchased at a higher price than that at which they were sold. The cost of the shares still held by the Trust at the balance sheet date was £50,936.

14. Creditors - amounts falling due within one year

Hire purchase and finance lease creditors	-	1	-	-
Payments received on account	1,551	983	-	-
Trade creditors	2,081	874	-	-
Corporation tax	140	171	-	2
Dividend payable	381	248	381	248
Amounts owed to other group undertakings	-	-	477	488
Other taxation and social security	1,200	963	-	-
Accruals	2,054	1,766	8	90
Deferred income	193	70	-	-
Employee Benefit Trust	-	12	-	12
	7,600	5,088	866	840

Notes to the financial statements

Notes 15 - 17 (a)

15. Creditors - amounts falling due after more than one year

	2001 £'000	Group 2000 £'000	LGC (Holdings) Ltd 2001 £'000	2000 £'000
Accruals and deferred income	878	957	-	-
	878	957	-	-

Accruals and deferred income includes £1,402,000 (2000 - £1,506,000) in respect of future building works. Of the total amount, £493,000 is included in creditors due within one year (2000 - £554,000). The credit to the profit and loss account was £nil (2000 - £803,000).

16. Provisions for liabilities and charges

Deferred corporation taxation in respect of capital allowances

Balance at 1 April 2000	470	171	-	-
Provided in the year	153	299	-	-
Balance at 31 March 2001	623	470	-	-

17. Share capital and reserves

(a) Share capital	£'000	
Authorised at 31 March 2001	383	
	Number	Nominal value £'000
Allotted and fully paid		
Ordinary shares		
'A' ordinary shares	108,200	108
'B' ordinary shares	143,990	144
Ordinary shares	100,000	100
	352,190	352

Dividend rights

The different classes of shares rank for dividend in the following order:

- 1) 'A' ordinary shares
- 2) Ordinary shares
- 3) 'B' ordinary shares

On liquidation or capital reduction, the assets would be applied in the following order of priority:

- 1) 'A' ordinary shares
- 2) Ordinary shares
- 3) 'B' ordinary shares
- 4) Thereafter equally for the 'A' ordinary, ordinary and 'B' ordinary shares.

Notes to the financial statements

Note 17 (a-f)

17. Share capital and reserves (continued)

Voting rights

All classes of ordinary shares carry equal voting rights.

	£'000
(b) Capital redemption reserve	
Balance at 1 April 2000 and 31 March 2001	31
(c) Share premium account	
Balance at 1 April 2000 and 31 March 2001	1,386
(d) Capital reserve	
Balance at 1 April 2000 and 31 March 2001	9,989
(e) Profit and loss account	
Balance at 1 April 2000	140
Retained profit for the year	899
Exchange difference arising on translation of net investments in overseas subsidiary undertakings	(6)
Balance at 31 March 2001	1,033

	2001 £'000	Group 2000 £'000	LGC (Holdings) Ltd 2001 £'000	2000 £'000
(f) Summary of shareholders' funds				
Share capital	352	352	352	352
Capital redemption reserve	31	31	31	31
Share premium account	1,386	1,386	1,386	1,386
Capital reserve	9,989	9,989	-	-
Profit and loss account	1,033	140	(122)	(225)
Equity shareholders	12,791	11,898	1,647	1,544

Notes to the financial statements

Notes 17 (g) - 19

17. Share capital and reserves (continued)

	Group		LGC (Holdings) Ltd	
	2001	2000	2001	2000
(g) Reconciliation of movements in shareholders' funds	£'000	£'000	£'000	£'000
Balance brought forward	11,898	12,207	1,544	1,804
Profit for year	899	774	103	877
Exchange difference arising on translation of net investments in overseas subsidiary undertakings	(6)	-	-	-
Prior year adjustment	-	54	-	-
Redemption of preference shares	-	(1,120)	-	(1,120)
Redemption of 'A' ordinary shares	-	(17)	-	(17)
Equity shareholders	12,791	11,898	1,647	1,544

18. Discretionary Share Option Scheme (DSOPS)

An Employee Benefit Trust (the Trust), managed by Kleinwort Benson Trustees, has been established to acquire and administer 'B' ordinary and ordinary shares of £1 each for the benefit of employees. A total of 32,240 shares were held by the Trust at the year end.

19. Group capital commitments

	2001	2000
	£'000	£'000
Future capital expenditure contracted but not provided for	383	2
Authorised but not yet contracted for	-	-
	383	2

Notes to the financial statements

Notes 20 - 22

20. Acquisitions

The acquisition of LGC (North West) Ltd by LGC (Holdings) Ltd on 30 October 1998 gave rise to goodwill as follows:

	£'000
Negative goodwill at 1 April 2000	(191)
Amortised in the year	191
Negative goodwill at 31 March 2001	<u>0</u>

With effect from 1999, the allocation of fair values was revised by the management which gave rise to goodwill as follows:

Goodwill arising on acquisition	
Goodwill brought forward at 1 April 2000	27
Amortised in the year	(27)
Goodwill carried forward at 31 March 2001	<u>0</u>

Pipeline Developments Ltd

Pipeline Developments Ltd was acquired by the Company on 28 January 1998.

