

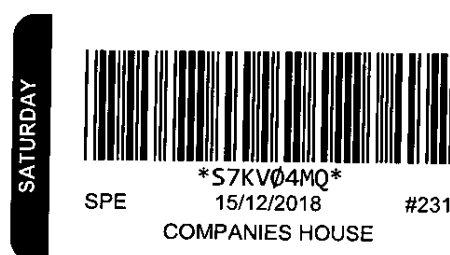
LGC Science Group Holdings Limited

Registration number: 09903564

LGC Science Group Holdings Limited

Annual report and accounts

For the year from 1 April 2017 to 31 March 2018



LGC Science Group Holdings Limited

Key Highlights

Science for a safer world

Key highlights for the financial year

Revenue:	£331m (2017: £281m)
Adjusted EBITDA:	£86.4m (2017: £72.9m)
Average number of employees	2,626 (2017: 2,615)
Revenues by region:	
EMEA/APAC:	£214m (2017: £192m)
Americas	£117m (2017: £89m)

- LGC celebrated its 175th anniversary in the year.

Our science in action:

Pharma & health

- Our Mikromol range of reference standards and our CMC solutions help assure the quality and consistency of pharmaceutical manufacturing
- Our genomics tools enable drug discovery through greater insight into the molecular basis of disease and mechanism of action. Our molecular diagnostics tools help in disease diagnosis and treatment.
- Our oligonucleotide products, synthetic chemistry and analytical technology help discover and bring novel gene- and cell-based therapies to market.
- Our bioanalytical solutions help understand drug efficacy and safety and our biomarker standards and controls give confidence in diagnostic instruments and testing labs

Food, beverage & environment

- Our Dr. Ehrenstorfer food integrity reference standards help assure the quality and consistency of food quality, safety and authenticity testing
- Our BRC Global Standards, Allergen Control and Informed Sport/Choice programmes provide confidence in product quality, provenance, supply and manufacture.
- Our sulphur standards are used by oil refiners to produce cleaner fuels. This helps reduce harmful emissions and contributes to a cleaner environment.
- Our genomics technologies are widely used in marker assisted selection to help develop disease resistant and higher yield crops. In turn we help create more productive and cleaner agriculture

Key investments

- We continuously invest in our employees, through a number of tools, including our annual global talent review process, where we discuss training requirements and future development
- We are investing in expanding our European proficiency testing hub in Bury, UK, following continued strong organic and inorganic growth since we opened our facility in 2010.
- We are investing in a new reference materials and proficiency testing laboratory testing facility in Nanjing, to be commissioned in 2018.
- We are relocating our facility in Charleston, South Carolina, to a new and larger site in the vicinity, which will provide appropriate growth opportunity for the future.
- We announced a major investment at our Biosearch subsidiary in Petaluma, California, USA to expand our GMP oligonucleotide manufacturing capacity to provide Therapeutic Nucleic Acid synthesis in support of early stage clinical trials.
- Following the acquisition of Axolabs in March 2017, we are investing in the development of a Good Manufacturing Practice (GMP) batch release testing facility in Kulmbach in Germany. This will bolster our international platform for Chemistry, Manufacturing and Controls, allowing us to deliver GMP analytical services for customers from labs in the US, UK and Germany.
- We have announced expansion plans for our Fordham site, near Cambridge, UK. The first phase was completed early in 2018 with the opening of the new inorganic lab. Further development on the site will take place in the year, to include a significant expansion of our large molecule bioanalysis offering and supplement testing capability.
- We are investing in information technology platforms, including e-commerce platforms and the upgrade of our global ERP system, to provide more efficient ways for our customers to interact with us.

LGC Science Group Holdings Limited

Key Highlights (continued)

175th anniversary:

- We celebrated our 175th anniversary with a two-day international conference held at the Royal College of Physicians in London.

Acquisitions in the year:

- On 14 July 2017, we acquired LINK technologies, a premier supplier of speciality reagents for oligonucleotide synthesis. LINK is based in Bellshill, near Glasgow, UK
- On 15 February 2018, we acquired Lucigen Corporation, a leading developer, manufacturer and supplier of molecular biology enzymes, reagents and related kits. Lucigen is based in Middleton, Wisconsin, USA.
- On 29 March 2018, BRC Global Standards (part of the LGC Group) acquired Allergen Control Group, Inc., owner and operator of the Gluten-Free Certification Program (GFCP), the food industry's only ISO 17021-accredited management system certification scheme for gluten free food manufacturing facilities. ACG is based near Ontario, Canada.

Divestment:

- On 16 October 2017, we sold our Forensics and Security division to Eurofins Scientific.

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Registered Office

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Teddington
Middlesex
TW11 0LY

Independent Auditors

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

LGC Science Group Holdings Limited

Group strategic report

The Directors present their strategic report for the year ended 31 March 2018.

The consolidated financial statements on pages 23 to 77 are prepared in accordance with International Financial Reporting Standards adopted by the European Union ("adopted IFRSs").

Principal activity

LGC Science Group Holdings Limited ("the Company") and subsidiaries ("the Group" or "LGC") is an international leader in the life science tools sector, including human healthcare, agri-food & the environment.

We provide a comprehensive range of reference materials, proficiency testing schemes, oligonucleotides, genomics reagents and instrumentation, as well as research and measurement capabilities. Our scientific tools and solutions enable organisations to advance research, develop new products and form an essential part of their quality and compliance procedures.

Our purpose and core values

The exploration of science is our mission in order to create a safer world

We are passionately committed to go beyond ordinary, in collaboration with our employees, our customers, and with absolute quality.

Our values of **Passion, Curiosity, Integrity, Brilliance** and **Respect** embrace our employees' commitment and dedication to using science to work with our customers to make the world safer, and are deeply rooted in the behaviours we expect from all our colleagues.

Passion: We are passionate about everything we do. Our passion translates into our ambition to make the world a safer place. We expect our employees to strive to continuously push boundaries, challenge the norm and come to work with an infectious energy to do their best every day.

Curiosity: We always look forward to what's next. Our curiosity for today's discoveries makes tomorrow's innovations possible. We expect our employees to share their knowledge and expertise with each other and challenge the status quo. We anticipate our employees will discover creative and innovative solutions that will enable our customers and LGC to grow and evolve.

Integrity: We develop and deliver products and services that match our commitments. We demonstrate transparency and openness in all our actions. We expect our employees to trust the people they work with to do the right thing, to behave ethically at all times and to take accountability for their actions.

Brilliance: We strive to be the very best in everything we say and do. We exceed customers' expectations through innovation and pioneering science. We set the bar high for success and keep raising that bar. We expect our employees to achieve more by working together collaboratively and to meet customers' needs with agility, adaptability and speed.

Respect: We respect the needs of everyone, our customers, employees and our environment at large. We appreciate the skills, knowledge and strength of individuals, teams and the Group as a whole. We want our employees to feel included when decisions are made and to ensure that others feel included too. Employees should recognise the contribution made by themselves and others across all our teams.

Business model and strategy

The Group operates via the Standards and Genomics divisions, underpinned by our Health, Science & Innovation (HS&I) team and our corporate functions.

Each division provides mission critical solutions in life sciences tools and technology across growing end markets. The business model includes research and development, manufacturing, marketing, sales and customer support of a range of specialist products underpinned by analytical and measurement science.

The Standards division provides a comprehensive product range of Reference Materials, Proficiency Testing schemes and Supply Chain Assurance tools.

LGC Science Group Holdings Limited

Group strategic report (continued)

The Genomics division provides a comprehensive product range of PCR (Polymerase Chain Reaction) reagents and instrumentation, Oligonucleotides and Next Generation Sequencing tools

Our HS&I team run a number of national, scientific laboratories on behalf of the British Government along with leading analytical and measurement capabilities that underpin our group-wide activities

The business addresses markets which are underpinned by sustainable growth drivers such as population demographics, increased regulatory activity and a continuing demand for high quality

Science for a safer world is our core purpose. Our strategy is to build sustainable leading positions in attractive niche segments requiring specialist scientific expertise, across the life science tools sector, including human healthcare, agri-food & the environment. In doing so we will leverage our proven capability in organic and inorganic growth, our position as a global leader in life science tools and technology, our world class measurement science capabilities and our highly differentiated and complete portfolio of products and technologies

Our strategic priorities include

Our employees who set us apart from our competition. Their in-depth knowledge and expertise across a breadth of scientific areas enable our business to provide high calibre solutions to our customers. We encourage our employees to set the bar high and it is through their infectious energy to do their best every day that we constantly challenge today's science to create tomorrow's innovations.

Our customers: We work closely with our customers, to ensure we deliver quality products and services. Many of our innovations are born from co-operating with customers and understanding their issues.

Our operating model Our operating model fosters an agile and responsive organisation, with clear communication and lean and effective processes. Our Health, Science and Innovation team works across all our divisions, with experts in key scientific domains to share knowledge and foster innovation.

Ownership

LGC's ultimate controlling party is KKR & Co L.P. ("KKR"), an entity incorporated in the United States of America. KKR acquired their controlling interest through various subsidiary entities including KKR Blue Co-Invest L.P. and KKR European Fund IV L.P.

Founded in 1976, KKR is a leading global investment firm, listed on the New York Stock Exchange, with approximately \$100 billion in assets under management and with deep roots in private equity. KKR has a long history of successfully investing in science and healthcare businesses, including investments such as Alliance Boots, Adocia, HCA, Jazz Pharmaceuticals, Panasonic Healthcare and PRA International. KKR bring decades of financial, operational and consultancy experience, strong strategic, sector and market knowledge and a powerful network of global relationships

KKR's ownership of LGC is a partnership that is accelerating the delivery of the LGC's strategy, providing LGC access to new opportunities, funding, clients and suppliers, and increasing inorganic growth via mergers and acquisitions, helping LGC to deliver its strategic objectives.

During the year, KKR has partnered with LGC to provide advice, capital and operational support to facilitate delivery of LGC's strategy.

LGC Science Group Holdings Limited

Group strategic report (continued)

Review of the business and financial performance

Key performance indicators

During the year, the Group has continued to invest organically and pursue its strategy of making highly targeted acquisitions to continue to develop leadership positions in sustainably growing niche markets.

The Group performed well in the year to 31 March 2018 with revenue of £331.2m (2017: £281.3m) and Adjusted EBITDA of £86.4m (2017: £72.9m).

The Group's key performance indicators ("KPIs") for the year are set out in the table below.

	Year ended 31 March 2018 £m	Period ended 31 March 2017 £m
Revenue	331.2	281.3
Adjusted EBITDA*	86.4	72.9
Long-term syndicate borrowings	674.1	670.5
Net cash flow from operating activities	51.5	20.4

*Earnings (including joint venture) before interest, tax, depreciation, amortisation, unrealised foreign exchange gains and losses and material, unusual and non-recurring items:

	Year ended 31 March 2018 £m	Period ended 31 March 2017 £m
Adjusted EBITDA	86.4	72.9
Unrealised foreign exchange gains and losses	(3.6)	9.2
Depreciation and amortisation	(35.1)	(31.0)
Material, unusual and non-recurring items	(26.0)	(67.4)
Group operating profit / (loss)	21.7	(16.3)

KPI - Revenue

Revenue progression is a key metric aligned to the Group's overall strategy of building sustainable leading positions in attractive markets requiring specialist scientific expertise.

Revenue performance in the year was ahead of management expectations, with strong progression across geographies. Of particular note was continued good growth in North America, China and Europe, reflecting progression in all end markets.

In North America, revenue performance was driven through performance of the core business and the acquisitions of 2016 and 2017. The management team in North America was further strengthened to support continued growth. Lucigen Corporation Inc has contributed strongly to the Group from the date of its acquisition. Strong European growth reflects the core underlying performance of the Group and also the very positive performance of the businesses acquired in Europe throughout 2016 and 2017. Axolabs GmbH in particular performed very strongly. Growth in China continued to be strong, driven by sales of reference materials, particularly for the food, environment and pharmaceutical markets, and also by genomics instruments and reagents.

LGC Science Group Holdings Limited

Group strategic report (continued)

The acquisitions, since KKR took control of the Group in March 2016, all supported the strong performance reported for the year:

Company	Location	%	Principal Activity
Douglas Scientific LLC	Alexandria, MN, USA	55	Leader in high throughput Polymerase Chain Reaction platforms and consumables to customers in the AgBio, molecular diagnostics and other applied markets.
Prime Synthesis Inc	Aston, PA, USA	100	Leading manufacturer of controlled pore glass ('CPG') products used in oligonucleotide synthesis.
ASI (asset deal)	London, UK	100	A leading immunosuppressive proficiency testing (PT) scheme.
Organic Standard Solutions International LLC	Charleston, SC, USA	100	A leading manufacturer of organic and inorganic National Institute of Standards and Technology (NIST) traceable reference materials
BRC Trading Limited	London, UK	70	A leading developer of benchmark standards across food safety, packing & packaging, storage & distribution, agents & brokers and consumer products
API Food Quality, Inc,	Traverse City, MI, USA	100	A leading provider of food proficiency testing services.
Axolabs GmbH	Kulmbach, Germany	100	A leading specialist contract development and manufacturing organisation specialising in oligonucleotide therapeutics.
Link Technologies Limited	Glasgow, UK	100	A premier supplier of speciality reagents for oligonucleotide synthesis.
Lucigen Corporation Inc	Middleton, WI, USA	100	A developer, manufacturer and supplier of molecular biology reagents and kits that target fast growth applications in clinical diagnostics, drug discovery, synthetic biology and gene editing
Allergen Control Group	Ontario, Canada	100	Operator of the world's most rigorous and recognised gluten-free certification programme

On 27 April 2018, the Group acquired 100% of the equity of BioAutomation Corporation, a business in Irving, Texas. BioAutomation designs, develops, manufactures and supplies synthesisers for pharmaceutical, biotech, scientific research and development and academic applications globally.

KPI - Adjusted EBITDA

Adjusted EBITDA is the one of the Group's key internal performance metrics which is monitored by both management and our main stakeholders and capital providers as a measure of recurring, underlying profit performance. Adjusted EBITDA of £86.4m (2017: £72.9m) represents a margin of 26.1% (2017: 25.9%) which was in line with management expectations

Adjusted EBITDA is operating profit before depreciation, amortisation, material, unusual and non-recurring items and the impact of unrealised foreign exchange gains or losses. Adjusted EBITDA is not specifically defined under, nor presented in accordance with IFRS. You should not therefore consider it as an alternative to profit / loss for the year as determined in accordance with IFRS.

In deriving Adjusted EBITDA, operating profit / loss is adjusted for a number of material, unusual and non-recurring items to permit a better understanding by management and other stakeholders of the recurring profit performance of the Group

Typically these material, unusual and non-recurring items include one off costs associated with the transfer of ownership of LGC Science Group Limited between Bridgepoint Capital and KKR & Co. LP in March 2016, one off costs associated with the acquisitions pursued by the Group, costs associated with the integration of businesses successfully acquired by the Group, restructuring costs, the costs of disposal of the Forensics and Security division in October 2017, the periodic impact of the unwind of Fair Value adjustments made in accordance with IFRS 3 ("Business Combinations") relating to the transfer of ownership of LGC Science Group Limited between Bridgepoint Capital and KKR & Co and subsequent business combinations. Further details are included in notes 4 and 7.

LGC Science Group Holdings Limited

Group strategic report (continued)

The largest material, unusual and non-recurring item in the year ended 31 March 2018 of £10.1m (2017: £14.7m) relates to the unwind of inventory fair value step ups. The amount reflects the amortisation of amounts recognised in accordance with IFRS 3 regarding the fair value uplift applied to inventory amounts arising through acquisition.

KPI - Long-term syndicate borrowings & financial position

Strong financial capital management is critical to the delivery of the Group's strategy. The capital structure of the Group is managed and controlled by the Group's senior management, working closely with KKR Capital Markets and external advisors, and within defined limits agreed by the Board. Long-term syndicate borrowings and operating cash flows are therefore included as key performance indicators above.

The Group maintains sufficient cash to fund day-to-day operating requirements. At the end of the year the Group has £41.8m (2017: £60.5m) of cash on its Consolidated statement of financial position.

In common with many other with Private Equity backed businesses, the capital structure of the Group includes a significant proportion of debt. Together with equity funding and reserves of £494.8m (2017: £529.8m), the Group has long-term borrowings of £679.8m at 31 March 2018 (2017: £675.7m), a ratio of 0.7 equity and reserves: 1.0 long-term debt (2017: 0.8:1).

At 31 March 2018, the Group had long-term borrowings comprised of the following:

Group and Company	Interest	Maturity	2018 £m	2017 £m
USD denominated syndicated loans	LIBOR + (3.25%-6.75%)	4-6 years	270.2	269.5
EUR denominated syndicated loans	EURIBOR + (3.25%-6.50%)	5-6 years	417.0	351.2
GBP denominated syndicated loans	LIBOR+8%	6 years	-	63.5
Issue costs			(13.1)	(13.7)
Syndicated loans subtotal			674.1	670.5
Long-term loan notes (including accrued interest)	10%	13 years	5.7	5.2
			679.8	675.7

The Group's syndicated loans are secured on the assets of the Company and certain subsidiary undertakings.

The purpose of these financial instruments was to repay debt and fund the acquisition of LGC Science Group Limited (and associated undertakings) on 8 March 2016, to additionally fund the subsequent acquisitions in the period since and to provide sufficient operational funds to support Management with the execution of the Group's strategy. The total committed and undrawn Group facilities under the Senior Facilities Agreement at 31 March 2018 were £31m (2017: £50m).

Further information on the Group's capital structure is included in notes 20, 21 and 27 to the financial statements.

KPI – Operating cash flow

The Group's cash generation was also strong, with positive net cash flow from operating activities in the year of £51.5m (2017: £20.4m). This represents net cash flow from operating activities after the material and non-recurring costs identified in note 7. Management monitor this metric when deciding strategic priorities for future periods.

LGC Science Group Holdings Limited

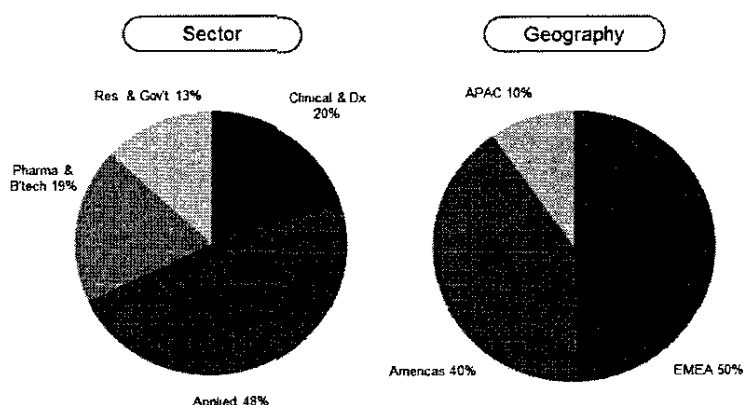
Group strategic report (continued)

Other key performance indicators

- Staff Engagement

Our employees are the key to our success. Annually we conduct a staff engagement survey. The 2018 survey reached 86% response rate (2017: 83%). We can be confident that the views expressed are representative of the workforce as a whole. We benchmark the whole group against other organisations. We also breakdown the survey to each location and division / team level to ensure we put the right follow up actions in place. Our engagement rate was 4.15 (out of 5) in 2018 (2017: 4.05).

- Sector and Geography



In addition to the main financial key performance indicators, Management review metrics regarding end market sector, end market geography and growth in those key markets, as a measure of performance against our strategy to build sustainable leading positions in attractive niche segments requiring specialist scientific expertise.

Financial risks

The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign exchange risk.

The Group has in place a financial risk management programme that seeks to limit the adverse effects on the financial performance of the Group that could arise, including monitoring levels of debt finance and related finance costs. Cash flow and leverage in respect of the Company's banking facilities are reported monthly to the Board. 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.

Financial risk

Price

Risk approach

The Group's specialist and centralised procurement function engages across the business to ensure price risk is minimised on key supplies. Although no formal programme of commodity price management has been adopted due to the profile of inputs of production, any significant exposure is reviewed periodically by both the procurement function and Group Management and, where appropriate, pricing is fixed by future purchasing agreements.

Credit

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. A policy of individual customer credit limits is used to manage exposure to any individual customer. The Group's principal financial assets are bank balances, cash, trade and other receivables.

Liquidity

The Group actively maintains a mixture of long-term and short-term debt finance and cash deposits that are designed to ensure the Group has sufficient available funds for operations, expansion and planned acquisitions. From 8 March 2016, there are no liquidity covenants associated with the Company's banking facilities.

Interest rate

During the year ended 31 March 2018 all of the Group's bank debt was at floating interest rates (3

LGC Science Group Holdings Limited

Group strategic report (continued)

Financial risk

cash flow

Risk approach

month LIBOR / EURIBOR). The Group monitors the trends in interest rates and regularly consults with investors and advisors regarding interest rates. The Group has opted to partially fix USD interest rates and partially cap EUR interest rates. The Group holds fluctuating cash balances that earn interest at fluctuating market rates (note 27).

Foreign exchange

cash flow

The Group is exposed to cash flow risk as a result of assets and liabilities denominated in foreign currency. This risk is partially mitigated by internally generated cash flows in a similar mix of currencies. Net risk of exposure to operations in foreign currencies is managed by the purchase of forward foreign exchange contracts.

Investment

In the year to 31 March 2018 we continued to invest significantly in our businesses, in new technology and in new opportunities. Overall capital expenditure for the year was £31.2m (2017: £19.7m), reflecting continued investment in scientific equipment, facilities and IT across the entire business. Of particular note are the substantial investments in our GMP oligonucleotide production facility in Petaluma, CA (USA), in the Bury (UK) proficiency testing hub expansion and in expanding our drug development services laboratories in Fordham, Cambridgeshire (UK). Elsewhere we continued to invest in new markets, including reference materials in China and therapeutic nucleic acids in Germany. Centrally, we successfully completed the upgrade of our enterprise resource planning application, allowing an acceleration of the work to integrate recent acquisitions.

Divestment

LGC sold its Forensics and Security division to Eurofins Scientific on 16 October 2017 for a consideration of £30m. Along with the transfer of the trade of that division, 706 employees transferred to Eurofins Scientific.

Other principal risks and uncertainties

The review of other principal risks and uncertainties contains certain forward looking statements. These statements have been made by the Directors in good faith based on the information available to them at the time of their approval of this report. They should be treated with caution due to the inherent uncertainties arising because they relate to circumstances that may or may not occur in the future.

The Group's effective risk management is central to the achievement of our strategic priorities. It is managed across our business through a number of formal and informal processes. These risk management processes sit within our overall governance framework, which include clear accountabilities, delegated authority limits and well-defined policies and procedures that govern employee and business conduct. LGC approaches risk in accordance with standard risk management methodology which is based upon the process set out in ISO 31000:2009 Risk Management, Principles and Guidelines. LGC also considers organisational resilience as a key part of risk management and works in accordance with the principles of BS 65000:2014.