Goodwill brought forward at 1 April 2000	144
Amortised in the year	(403)
Positive goodwill carried forward at 31 March 2001	<u>101</u>

21. Company profit and loss account

The Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 from presenting its own profit and loss account. The profit for the financial year of the Company after taxation amounted to £504,000 (2000 - £869,000) before dividends of £338,000 (2000 - £342,000).

22. Pension scheme

The Company operates a fully funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The contributions are determined by a qualified actuary on the basis of a unit valuation. This was last undertaken as part of the triennial valuation of the scheme as at 1 August 1999, when the current market value of the scheme's assets was £11.1 million and there was no outstanding liability on the Company.

The pension charge for the year was £1,246,000 (2000 - £1,278,000) of which £119,000 (2000 - £117,000) has been accrued.

Notes to the financial statements

Notes 23 - 24 (a - d)

23. Reconciliation of operating profit to net cash inflow from operating activities

	2001	2000
	£'000	£'000
Operating profit	1,636	1,412
Amortised goodwill	(121)	(148)
Amortised development costs	103	103
Depreciation	1,496	1,528
Loss on impairment review	-	199
Loss on sale of fixed assets	17	21
(Increase) in stock and work in progress	(121)	(67)
(Increase) in debtors	(1,233)	(521)
Increase/(decrease) in creditors due within one year	2,422	(96)
(Decrease)/increase in creditors due after one year	(79)	30
Net cash inflow from operating activities	4,120	2,461

24. Analysis of cash flows for headings netted in the cash flow statement

	2001	2000
	£'000	£'000
(a) Return on investments and servicing of finance		
Interest received	132	127
Interest payable	(5)	(5)
Preference dividend paid	-	(84)
	127	38

(b) Capital expenditure and financial investment

Purchase of tangible fixed assets	(1,349)	(1,472)
(Purchase)/sale of own shares	(90)	30
Disposal of tangible fixed assets	26	19
	(1,413)	(1,423)

(c) Taxation

UK corporation tax paid (including ACT)	(223)	(345)
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(d) Acquisition and disposals

Payments to acquire subsidiaries	-	(144)
Payments to acquire associates	-	(2)
	-	(146)

Notes to the financial statements

Notes 24 (e) - 26

24. Analysis of cash flows for headings netted in the cash flow statement (continued)

	2001	2000
(e) Financing	£'000	£'000
Redemption of preference shares	-	(1,120)
Redemption of 'A' ordinary shares	-	(17)
Capital element of finance lease rental payments	-	(20)
	-	(1,157)

25. Reconciliation of net cash flow to movements in net funds

Increase/(decrease) in cash in the year	2,354	(720)
Cash outflow from finance leases	-	20
Change in net funds from cash flows	2,354	(700)
Net funds at 1 April 2000	3,199	3,899
Net funds at 31 March 2001	5,553	3,199

26. Analysis of changes in net funds

	At 31 March 2001 £'000	Cash flows £'000	At 1 April 2000 £'000
Cash at bank and in hand	5,553	2,354	3,199

Notes to the financial statements

Notes 27 - 29

27. Group companies

Details of principal subsidiary undertakings

Name	Country of incorporation	% Holdings	Activities
LGC (Teddington) Ltd	England	100	Chemical and biochemical analysis and consultancy
University Diagnostics Ltd	England	100	DNA diagnostics services
Pipeline Developments Ltd	England	100	Pipeline technology, consultancy and research
LGC (North West) Ltd	England	100	Chemical and biochemical analysis and consultancy
LGC Nordic AB	Sweden	100	Distributors of analytical reference materials
LGC France Sarl	France	100	Distributors of analytical reference materials
LGC Desaelers SI	Spain	60	Distributors of analytical reference materials

28. Post balance sheet event

On 6 June 2001, the Company acquired 100% of the shares in Promochem GmbH, a company incorporated in Germany, for a cash payment of DM6.5 million (£2.2 million). Promochem GmbH and the other companies in the Promochem Group distribute analytical reference materials.

Subsequently, LGC Beteiligungs GmbH, a wholly owned subsidiary of LGC (Holdings) Ltd incorporated in Germany, was established and LGC GmbH, a wholly owned subsidiary of LGC Beteiligungs GmbH, was incorporated. Promochem Iberia SI was transferred from Promochem GmbH to LGC Beteiligungs GmbH and Promochem GmbH merged with LGC GmbH.

The Promochem GmbH Group includes the following subsidiaries:

Name	Country of incorporation	% Holdings	Activities
Promochem Sarl	France	100	Distributors of analytical reference materials
Promochem Iberia SI	Spain	100	Distributors of analytical reference materials
Promochem Ltd	England	100	Distributors of analytical reference materials
Promochem Standard Supplies AB	Sweden	67	Distributors of analytical reference materials
Promochem Warszawa Spzoo	Poland	66	Distributors of analytical reference materials
Promochem India Private Ltd	India	50	Distributors of analytical reference materials

29. Ultimate controlling party

Ultimate control lies with the shareholders, none of which individually has a controlling interest.