The Group Risk Committee has overall responsibility for operational risk management and meets regularly to review the risk environment and risk mitigations. The Committee is chaired by the Head of Enterprise Risk Management and comprises senior members of Management including the Chief Financial Officer, Chief Information Officer and the Group General Counsel.

The principal risks facing the Group include:

Risk

Macroeconomic, market and competitor

Risk approach

We operate globally in many countries and markets where both competitive action and technological innovation are high.

The global reach of the Group minimises the impact of macroeconomic shocks on the Group. In addition, we invest in Research and Development, new production capabilities, laboratory instrumentation, new technologies and improving general business infrastructure to maintain our leading position in these markets. We also regularly monitor market trends and competitor developments.

LGC Science Group Holdings Limited

Group strategic report (continued)

Risk	<p>Risk approach</p> <p>In some areas, the Group has longer term contracts, some with Government bodies, which are subject to periodic competitive tender. Renewal of these contracts is uncertain and is based on financial and performance criteria, in some cases allied to the continuance or otherwise of testing or research programmes. Overall, customer concentration is low with the largest customer accounting for less than 5% of revenues.</p>
Legal & regulatory	<p>The Group is subject to various legal and regulatory requirements in relation to, for example, employment, data protection, health and safety, environmental protection, trade sanctions, and tax and other corporate regulations governing the Group's activities. The Group is aware of the importance of identifying and complying with all applicable legislation and regulation affecting our business activities globally.</p> <p>Legal and regulatory developments are actively monitored by the Group's risk committee and by our QHSE, Security and Risk, Tax, Legal and Company Secretarial departments, in conjunction with our advisors, to ensure that new and existing laws and regulations are identified, understood and complied with.</p>
Employee recruitment and retention	<p>Our ability to deliver our strategy depends on having the right talent. The loss of key talent, or the failure to attract sufficient talent could have a serious impact on our ability to deliver our strategy.</p> <p>To ensure that we are able recruit and retain the right people and develop them with the right skills, we have strong recruitment practices in place and provide regular learning and development opportunities in order to enhance the professional ability of all employees.</p>
IT Resilience	<p>Technology underpins our ability to deliver our strategy. Cybersecurity, platform performance and infrastructure resilience are of significant importance to the Group. In addition to financial investment, our senior technology leaders regularly assess risk, policy and best practice to ensure IT operational resilience.</p>

Trends and factors affecting future development and performance

We will continue to invest in delivering profitable organic and acquisitive growth in our chosen end markets

Long-term sustainable growth drivers include the increasingly complex regulatory, production and supply chain environments in both developed and emerging markets, the growing role of health and safety in both developed and emerging economies, the increasing regulatory frameworks in a wide range of technically demanding industries (including pharmaceutical, food, environment and industrial), the increased use of molecular diagnostics and therapeutics in a clinical setting, and the need to improve crop yields to meet the increasing demand.

From a geographic perspective, this growth will come from expanding presence within all regions but in particular North America, where we continue to develop our standards and genomics presence, and in Asia, where there is a particular demand for LGC's products and services due to the macro economic growth drivers in that region.

Acquisitions will remain a feature of our growth, building scientific capability and geographic presence, according to a tailored and disciplined approach to deal origination, execution and integration

Corporate Social Responsibility

We are committed to a working environment which encourages employees to recognise the importance of Corporate Social Responsibility and diversity. Alongside our approach to equal opportunities, other important examples of reaching out to the wider community include our support and commitment to fund raise for an annual charity, activities for and within the local communities in which we operate, and policies designed to foster sustainability at local, national and global levels.

LGC Science Group Holdings Limited

Group strategic report (continued)

Quality, Health, Safety and the Environment (QHSE)

Overall, we have continued to build on our excellent quality, health, safety and environmental record during the past year. Our QHSE teams have continued to ensure significant focus in this area across our business. Our quality performance was underlined by successful UKAS, FDA, BSI and a number of customer audits. We continue to comply with all environmental legislative requirements in the territories in which we operate and to maintain a programme of continuous improvement in all QHSE areas.

We are committed to the continual improvement of our environmental performance and we aim to operate our Environmental Management System (EMS) aligned with ISO 14001 principles. This EMS provides the framework for setting and reviewing environmental objectives and targets.

The Group Head of Environment, in conjunction with the Environment Adviser, Environment Manager, and the Environmental Management Steering Group, is responsible for setting the environmental strategy and monitoring environmental compliance and performance.

We are also committed to the prevention of pollution and to reducing the environmental impact of our business operations in order to protect the health and safety of our employees, surrounding communities and ecosystems. The control of energy and materials consumption, along with the responsible management of our waste, is key to our efforts to improve environmental performance and reduce our carbon footprint.

Employees and Gender Diversity

The average number of employees for the year ended 31 March 2018 was 2,626 (2017: 2,615).

We are committed to creating an employment environment that attracts, retains and motivates the best 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 Head Office. In addition, the provision of information and consultation between management and employees is facilitated through structured quarterly communication, town halls, the intranet and various consultative committees across the Group.

A requirement of the Companies Act 2006 is that the company should assess and comment on any pertinent information regarding human rights issues in this report. Given the nature of our business we do not believe it is necessary to include such information.

We are also required to publish our gender pay gap in the UK.

It is the company policy to provide equal opportunities for all employees and applicants on the basis of objective criteria and personal abilities regardless of gender, age, religion, sexual orientation or ethnic origin. This policy ensures that recruitment and advancement are carried out on the basis of merit.

We also give 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.

LGC Science Group Holdings Limited

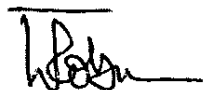
Group strategic report (continued)

The table below shows the gender diversity within the Group at the date of reporting.

	2018		2017	
	Male %	Female %	Male %	Female %
Board Of Directors and Company Secretary	90	10	90	10
Senior Managers	68	32	69	31
Other employees	42	58	45	55

Senior managers are comprised of the members of the executive committee (unless already included within the Board of Directors) and members of the executive teams

The Strategic report, as set out on pages 4 to 13 has been approved by the Board.



Tim Robinson
Director and Chief Executive Officer
6 July 2018

LGC Science Group Holdings Limited

Corporate governance report

The Board of Directors is responsible for setting the Group's strategic direction, the overall management of the Group and maintaining effective operational control, including significant financial, organisational, legal and regulatory controls.

The Board is committed to high standards of corporate governance and ethical behaviour in directing the Group's affairs. The Board is responsible for the oversight of the corporate governance framework and its implementation within all Group operating companies

The Board consists of senior LGC employees: specifically the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Scientific Officer (CSO), two other Executive Directors, 2 KKR appointed Directors and two other Non-Executive Directors.

The Board is organised in such a way as to ensure each member receives the appropriate business and functional support required to discharge their responsibilities and to facilitate an appropriate level of information to allow constructive challenge and debate at Board level.

The Board Directors and Company Secretary are

Tim Robinson,
Chief Executive Officer

Tim joined LGC in 2013 as Chief Executive. He was previously Chief Executive of Talans (formerly De La Rue), the global leader in technology-based solutions for cash management. Tim has followed an international career in the technology and services sectors, spanning Engineering, Marketing and Corporate Leadership.

Following a decade with IBM in Asia and Europe, Tim joined Silicon Graphics (SGI) as European Marketing Director, before becoming Managing Director of SGI in the UK & Ireland. After his appointment as Chief Executive of DSC Group, he led the company into the FTSE 250 and was subsequently appointed Senior Vice President of the global Civil Security Division of Thales, based in Paris. Tim was then appointed CEO for Xafinity, the privatised Office of the Paymaster General.

Tim is a Non-Executive Director of the Department for International Development. He has also been a Non-Executive Board Member of UK Trade & Investment, a Member of the Association of Oxfam, serving on their Audit Committee, and a Non-Executive Director of Camelot Group.

Simon Parsons,
Chief Financial Officer

Simon was appointed Chief Financial Officer of LGC in 2010. He joined LGC after working as CFO in two private equity investments owned by Apax Partners and Balderton Capital. Prior to that, Simon held a number of General Manager and Finance Director positions in the UK and Italy with Celesio AG, a leading European wholesale and retail pharmaceuticals business. Simon qualified as a Chartered Accountant with Ernst & Young in 1993 where he worked in both the UK and US practices.

Derek Craston,
Chief Scientific Officer

Derek joined the Group in 1991 and joined the Board in 2012 as Chief Scientific Officer (CSO). In addition to his role as CSO, Derek leads LGC's Health Science & Innovation capability. He served as Government Chemist until 1 June 2018. Derek's responsibilities as CSO include leading the scientific effort of the Group, coordinating science development, including the network of science families, and developing our scientific partnerships for research, discovery and innovation. Derek has a degree in Chemistry from the University of St Andrews, a PhD from Imperial College, London and has been awarded an honorary doctorate by Kingston University.

LGC Science Group Holdings Limited

Corporate governance report (continued)

Euan O'Sullivan,
Managing Director, LGC
Standards

Euan joined the Board in June 2017. Having initially joined LGC as a Non-Executive Director in late 2007, Euan assumed an executive role as Corporate Development Director in July 2010. In this role, Euan was responsible for the Group's corporate development activities, including mergers, acquisitions, disposals and strategy development. Euan assumed his current role as Managing Director of the Standards division in July 2012.

Euan joined LGC from UK mid-market private equity house LGV Capital, where he was an Investment Director. Prior to LGV, Euan worked as a consultant in Accenture's business strategy practice and within the M&A division of Close Brothers Corporate Finance. Euan is a graduate of University College, Oxford.

Brian Kim, Managing
Director, LGC
Genomics

Brian joined the Board in June 2017 having joined LGC in November 2016. Brian has a wealth of experience in the genomics and life sciences markets, having run large, complex global businesses for a number of major companies. Brian joined LGC from PerkinElmer, where he led the Life Sciences and Tools division, managing a global portfolio of various technologies and products ranging from instruments, reagents, service, and software.

Brian holds a Master of Business Administration from Tuck School of Business at Dartmouth and both a BS in Economics and a BA in History, from the University of Pennsylvania.

Edouard Pillot,
Director KKR & Co. L.P

Edouard joined the Board in March 2017, having joined KKR in 2006. Edouard is part of KKR's Private Equity team, where he heads Business Services. Since joining KKR, Edouard has been involved in the investments in A-Gas, Travelopia, Valinge, SMCP and KION as well as the portfolio management of the investments in LGC, Maxeda and Northgate Information Solutions. Prior to joining KKR, he was with CIBC World Markets' European leveraged finance group, and the diversified industrials investment banking department of J.P. Morgan in London and Paris. Edouard holds an MSc from the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC).

Mark Danzey, Director
KKR Capital Markets

Mark joined the Board in March 2016. Mark joined KKR Capital Markets (KCM) in 2009. Since joining KCM, Mark has worked on a variety of debt and equity financings for KKR portfolio companies and third party clients. Prior to joining KCM, Mark was a Vice President on J.P. Morgan's leveraged finance capital markets desk and previously also worked in J.P. Morgan's leveraged finance origination team. Mark spent the first year of his career at Deutsche Bank.

Nicholas Roelofs,
Non-Executive Director

Nicholas joined the Board in April 2016. Prior to joining the Group, Nicholas served as Senior Vice President at Agilent Technologies Inc., as well as President of its Life Sciences Group from 2009 to 2013. He also served as the Vice President and General Manager of the Life Sciences division from 2006 to 2009.

Prior to joining Agilent Technologies Inc., Nicholas was with Bio-Rad Laboratories, Inc. from 2005 to 2006 and served as the Life Science Group's Group Operations Officer heading five business divisions spanning life science and food science. His time at Stratagene Corporation from 2001 to 2005 saw him serve as Senior Vice President of marketing, sales and business development for the first 2 years and as Chief Operating Officer for the last 2 years.

Professionally, Nicholas is a Global 50 Member and also a part of the Malaysian Biotechnology International Advisory Panel. He has also served on the Advisory Board of Chemical & Engineering News for the American Chemical Society Magazine. Nicholas completed his MS in Organic Chemistry from Iowa State University and has a PhD in Organic Chemistry from the University of Nevada, Reno.

Kugan Sathiyandarajah,
Non-Executive Director

Kugan joined the Board in March 2016, whilst at KKR. Kugan joined KKR in 2010 as co-head of European Healthcare and was involved with the investments in Alliance Boots and Northgate. Prior to joining KKR, Kugan was with Goldman Sachs, where he was a member of the UK mergers &

LGC Science Group Holdings Limited

Corporate governance report (continued)

acquisitions team. Kugan holds an M.A (First Class Hons) in Physical Natural Sciences, specialising in theoretical chemistry, from the University of Cambridge.

Neetu Ogle
General Counsel and
Company Secretary

Neetu joined LGC in July 2016, as General Counsel and Company Secretary. She has overall responsibility for LGC Group's legal, company secretarial and IP management functions. Prior to joining LGC, Neetu was a senior member of the legal team at Inmarsat plc which she joined after a period of time at QinetiQ Group plc.

Neetu gained her private practice experience at leading national and international law firms, Wragge & Co and Allen & Overy. Neetu holds an LLB in Law and Politics from the University of Birmingham.

Board meetings and committees

Board meetings were held for each of 10 months of the year with papers supplied for the other 2 months. The Board was also convened from time to time when specific matters arising required Board discussion or approval.

At each Board meeting, the CEO provided an update on the Group's key activities and the CFO provided an update on the Group's financial performance.

In addition to the routine reports, the Board considered a range of matters during the year including, amongst other items.

- Strategy - the Group's strategy was discussed, confirmed and approved,
- Business performance - financial, operational and strategic performance updates on the Group's divisions were provided by the relevant Executive Directors,
- Annual budget - the Group's annual budget was approved;
- People - the Board have an annual review of Group Talent, Development and Succession Planning with periodic updates. The Board also reviews the output and actions arising from the Employee Survey;
- Technology - progress updates on the development of the Group's ERP and ecommerce systems, and other significant investments in technology and scientific equipment were provided by senior science and technology staff,
- Enterprise Risk Management (ERM) and Quality, Health, Safety and the Environment (QHSE) - the Group's approach to ERM and QHSE matters and performance against that strategy were discussed, and
- Disputes and litigation - updates on any material disputes faced by the Group were provided by the General Counsel

The CEO and other members of the Board provide regular updates to employees both face to face, by email and via recorded videos and the intranet. These updates provide a summary of the Group's strategy and performance, together with details of the challenges and opportunities faced by the Group. These events are designed to update employees on the progress of the Group and provide them with an opportunity to ask questions and provide feedback regarding the conduct of the business.

The Board is supported by two Board Committees: the Audit Committee and the Remuneration Committee.

Audit Committee

The Audit Committee is chaired by Mark Danzey, and includes one further KKR appointed director, one non-Executive Director and the CEO. The CFO is required to be present at all meetings. The quorum for the Audit Committee is two, one of whom must be a director appointed by KKR.

The Audit Committee's main responsibilities are

- Monitoring the integrity of the Group's financial statements and reviewing significant accounting and reporting judgements,
- Receiving feedback from the Group's external auditor regarding key financial controls and any judgmental areas;
- Reviewing the effectiveness of the internal control environment; and
- Overseeing the relationship with the Group's external auditor, including appointment, remuneration, nature and scope of work and review of independence.

The Audit Committee discharges its responsibilities through its meetings which are held twice per year and at other times as needed.

LGC Science Group Holdings Limited

Corporate governance report (continued)

Remuneration Committee

During the year, the Remuneration Committee was chaired by Tim Robinson until 26 March 2018 when Edouard Pilot was appointed. The quorum for the Remuneration Committee is two, one of whom must be a director appointed by KKR.

The Committee has responsibility for determining the overall framework and policy for the remuneration of the Executive Directors, other senior Executives and employees overall, as determined by the Board

The remuneration policy in respect of Executive Directors and senior Executives is to provide packages that are intended to attract, motivate and retain the talent necessary to develop the Group and deliver the Group's strategy.

Items discussed included appointments, objectives, performance management and related incentive schemes

The Committee discharges its responsibilities through its meetings which are held four times per year and at other times as needed.

Signed on behalf of the Board



Tim Robinson
Director and Chief Executive Officer
6 July 2018

LGC Science Group Holdings Limited

Directors' report

The Directors present their report and financial statements for the year ended 31 March 2018.

Directors

The Directors who served the Company during the year were as follows:

Derek Craston

Mark Danzey

Brian Kim

(appointed 29 June 2017)

Euan O'Sullivan

(appointed 29 June 2017)

Simon Parsons

Edouard Pillot

Tim Robinson

Nicolas Roelofs

Kugan Sathyanandarajah

Directors' liabilities

The Company has in force and has granted indemnities in respect of some of its subsidiary companies to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report. The Company reviews its policies on an annual basis in order to satisfy itself that its level of cover remains adequate.

Employee involvement and disabled employees

The Groups approach to employee involvement, inclusiveness, equal opportunities and support of disabled employees are set in the strategic report on page 12.

Going concern

The financial statements have been prepared on a going concern basis, having regard to future projections for the Group and financing arrangements in place. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has loan facilities to provide adequate financing to support the Group's operations. The covenants set out in the facilities are, and are forecast to continue to be, satisfied. The loans have a remaining term in excess of 4 years. Whilst acknowledging the inherent risk in any plan, the Directors are concluding that, having considered the factors set out above, it is appropriate to prepare the financial statements on a going concern basis.

Research and development activities

In the year ended 31 March 2018 significant research and development was undertaken by the Group, both directly funded by the Group, through Government and other customer funded programmes in support of both Customer's and the Group's own projects. The Group is proud of its record of developing new products and services, with a significant focus on research and development activities again in the year.

Financial instruments

Details of financial instruments are provided in the strategic report on page 8.

Reappointment of auditors

The auditors are deemed to be re-appointed in accordance with the provision of s487 of the Companies Act 2006.

LGC Science Group Holdings Limited

Directors' report (continued)

Future developments

Details of future developments are provided in the strategic report.

Events since the balance sheet date

On 27 April 2018, the Group acquired 100% of the equity of BioAutomation Corporation, a business in Irving Texas. BioAutomation designs, develops, manufactures and supplies synthesisers for pharmaceutical, biotech, scientific research and development and academic applications globally.

Guidelines for Disclosure and Transparency in Private Equity

The Directors consider that the annual report and financial statements have been prepared in accordance with the Walker Guidelines for Disclosure and Transparency in Private Equity.

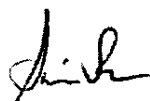
Disclosure of information to the auditors

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

Dividends

The Directors do not recommend an interim dividend or final dividend (2017: £nil).

By order of the Board



Simon Parsons
Director and Chief Financial Officer
6 July 2018

LGC Science Group Holdings Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Corporate Governance report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union for the consolidated financial statements and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) for the Company. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed for the consolidated financial statements, subject to any material departures disclosed and explained in the financial statements;
- state whether applicable UK Accounting Standards have been followed for the Company financial statements, 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 adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of LGC Science Group Holdings Limited

Opinion

We have audited the financial statements of LGC Science Group Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Statement of financial position of the Company, Consolidated statement of changes in equity, Statement of changes in equity of the Company, Consolidated statement of cash flows and the related Notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 101 "Reduced Disclosure Framework".

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 101 "Reduced Disclosure Framework", and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report (continued)

to the members of LGC Science Group Holdings Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

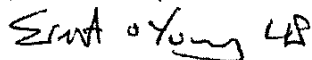
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Philip Young (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 13 July 2018

LGC Science Group Holdings Limited

Consolidated income statement

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 £000	Period ended 31 March 2017 £000
Continuing operations:			
Revenue		331,191	290,875
Less: share of joint venture's revenue		-	(9,601)
Group revenue	5	331,191	281,274
Raw materials and consumables		(95,967)	(91,199)
Staff costs	9	(123,966)	(100,097)
Depreciation and amortisation		(35,155)	(30,951)
Other administration and operating expenses		(54,697)	(75,282)
Profit / (loss) on disposal of fixed assets		264	(16)
Adjusted EBITDA		86,400	72,919
Unrealised foreign exchange gains and losses		(3,620)	9,209
Depreciation and amortisation		(35,155)	(30,951)
Material, unusual and non-recurring items	7	(25,955)	(67,448)
Group operating profit / (loss)	6	21,670	(16,271)
Finance income	8	579	880
Finance cost	8	(37,406)	(40,273)
Share of profit in joint venture	15	-	206
Loss on disposal of investments	10	(16,555)	-
Loss before tax from continuing operations		(31,712)	(55,458)
Tax income on loss	11	11,444	6,910
Loss for the period from continuing operations		(20,268)	(48,548)
Discontinued operations:			
(Loss) / profit for the period after tax from discontinued operations	10	(3,276)	1,519
Loss for the period		(23,544)	(47,029)
Attributable to:			
Equity holders of the Company		(23,595)	(45,508)
Non-controlling interests		51	(1,521)
Loss for the financial period		(23,544)	(47,029)

LGC Science Group Holdings Limited

Consolidated statement of comprehensive income

for the year ended 31 March 2018

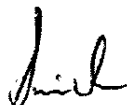
		Year ended 31 March 2018 £000	Period ended 31 March 2017 £000
	Notes		
Loss for the financial period		(23,544)	(47,029)
Items that may be reclassified subsequently to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		(14,622)	26,665
Net gain on cash flow hedges		1,602	-
Items not to be reclassified subsequently to profit or loss			
Actuarial gain / (loss) on UK defined benefit pension scheme	23(b)	1,869	(12,358)
Actuarial gain / (loss) on foreign defined benefit pension schemes		103	(4)
Income tax effect		(355)	(4,808)
Total comprehensive income for the period, net of tax		(34,947)	(37,534)
Attributable to:			
Equity holders of the Company		(34,998)	(36,013)
Non-controlling interests		51	(1,521)
Total comprehensive income for the period, net of tax		(34,947)	(37,534)

LGC Science Group Holdings Limited

Consolidated statement of financial position

at 31 March 2018

Assets	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	13	85,134	76,206
Intangible assets	14	1,086,849	1,130,742
Long-term receivables	16	430	716
Deferred tax assets	11	21,491	11,119
Derivative asset	27(a)	11,737	13,166
		1,205,641	1,231,949
Current assets			
Inventories	17	56,436	62,872
Trade and other receivables	18	61,069	59,707
Income tax asset		2,555	98
Derivative asset	27(a)	2,998	-
Cash and cash equivalents	19	41,816	60,538
		164,874	183,215
Total Assets		1,370,515	1,415,164
Equity and liabilities			
Issued share capital	20	56,582	56,582
Share premium	20	509,242	509,242
Foreign currency translation reserve		12,043	26,665
Hedging reserve	27(a)	1,602	-
Retained earnings		(84,656)	(62,678)
Equity attributable to equity holders of the Group		494,813	529,811
Non-controlling interests		10,230	10,179
Total equity		505,043	539,990
Non-current liabilities			
Loans and borrowings	21	679,835	675,717
Retirement benefit obligation	23	10,956	12,735
Deferred tax liabilities	11	82,115	92,519
Provisions	24	6,367	7,001
		779,273	787,972
Current liabilities			
Trade and other payables	25	79,988	81,309
Income tax liability		5,821	5,495
Derivative liability	27(a)	390	398
		86,199	87,202
Total liabilities		865,472	875,174
Total equity and liabilities		1,370,515	1,415,164



Simon Parsons

Chief Financial Officer

6 July 2018

LGC Science Group Holdings Limited

Statement of financial position of the Company

at 31 March 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Investments in subsidiaries	15	277,981	277,981
Long-term receivables	16	999,678	526,921
Deferred tax assets	11	1,500	-
		<u>1,279,159</u>	<u>804,902</u>
Current assets			
Amounts owed by subsidiary undertakings		735	401,818
Derivative asset	27(a)	1,602	-
		<u>2,380,446</u>	<u>1,206,720</u>
Total Assets		1,281,496	1,206,720
Equity and liabilities			
Share capital	20	56,582	56,582
Share premium	20	509,242	509,242
Hedging reserve	27(a)	1,602	-
Retained earnings		23,743	(29,817)
Total equity		591,169	536,007
Non-current liabilities			
Loans and borrowings	21	689,258	670,529
Current liabilities			
Income tax liability		304	-
Trade and other payables	25	375	184
Derivative liability	27(a)	390	-
Total liabilities		690,327	670,713
Total equity and liabilities		1,281,496	1,206,720



Simon Parsons
Chief Financial Officer
6 July 2018

LGC Science Group Holdings Limited

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Issued Share capital £000	Share Premium £000	Foreign currency translation £000	Retained earnings £000	Hedging reserve £000	Total £000	Non- controlling interests £000	Total equity £000
At incorporation	-	-	-	-	-	-	-	-
Share capital issued in period	56,582	509,242	-	-	-	565,824	-	565,824
Acquisition of non-controlling interests	-	-	-	-	-	-	11,700	11,700
Loss for the period	-	-	-	(45,508)	-	(45,508)	(1,521)	(47,029)
Other comprehensive income	-	-	26,665	(17,170)	-	9,495	-	9,495
Total comprehensive income	-	-	26,665	(62,678)	-	(36,013)	(1,521)	(37,534)
At 31 March 2017	56,582	509,242	26,665	(62,678)	-	529,811	10,179	539,990
Loss for the year	-	-	-	(23,595)	-	(23,595)	51	(23,544)
Other comprehensive income	-	-	(14,622)	1,617	1,602	(11,403)	-	(11,403)
Total comprehensive income	-	-	(14,622)	(21,978)	1,602	(34,998)	51	(34,947)
At 31 March 2018	56,582	509,242	12,043	(84,656)	1,602	494,813	10,230	505,043

LGC Science Group Holdings Limited

Statement of changes in equity of the Company

for the year ended 31 March 2018

	Issued Share capital £000	Share Premium £000	Hedging reserve £000	Retained earnings £000	Total £000
At incorporation	-	-	-	-	-
Share capital issued in period	56,582	509,242	-	-	565,824
Loss for the period	-	-	-	(29,817)	(29,817)
Total comprehensive income	-	-	-	(29,817)	(29,817)
At 31 March 2017	56,582	509,242	-	(29,817)	536,007
Profit for the year	-	-	-	53,560	53,560
Other comprehensive income	-	-	1,602	-	1,602
Total comprehensive income	-	-	1,602	53,560	55,162
At 31 March 2018	56,582	509,242	1,602	23,743	591,169

LGC Science Group Holdings Limited

Consolidated statement of cash flows

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018	Period ended 31 March 2017
Loss for the period		(23,544)	(47,029)
Adjustments to reconcile to net cash flows			
Depreciation and amortisation	6	36,622	33,213
Loss on disposal of property, plant and equipment		463	16
Finance income	8	(579)	(880)
Finance cost	8	37,406	40,273
Share of profit in joint venture	15	-	(206)
Loss on disposal of investments	10	16,555	-
Income tax income	11	(11,444)	(6,910)
Movement in provisions	24	(121)	-
Unwind of fair value adjustments	7	10,127	14,748
Net foreign exchange differences		3,620	(9,209)
		69,105	24,016
Working capital adjustments			
Increase in inventories		(835)	(4,921)
Increase in trade and other receivables		(4,037)	(872)
(Decrease) / Increase in trade and other payables		(1,533)	8,856
		(6,405)	3,063
Operating cash flows (before income tax)		62,700	27,079
Income taxes paid		(11,235)	(6,703)
Net cash flows from operating activities		51,465	20,376
Cash flows from investing activities			
Interest received		139	185
Proceeds from sale of property, plant and equipment		364	125
Proceeds from sale of joint venture	15	-	3,951
Proceeds from disposal of investments	10	30,265	-
Acquisition of tangible assets	13	(26,250)	(16,623)
Acquisition of intangible assets	14	(4,948)	(3,092)
Acquisition of subsidiary undertakings (net of cash acquired)		(54,699)	(1,101,849)
Net cash used in investing activities		(55,129)	(1,117,303)
Cash flows from financing activities			
Interest paid		(33,593)	(33,703)
Issue of share capital	20	-	565,824
Bank loans repaid		(63,500)	(97,651)
New borrowings		85,278	718,465
Net cash flows from financing activities		(11,815)	1,152,935
Net (decrease) / increase in cash and cash equivalents		(15,479)	56,008
Net foreign exchange difference		(3,243)	4,530
Cash and cash equivalents at 1 April / Incorporation		60,538	-
Cash and cash equivalents at 31 March	19	41,816	60,538

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

1. Corporate information

The consolidated financial statements of LGC Science Group Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors and the Board on 6 July 2018. The Group and the Company is a private company limited by share capital incorporated in England and Wales and domiciled in United Kingdom.

The address of its registered office is:

LGC
Queens Road
Teddington
Middlesex
TW11 0LY

2. Accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's") and the Companies Act 2006 applicable to companies reporting under IFRS as issued by the International Accounting Standards Board (IASB).

The financial information is presented in GBP pounds (£) sterling and all values are rounded to the nearest thousand (£000) except where otherwise stated

2.2 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

Basis of preparation – the Group

The consolidated financial statements have been prepared in accordance with adopted IFRS and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

In the prior period the Group reported a long accounting period from 4 December 2015 to 31 March 2017

Basis of preparation – the Company

The financial statements of the Parent company were prepared in accordance with FRS 101 and under historical cost accounting rules.

In the prior period the Company reported a long accounting period from 4 December 2015 to 31 March 2017.

Disclosure exemptions

The Company has taken advantage of the following exemptions under IFRS:

- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirement of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 10(d) and 10(f) of IAS 1 Presentation of Financial Statements, and

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Going concern

The financial statements have been prepared on a going concern basis, having regard to future projections for the Group and financing arrangements in place. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

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

Basis of consolidation

The Group financial statements consolidate the financial statements of LGC Science Group Holdings Limited and its subsidiary undertakings, drawn up to 31 March 2018. No income statement is presented for LGC Science Group Holdings Limited as permitted by section 408 of the Companies Act 2006.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group has contractual arrangements with other parties that have joint control of the arrangement and have rights to the net assets of the arrangement. Under IFRS 11 *investments in joint arrangements are classified as either joint operations or joint ventures* depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. There has been no impact on the financial position, comprehensive income or cash flows of the Group.

Fair value measurement

The Group measures financial instruments such as derivatives and non-financial assets at fair value. The Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement, as follows.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group determines each year whether transfers have occurred between levels of the hierarchy

Revenue recognition

Revenue is recognised on the sale of goods when the risks and rewards of ownership are transferred to the buyer and the revenue can be reliably measured, regardless of when the payment is being made. For services, revenue is generally recognised when services have been delivered and invoiced unless the stage of completion of work can be reasonably determined, in which case revenue is recorded in line with the stage of work completed.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group assess its revenue arrangements against specific criteria to determine if it is acting as principal or agent and it has concluded that it is acting as a principal in all of its revenue arrangements.

The Group recognises revenue when.

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity, and
- specific criteria have been met for each of the Group activities.

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

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Foreign currency transactions and balances

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the Group's presentation currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction at spot rates or the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Foreign exchange gains and losses arising on settlement or translation of monetary items are presented in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the income statement.

Non-monetary items measured 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

For group companies that have a functional currency different from the presentation currency, assets and liabilities are translated at the closing rate at the date of that balance sheet and the resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. *Exchange differences arising are recognised in other comprehensive income.*

Current and deferred income tax

The tax income for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income or directly to equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Investments

Investments in subsidiaries are carried at cost less provision for impairment. In its separate financial statements the Company recognises its investments in subsidiaries 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.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. When significant parts of assets are required to be replaced at intervals, such parts are recognised as individual assets with specific useful lives and depreciated accordingly. All other repair and maintenance costs are recognised in the income statement as incurred.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation

Depreciation is provided on all property, plant and equipment, 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:

Asset class	Depreciation method and rate
Freehold Buildings	40 years
Short-term leasehold buildings	lesser of 5–14 years or period of lease
Building plant	5–12 years
Scientific equipment	3–15 years
Other equipment	2–5 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the period to which the expenditure relates.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses, if any. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is not subject to amortisation but is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows

Asset class

IP and other intangibles

Internally generated development costs

Amortisation method and rate

straight line over period between 6 and 19 years

straight line over period between 2 and 5 years

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment at each reporting date or when events or changes in circumstances indicate the carrying value may not be recoverable. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Financial assets

Classification

At initial recognition, the Group classifies its financial assets within the scope of IAS 39 as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period that are classified as non-current assets. They are also classified as held for trading, including derivatives unless designated as effective hedging instruments as defined by IAS 39. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of financial position.

Recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method. EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the income statement.

The losses arising from impairment are recognised in the income statement in interest payable for loans and in other operating expenses for receivables.

Impairment

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest receivable and similar income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The movement in the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials, direct labour and, where applicable, attributable overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell, the impairment loss is recognised immediately in income statement.

Inventories include fair value uplifts identified in accordance with IFRS 3 "Business combinations" that are unwound through the Consolidated income statement. A key judgement is the unwind of these uplifts which is determined based on the sale of inventories that existed at the point of acquisition and was subject to a fair value uplift. Due to the material nature of these unwinds they are disclosed separately in the Consolidated statement of cash flows and as a material, unusual and non-recurring item in the Consolidated income statement and note 7.

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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

Financial liabilities

Classification

At initial recognition, the Group classifies its financial liabilities within the scope of IAS 39 as financial liabilities at fair value through profit or loss or loans and borrowings. The Group's financial liabilities include trade and other payables and payables to related parties.

Recognition and measurement

All financial liabilities are recognised initially at fair value, net of transaction costs incurred.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the relevant borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The expense relating to any provision is presented in the income statement net of any reimbursement.

Warranty provisions

Provisions for warranty-related costs are recognised when a product is sold or a service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business, or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, an appropriate timeline, and the employees affected have been notified of the plan's main features.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases – Group as a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Group at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases where the lessor retains a significant portion of 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the shorter of the lease term and the date of the rent review.

Leases – Group as a lessor

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases. At inception the leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised in the statement of financial position. The amount receivable within one year or less is classified as a current asset and included in "Trade and other receivables" with the amount receivable after more than one year classified as a non-current asset and included in "Long-term receivables".

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income. Each lease payment received is applied against the gross investment or asset in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Material, unusual and non-recurring items

Material, unusual and non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide a better understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current or prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset to the extent a cash refund or a reduction in the future payments is available.

Defined benefit pension obligation

The Group, through the acquisition of LGC Science Group Limited, 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.

During 2015 the Group closed its UK defined benefit pension scheme to future accrual of benefits for current employees. The closure of the scheme to future accrual helps align pension benefits more consistently across all of the Group's employees and manage volatility risk in relation to the schemes funding position. Employees impacted by this change have been provided with transitional benefits in respect of the Group's defined contribution pension scheme.

The cost of providing benefits under the defined benefit plan is determined separately using the projected unit method. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Re-measurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to the income statement in subsequent periods.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

2. Accounting policies (continued)

Net interest is calculated by applying the discount rate to the net defined liability or asset. The Group recognises the following changes in the net defined benefit obligation under "Other administration and operating" in the income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Derivative instruments

The Group uses derivative financial instruments such as forward foreign currency contracts, interest rate swaps and interest rate caps to manage its forward currency risks and forward interest rate risks associated with the Group's underlying business activities and the financing of these activities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income statement, unless the derivative is designated as a hedging instrument in an effective hedge in which case gains or losses are taken to other comprehensive income.

Share-based payments

Certain employees are granted share appreciation rights, which are settled in cash. The fair value is measured initially and at each reporting date up to and including the settlement date, with any changes in fair value recognised in employee benefits expense. The Company uses the fair value of shares of its ultimate parent to determine the fair value of the share appreciation rights. The fair value of the shares in the ultimate parent are determined using a market approach, which is then benchmarked against precedent transactions.

For the year ended 31 March 2018, share based payments have no impact on the financial statements of the Group or of the Company.

Adoption of new standards

None of the standards, interpretations and amendments effective for the first time from 4 December 2015 have had a material effect on the financial statements (note 31).

3. Judgements and key sources of estimation uncertainty

The preparation of historical financial information typically requires management to make judgements, estimates and assumptions that affect the reported accounts of revenue, expenses, assets and liabilities and the disclosures of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Assessment of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on a value-in-use calculation. The key assumptions, being the discount rate and terminal value growth rate, are disclosed in note 14.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

3. Judgements and key sources of estimation uncertainty (continued)

Defined benefit plans

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are provided in note 23.

4. Business combinations

(a) 2018

Link Technologies Limited

On 14 July 2017 the Group acquired 100% of the ordinary share capital in Link Technologies Limited, a premier supplier of specialty reagents for oligonucleotide synthesis, based in Bellshill, UK. The acquisition is complementary to the Group's nucleic acid chemistry business within the Genomics division.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total fair value £000
Assets and liabilities acquired	
Financial assets	840
Inventory	893
Property, plant and equipment	224
Financial liabilities	(530)
Total identifiable assets	1,427
Goodwill	3,430
Total consideration	4,857
 Total consideration	 4,857
Less: deferred consideration	(600)
Cash paid	4,257
Less: cash and cash equivalent balances acquired	(491)
Net cash outflow arising on acquisition	3,766

The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company which complements the existing business and creates significant opportunities for cross-selling and other synergies

From the date of acquisition, Link Technologies Limited contributed £2.1m of revenue and £0.6m of profit before tax to the Group. If the combination had taken place on the first day of the financial year, revenue would have been £2.9m and profit before tax would have been £0.9m

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

Lucigen Corporation Inc

On 15 February 2018 the Group acquired 100% of the ordinary capital of Lucigen Corporation, a premier developer, manufacturer and supplier of molecular biology reagents and kits that target fast growth applications in clinical diagnostics, drug discovery, synthetic biology and gene editing, based in Middleton, Wisconsin, USA.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total fair value £000
Assets and liabilities acquired	
Financial assets	4,476
Inventory	2,791
Property, plant and equipment	1,649
Identifiable intangible assets	22,347
Financial liabilities	(6,163)
Total identifiable assets	25,100
Goodwill	29,122
Total consideration	54,222
 Total consideration	 54,222
Less: deferred consideration	(2,089)
Cash paid	52,133
Less: cash and cash equivalent balances acquired	(1,739)
Net cash outflow arising on acquisition	50,394

Adjustments made to the fair value of identifiable intangible assets acquired include the value of internally developed intellectual properties, registered IP and customer relationships based on the final revaluations in accordance with IFRS 3 "Business combinations". The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company which complements the existing business and creates significant opportunities for cross-selling and other synergies.

From the date of acquisition, Lucigen Corporation contributed £2.2m of revenue and £0.8m of loss before tax on ordinary activities of the Group. If the combination had taken place at the date of incorporation, revenue would have been £12.7m and profit before tax on ordinary activities would have been £1.6m.

Allergen Control Group Inc

On 29 March 2018 the Group acquired 100% of the ordinary capital in Allergen Control Group Inc, operator of the leading gluten-free certification programme, based near Ontario, Canada. The cost of the acquisition was £0.6m including £0.4m of goodwill and £0.2m of net assets. Due to the immaterial nature of this acquisition, the full disclosure required under IFRS 3 "Business combinations" has not been presented.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

(b) 2017

LGC Science Group Limited

On 8 March 2016 the Group acquired 100% of the ordinary share capital in LGC Science Group Limited, an international life sciences business with leading positions in sustainable, growing markets headquartered in the United Kingdom. LGC Science Group Limited provides genomics solutions, reference materials, proficiency testing and analytical products and services, underpinning the health, safety and security of the public. LGC Science Group Limited serves customers across a number of end markets including Pharmaceuticals, Biotechnology, Diagnostics, Food, Environment, Sport, Government, Security and Academia.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below

	Total fair value £000
Assets and liabilities acquired	
Financial assets	61,790
Inventory	64,189
Property, plant and equipment	63,653
Identifiable intangible assets	343,066
Financial liabilities	(507,429)
Total identifiable assets	25,269
Goodwill	576,157
Total consideration	601,426
 Total cash consideration	 601,426
Less: cash and cash equivalent balances acquired	(7,049)
Net cash outflow arising on acquisition	594,377

Adjustments made to the fair value of identifiable intangible assets acquired include the value of internally developed intellectual properties, registered IP and customer relationships based on the final revaluations in accordance with IFRS 3 "Business combinations". The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company and future economic benefits for which individual intangible assets are not recognised.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

On the date of acquisition a loan of £368.0m was extended to LGC Science Investments Limited to allow bank debt to be repaid in that company. This amount is disclosed within Acquisition of subsidiary undertakings (net of cash acquired) in the Consolidated statement of cash flows.

From the date of acquisition to 31 March 2017, LGC Science Group Limited contributed £306.1m revenue and £22.5m to the loss before tax on ordinary activities of the Group. If the combination had taken place at the date of incorporation, revenue for 2017 would have been £396.9m and loss before tax on ordinary activities for 2017 would have been £27.8m.

Douglas Scientific Instruments Inc

On 1 April 2016 the Group completed the acquisition of 55% voting rights in Douglas Scientific Instruments Inc, a leading manufacturer of high throughput PCR platforms and consumables in the Genomics sector, based in Alexandria, Minnesota, USA. The acquisition is highly complementary to the Group's Genomics business and provides additional opportunities to develop commercial relationships with existing and new customers

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total fair value £000
Assets and liabilities acquired	
Financial assets	1,546
Inventory	4,497
Property, plant and equipment	1,234
Identifiable intangible assets	17,698
Financial liabilities	(3,346)
Total identifiable assets	21,629
Goodwill	1,123
Total identifiable net assets at fair value	22,752
Less: non-controlling interest	(9,723)
Total consideration	13,029
 Cash paid	 24,484
Less: fair value of option	(11,455)
Total consideration	13,029
Less: cash and cash equivalent balances acquired	(395)
Net cash outflow arising on acquisition	12,634

Adjustments made to the fair value of identifiable intangible assets acquired include the value of internally developed intellectual properties, registered IP and customer relationships based on the final revaluations in accordance with IFRS 3 "Business combinations". The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company which complements the existing business and creates significant opportunities for cross-selling and other synergies

On 1 April 2016 the Group also entered into a call option agreement with the non-controlling interest to purchase the entire NCI. The option was fair valued at £11,455k and is shown in the above table.

From the date of acquisition to 31 March 2017, Douglas Scientific Instruments Inc. contributed £11.7m of revenue and £3.2m to the loss before tax on ordinary activities of the Group. If the combination had taken place at the date of incorporation, revenue for 2017 would have been £14.8m and loss before tax on ordinary activities for 2017 would have been £4.3m.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

BRC Trading Limited

On 24 November 2016 the Group completed the acquisition of 71.275% of the voting rights in BRC Trading Limited, a leading provider of GFSI-benchmarked standards across food safety, packing and packaging, storage and distribution, agents and brokers and consumer products. The business is based in London, UK. The acquisition is highly complementary to the Group's Standards business and provides additional opportunities to develop commercial relationships with existing and new customers.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below

	Total fair value £000
Assets and liabilities acquired	
Financial assets	1,716
Inventory	46
Property, plant and equipment	772
Identifiable intangible assets	14,352
Financial liabilities	(4,146)
Total identifiable assets	12,740
Goodwill	22,820
Total identifiable net assets at fair value	35,560
Less non-controlling interest	(1,911)
Total consideration	33,649
 Cash paid	 28,812
Less cash and cash equivalent balances acquired	(176)
Net cash outflow arising on acquisition	28,636
Long-term loan note issued	5,013
Total consideration	33,649

Adjustments made to the fair value of identifiable intangible assets acquired include the value of internally developed intellectual properties, registered IP and customer relationships based on the final revaluations in accordance with IFRS 3 "Business combinations". The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company which complements the existing business and creates significant opportunities for cross-selling and other synergies.

From the date of acquisition to 31 March 2017, BRC Trading Limited contributed £2.4m of revenue and £0.8m of profit before tax to ordinary activities of the Group. If the combination had taken place at the date of incorporation, revenue for 2017 would have been £9.2m and profit before tax on ordinary activities for 2017 would have been £2.3m.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

API Food Quality, Inc

On 31 January 2017 the Group acquired 100% of the ordinary capital of API Food Quality Inc, a leading provider of food proficiency testing Services in the US Based in Traverse City, Michigan, the acquisition is highly complementary to the Group's Standards proficiency testing business and provides additional opportunities to develop commercial relationships with existing and new customers

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total fair value £000
Assets and liabilities acquired	
Financial assets	22,313
Inventory	818
Property, plant and equipment	682
Identifiable intangible assets	30,023
Financial liabilities	(23,652)
Total identifiable assets	30,184
Goodwill	42,033
Total consideration	72,217
 Cash paid	 72,217
Less: cash and cash equivalent balances acquired	(21,529)
Net cash outflow arising on acquisition	50,688

Adjustments made to the fair value of identifiable intangible assets acquired include the value of internally developed intellectual properties, registered IP and customer relationships based on the final revaluations in accordance with IFRS 3 "Business combinations". The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company which complements the existing business and creates significant opportunities for cross-selling and other synergies

From the date of acquisition to 31 March 2017, API Food Quality Inc contributed £3.9m of revenue and £0.2m to the loss before tax on ordinary activities of the Group. If the combination had taken place at the date of incorporation, revenue for 2017 would have been £30.6m and profit before tax on ordinary activities for 2017 would have been £8.4m.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

Axolabs GmbH

On 28 March 2017 the Group acquired 100% of the ordinary capital in Axolabs GmbH, a leading contract development and manufacturing organization in the Genomics sector. Based in Kulmbach, Germany, Axolabs GmbH provides a range of bespoke manufacturing and analytical services to pharma and biotech customers in support of their drug discovery and development programmes from lead identification to clinical trials across all major modalities of oligo therapeutics including antisense oligos, siRNA, immunostimulatory oligos, aptamers, microRNA modulation, synthetic mRNA and gene editing using CRISPR. The acquisition is highly complementary to the Group's Genomics business and provides additional opportunities to develop commercial relationships with existing and new customers.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Total provisional fair value £000	Total fair value £000
Assets and liabilities acquired		
Financial assets	2,237	2,197
Property, plant and equipment	2,763	2,763
Identifiable intangible assets	-	10,008
Financial liabilities	(602)	(3,604)
Total identifiable assets	4,398	11,364
Goodwill	18,989	12,055
Total consideration	23,387	23,419
Cash paid	23,387	23,419
Less: cash and cash equivalent balances acquired	(692)	(692)
Net cash outflow arising on acquisition	22,695	22,727

Adjustments made to the fair value of identifiable intangible assets acquired include the value of internally developed intellectual properties, registered IP and customer relationships based on the final revaluations in accordance with IFRS 3 "Business combinations". The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire the Company which complements the existing business and creates significant opportunities for cross-selling and other synergies.

If the combination had taken place at the date of incorporation, revenue for 2017 would have been £10.5m and profit before tax on ordinary activities for 2017 would have been £3.3m.

Prime Synthesis Inc

On 31 August 2016 the Group acquired 100% of the ordinary capital in Prime Synthesis Inc, a leading manufacturer of controlled pore glass ('CPG') products used in oligo synthesis, based in Aston, Pennsylvania, USA. The cost of the acquisition was £4.5m including £4.3m of goodwill, £0.1m of net assets and £0.1m cash acquired. Due to the immaterial nature of this acquisition, the full disclosure required under IFRS 3 "Business combinations" has not been presented.

Organic Standard Solutions International, LLC

On 4 November 2016 the Group acquired 100% of the ordinary capital in Organic Standard Solutions International LLC, a leading manufacturer of organic and inorganic NIST traceable reference materials, based in Charleston, South Carolina, USA. The cost of the acquisition was £8.3m including £7.1m of goodwill, £1.2m of net assets and £0.1m cash acquired. Due to the immaterial nature of this acquisition, the full disclosure required under IFRS 3 "Business combinations" has not been presented.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

4. Business combinations (continued)

Analytical Services International Limited ("ASI")

On 10 October 2016 the Group completed the acquisition via an asset deal of "ASI", a small clinical and forensic toxicology laboratory, research and consultancy center based at St George's Hospital in South London. ASI's proficiency testing business is a leading global provider of proficiency testing ("PT") for immunosuppressive drugs, a small niche market within the wider clinical PT sector. The Group acquired ASI (to include the customer database, all physical assets, software relating to scheme reporting, intellectual property (including trademarks), goodwill, historical financial records and PT results) for aggregate consideration of up to £1.3 million. Due to the immaterial nature of this acquisition, the full disclosure required under IFRS 3 "Business combinations" has not been presented

5. Revenue

	2018 £000	2017 £000
Sale of goods	217,585	190,210
Rendering of services	113,606	91,064
	331,191	281,274

6. Group operating profit / (loss)

This is stated after charging /(crediting)

	2018 £000	2017 £000
Auditor's remuneration		
- audit fees	485	423
- corporate finance advisory	422	908
- taxation services	20	323
Depreciation expense	12,215	10,846
Amortisation of intellectual property	22,218	19,895
Amortisation of development costs	722	210
Operating lease rentals		
- land and buildings	5,643	5,737
- plant and machinery	1,853	929
Foreign exchange gains	3,620	(9,209)
Research and development expense	24,001	29,869

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

7. Material, unusual and non-recurring items

Within the Consolidated income statement, items that are material, either because of their size or their nature, or that are unusual or non-recurring, are presented within the line items to which they best relate.

In order to provide users with additional information to assist their understanding of the Consolidated income statement, "Adjusted EBITDA" is presented as an alternative performance measure

Adjusted EBITDA is operating profit before unrealised foreign exchange gains and losses, depreciation, amortisation, material, unusual and non-recurring items. Adjusted EBITDA is not specifically defined under, nor presented in accordance with IFRS

Adjusted EBITDA is one of the Group's key performance indicators and is monitored by Management, Investors, Lenders and other stakeholders as a measure of recurring, comparable, underlying performance. Adjusted EBITDA provides a meaningful comparison of how the Group's performance is managed and measured on a day-to-day basis by key stakeholders

You should not therefore consider it as an alternative to profit / loss for the year as determined in accordance with IFRS. Material, unusual and non-recurring items in the year are as follows

	2018 £000	2017 £000
Unwind of inventory fair value step ups	10,127	14,748
Costs associated with mergers and acquisitions	4,229	7,523
Costs of integrating acquisitions	3,790	2,023
Costs associated with the disposal of the Forensics & Security business	3,462	531
Restructuring and reorganisation costs	2,677	2,818
KKR integration costs	1,125	3,453
Costs associated with the purchase of LGC Science Group Limited	545	36,352
	25,955	67,448

Unwind of inventory fair value step ups are in line with the accounting policy disclosed in note 2, which have a material impact on the profit performance of the Group until such time as they are fully unwound

Costs associated with the purchase of LGC Science Group Limited and the costs associated with mergers and acquisitions completed during the year principally relate to financial and commercial due diligence and advisory fees

The cost of integrating acquisitions relates to one off costs to restructure the acquired businesses and costs to bring processes and systems in line with LGC

The costs associated with the disposal of the Forensics & Security business relate to financial and commercial due diligence, legal and advisory fee and corporate finance fees.

Restructuring and reorganisation costs reflect the costs associated with restructuring and reorganisation projects and include termination payments, cessation costs, advisory fees and other similar payments.

KKR integration costs relate to material non-recurring projects that were instigated by KKR following the acquisition of LGC Science Group Limited

8. Finance income and cost

	2018 £000	2017 £000
Finance income		
Interest income on bank deposits	139	185
Gain on foreign exchange forward contracts	440	695
Total Finance income	579	880

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

8. Finance income and cost (continued)

	2018 £000	2017 £000
Finance cost		
Interest on bank overdrafts and borrowings	(33,593)	(33,703)
Interest on Long-term loan notes	(519)	(174)
Amortisation of debt issue costs	(2,607)	(6,396)
Interest rate cap	(390)	-
Other finance costs	(297)	-
Total Finance cost	(37,406)	(40,273)

9. Staff costs and Directors remuneration

(a) Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows

	2018 £000	2017 £000
Wages and salaries	108,832	88,230
Social security costs	11,464	8,652
Other pension costs	3,670	3,215
	123,966	100,097

There has been no expense on share base payment schemes recognised in the year.

Included in other pension costs are £165,000 (2017 £205,000) in respect of the defined benefit scheme and £3,505,000 (2017 £3,886,000) in respect of the defined contribution scheme.

The average number of persons employed by the Company (including Directors) during the period, analysed by category was as follows.

	2018 No.	2017 No.
Average monthly number of employees		
Scientific	1,282	1,160
Administration and management	1,003	849
Continuing operations	2,285	2,009
Discontinued operations	341	606
	2,626	2,615

There were no staff employed by the Company during the period (2017: None)

(b) Directors' remuneration

The Directors' remuneration for the period was as follows:

	2018 £000	2017 £000
Aggregate remuneration in respect of qualifying services	2,148	1,118

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

9. Staff costs and Directors remuneration (continued)

	2018	2017
	No.	No.
The number of Directors receiving remuneration during the period	6	3
The number of Directors accruing benefits under a defined contribution pension scheme	6	3
	2018	2017
	£000	£000
Aggregate remuneration in respect of the highest paid Director	746	558

During the period, the Group made contributions of £16,000 (2017: £20,000) to defined contribution pension schemes on behalf of the Directors

The Company believes that key management personnel as defined in IAS 24 is comprised solely of the statutory Directors of the Company. As such, no additional disclosures are provided in respect of key management personnel

10. Discontinued operations

Discontinued operations in the Consolidated income statement consists of the Forensics and Security business, which was sold in October 2017 for cash proceeds of £30.3m, the ParaDNA business and the Residues business. The following table summarises the results of discontinued operations:

	2018	2017
	£000	£000
Revenue	28,623	47,147
Expenses	(31,899)	(45,628)
(Loss) / profit before tax from discontinued operations	(3,276)	1,519
Tax expense on (loss) / profit	-	-
(Loss) / profit for the period from discontinued operations	(3,276)	1,519

As a result of the classification of discontinued operations the 2017 financial statements have been restated.

The amount in the Consolidated income statement recognised in respect of the loss on disposal comprises the £30.3m cash proceeds less the fair value of business related assets of £46.9m.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

11. Taxation

Tax credited in the income statement:

(a) Analysis of charge / (credit) in period:

	2018 £000	2017 £000
Current tax		
UK income tax charge	304	(51)
Adjustments in respect of current UK income tax of previous years	-	(7)
Foreign tax	7,182	7,591
Adjustments in respect of current Foreign income tax of previous years	998	(2,050)
Total current tax	8,484	5,483
Joint venture tax (note 15)	-	294
Deferred tax		
Relating to origination and reversal of temporary differences	(15,993)	(11,943)
Adjustments in respect of previous years	(3,935)	288
Change in rates	-	(1,032)
Total deferred tax	(19,928)	(12,687)
Total tax income for the period	(11,444)	(6,910)
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the period:		
Employee defined benefit plans / Foreign exchange rate revaluation	355	4,808

(b) Factors affecting tax income for the period:

The tax on loss before tax for the period is higher than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled below:

	2018 £000	2017 £000
Loss from continuing operations before taxation	(31,712)	(55,458)
(Loss) / profit from discontinued operations before taxation	(3,276)	1,519
	(34,988)	(53,939)
Corporation tax at standard rate of 19% (20%)	(6,648)	(10,788)
Effects of:		
Expenses not deductible for tax purposes	7,314	5,264
Adjustments with respect to prior years	(2,937)	(1,770)
Tax effect of losses not previously recognised	-	(162)
Higher foreign tax rates on overseas earnings	82	(1,517)
Movement in unrecognised deferred taxes	(6,119)	3,234
Patent Box	(53)	(48)
Rate change adjustment	(3,071)	(817)
Recognition of previously unrecognised tax assets	79	(598)
Group relief received / surrendered for nil payment	(91)	-
Minority Interest	-	292
Total tax for the period	(11,444)	(6,910)

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

11. Taxation (continued)

(c) Deferred tax assets and liabilities

Deferred tax relates to the following:

	2018 £000	2017 £000
Accelerated tax depreciation	4,485	3,351
Intangibles	(64,219)	(75,975)
Inventory	(3,518)	(5,615)
Goodwill	(7,764)	(4,279)
General provisions - incl bad debt	91	140
Pensions - defined contribution	1,785	1,949
Pensions spread	(61)	63
Foreign exchange movements	43	-
Interest accrued / deferred	3,101	1,175
Research and development	113	(574)
Other timing differences	(324)	(2,134)
Accrued bonuses, compensation, sick pay and vacation	227	444
Interest swaps and forward contracts	(38)	(44)
Revaluation of land and buildings	(1,820)	(1,797)
Losses	7,275	1,896
Net deferred tax liability	(60,624)	(81,400)

Reflected in the statement of financial position as follows:

Deferred tax assets	21,491	11,119
Deferred tax liabilities	(82,115)	(92,519)
Net deferred tax liability	(60,624)	(81,400)

Reconciliation of net deferred tax liability

	2018 £000	2017 £000
Opening / at incorporation	(81,400)	-
Tax income during the period recognised in the Income Statement	19,928	12,687
Tax charge during the period recognised in Other Comprehensive Income	(355)	(4,808)
Foreign exchange movements	6,022	(3,394)
Deferred tax arising on business combinations	(4,819)	(85,885)
At 31 March	(60,624)	(81,400)

There is a deferred tax asset of £21.5m (2017: £11.1m) recognised in the statement of financial position

Group companies have tax losses carried forward at 31 March 2018 of approximately £73.4m (2017: £52.2m). Of the related deferred tax asset of £13.3m (2017: £10.2m), £1.8m (2017: £1.8m) has been recognised to offset the deferred tax liability on future capital gain on land and buildings and £5.5m recognised to offset against future taxable profit in accordance with IAS 12. The remaining deferred tax asset of £6.0m (2017: £8.4m) has not been recognised as the recognition criteria of IAS 12 have not been met.

Group companies have depreciation in excess of capital allowances of approximately £34.3m (2017: £38.7m). The related deferred tax asset is £4.5m (2017: £5.7m) which has been recognised in accordance with IAS 12.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

11. Taxation (continued)

(d) Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%

The deferred tax on temporary differences and tax losses as at 31 March 2018 was calculated at the rate applicable to the year in which the temporary differences and tax losses are expected to reverse.

12. Result attributable to members of the Company

As permitted by section 408(3) of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The profit dealt with in the financial statements of the Company was £53,560,000 (2017: loss of £29,817,000).

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at 31 March 2018

13. Property, plant and equipment

	Freehold land and buildings £000	Short-term leasehold buildings £000	Building Plant £000	Scientific equipment £000	Other Equipment £000	Total £000
Group						
Cost:						
At incorporation	-	-	-	-	-	-
Acquisitions	35,194	5,729	5,049	16,987	5,954	68,913
Additions	3,623	475	1,651	6,409	4,465	16,623
Disposals	-	-	-	(141)	-	(141)
Foreign exchange translation	1,521	423	170	650	171	2,935
At 31 March 2017	40,338	6,627	6,870	23,905	10,590	88,330
Acquisitions	-	667	1,081	75	68	1,891
Additions	1,150	4,748	363	10,402	9,587	26,250
Transfers	(220)	462	(789)	18	529	-
Disposals	(422)	(359)	(1,811)	(2,386)	(1,315)	(6,293)
Foreign exchange translation	(897)	(507)	(76)	(495)	(257)	(2,232)
At 31 March 2018	39,949	11,638	5,638	31,519	19,202	107,946
Depreciation:						
At incorporation	-	-	-	-	-	-
Charge for the period	1,116	894	1,338	5,625	3,081	12,054
Disposals	-	-	-	-	-	-
Foreign exchange translation	15	24	16	15	-	70
At 31 March 2017	1,131	918	1,354	5,640	3,081	12,124
Charge for the period	1,135	829	966	5,985	3,780	12,695
Disposals	(16)	(143)	(400)	(672)	(228)	(1,459)
Transfers	(79)	192	(378)	(68)	333	-
Foreign exchange translation	(38)	(108)	(45)	(234)	(123)	(548)
At 31 March 2018	2,133	1,688	1,497	10,651	6,843	22,812
Net book value:						
At 31 March 2018	37,816	9,950	4,141	20,868	12,359	85,134
At 31 March 2017	39,207	5,709	5,516	18,265	7,509	76,206

The element of land included in the net book value of freehold land and buildings at 31 March 2018 is £13.9m (2017: £13.9m).

No assets are held under finance leases

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

14. Intangible assets

	Goodwill	IP and Other intangibles	Internally generated development Costs	Total Intangibles
	£000	£000	£000	£000
Group				
Cost:				
At incorporation	-	-	-	-
Acquisitions	748,317	327,873	2,570	1,078,760
Other additions	-	254	2,838	3,092
Foreign exchange translation	52,345	18,038	161	70,544
At 31 March 2017	800,662	346,165	5,569	1,152,396
Acquisitions	26,019	32,354	-	58,373
Other additions	-	2,379	2,569	4,948
Transfers	-	(244)	244	-
Disposals	(27,517)	(14,800)	(2,258)	(44,575)
Foreign exchange translation	(28,525)	(12,970)	(350)	(41,845)
At 31 March 2018	770,639	352,884	5,774	1,129,297
Amortisation:				
At incorporation	-	-	-	-
Charge for the period	-	20,664	495	21,159
Foreign exchange translation	-	468	27	495
At 31 March 2017	-	21,132	522	21,654
Charge for the period	-	22,837	1,090	23,927
Disposals	-	(1,389)	(652)	(2,041)
Foreign exchange translation	-	(1,058)	(34)	(1,092)
At 31 March 2018	-	41,522	926	42,448
Net book value:				
At 31 March 2018	770,639	311,362	4,848	1,086,849
At 31 March 2017	800,662	325,033	5,047	1,130,742

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment using a value-in-use calculation. The discounted cash flows are based on the approved three year plan with an extrapolation and terminal growth rate thereafter.

For the purposes of impairment testing, the Group considers there to be three CGUs. The CGUs and key assumptions used in the estimation of the recoverable amounts are;

CGU	Discount rate	Terminal value growth rate
	%	%
Standards	7.9	2.5
Genomics	9.6	2.5
HS&I	8.3	2.5

The discount rates and terminal growth rates were provided by an independent third party advisor and management considers them to be prudent and reflective of the risk associated with each CGU.

Management believes that no reasonably possible change in any of the key assumptions would result in the carrying value of any CGU to exceed its recoverable amount.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

15. Investments

Group

As part of the acquisition of LGC Science Group Limited on 8 March 2016, the Group acquired a joint venture. The movement in relation to the joint venture is as follows

	2017 £000
At incorporation	-
Acquisitions	2,967
Share of operating profit before taxation	979
Tax on operating profit	(294)
Share of operating profit	685
Foreign exchange translation	1,072
Disposal	(4,724)
At 31 March 2017	-

On 31 March 2017 the Group disposed of its share in the joint venture and a loss is recognised in the income statement as follows

	2017 £000
Consideration received	3,951
Carrying amount of assets disposed	(4,724)
Loss on disposal	(773)

The total amount recognised in the income statement comprises.

	2017 £000
Share of operating profit before tax	979
Loss on disposal	(773)
	206

Company

As at 31 March 2017 the Company held 100% of the entire share capital of its subsidiary, LGC Science Group Limited and 21% of the share capital of its subsidiary, LGC Whirlwind Limited. In the year to 31 March 2018 the Company sold its investment in LGC Whirlwind Limited to LGC Science Group Limited in exchange for newly issued shares in that company.

	2017 £000
At incorporation	-
Acquisitions	277,981
At 31 March 2017	277,981
Acquisitions	58,832
Disposals	(58,832)
At 31 March 2018	277,981

Details of the investments in which the Group holds 20% or more of the nominal value are disclosed in note 32.

LGC Science Group Holdings Limited

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at 31 March 2018

16. Long-term receivables

Group	2018	2017
	£000	£000
Plant and equipment investment	689	966
Minimum lease rentals receivable	11	16
Estimated residual value	700	982
Gross investment	(108)	(184)
Unearned finance income	592	798
Present value of the minimum lease rentals receivable		
Sales Tax	39	54
Present value of current receivable	(190)	(120)
Estimated residual value	(11)	(16)
Total to be received within 2-5 years	430	716
Total minimum lease rentals to be received		
Within 1 year	172	193
Within 2-5 years	517	773
	689	966

The Group is a lessor in a non-cancellable leveraged lease agreement entered into during 2017. At the end of the lease term the lessee has the option to purchase the equipment being leased, otherwise the equipment will be returned to the Group. The Group has taken into account the unrealised portion of deferred interest and related deferred tax. Interest income is recognised when received.

Company	2018	2017
	£000	£000
Long-term loan notes (including accrued interest)	735,111	286,951
Preference shares (including accrued interest)	264,567	239,970
	999,678	526,921

Long-term loan notes

On 8 March 2016 the Company acquired all of the long-term loan notes of Teddington 2 Limited, which are accruing interest of 10% and 15% per annum.

Preference shares

On 8 March 2016 the Company acquired all of the preference shares of LGC Science Group Limited, which are accruing a dividend at 10% per annum.

17. Inventories

Group	Group
2018	2017
£000	£000
Raw materials and consumables	11,758
Work in progress	10,783
Finished goods	17,533
	17,384
	27,145
	34,705
	56,436
	62,872

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

18. Trade and other receivables

	Group 2018 £000	Group 2017 £000
Trade receivables	47,881	46,399
Provision for impairment of trade receivables	(913)	(852)
Net trade receivables	46,968	45,547
Other receivables	9,295	8,163
Prepayments and accrued income	4,806	5,997
	61,069	59,707

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality

	Group 2018 £000	Group 2017 £000
Age of trade receivables not impaired		
Not Due	32,360	30,615
Past Due		
1 to 30 days	8,698	10,735
31 to 60 days	2,449	1,989
61 to 90 days	1,538	791
>90 days	2,836	2,269
	15,521	15,784
	47,881	46,399

19. Cash and cash equivalents

	Group 2018 £000	Group 2017 £000
Cash at bank	40,578	59,373
Short-term deposits	1,238	1,165
	41,816	60,538

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

20. Issued share capital

Group and Company

Allotted and issued fully paid share capital

	Share capital	Share premium	Total
2018	2018	2018	2018
Number	£000	£000	£000
A Ordinary shares of £1 each	56,582,484	56,582	509,242
			565,824

	2017	2017	2017	2017
	Number	£000	£000	£000
A Ordinary shares of £1 each	56,582,484	56,582	509,242	565,824

During the period, the Group and Company did not issue any ordinary shares (2017 Table below)

	2018	2018	2018	2018
A Ordinary shares of £1 each	Number	£	£	£
Issued on 4 December 2015	1	1	-	1
Issued on 8 March 2016	54,582,483	54,582,483	491,242,352	545,824,835
Issued on 27 January 2017	2,000,000	2,000,000	18,000,000	20,000,000
	56,582,484	56,582,484	509,242,352	565,824,836

A Ordinary shares are voting shares and carry rights to receive dividends.

21. Loans and borrowings

Group	2018	2017
	£000	£000
Non-current loans and borrowings		
Bank borrowings	674,128	670,529
Long-term loan notes (including accrued interest)	5,707	5,188
	679,835	675,717
Company	2018	2017
	£000	£000
Non-current loans and borrowings		
Bank borrowings	674,128	670,529
Amounts owed to subsidiary undertakings	15,130	-
	689,258	670,529

Bank borrowings

On 8 March 2016 in order to make available funding to acquire LGC Science Group Limited (and associated undertakings) and repay debt, the immediate parent company entered into a Senior Facilities Agreement and Second Lien Facility Agreement. The facilities include a committed multicurrency revolving credit facility, of which £19m was drawn at 31 March 2018 (2017: £nil). The total committed and undrawn facilities under the Senior Facilities Agreement at 31 March 2018 were £31m (2017: £50m).

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

21. Loans and borrowings (continued)

The syndicated loan facility is secured on the assets of the Company and certain of its subsidiary undertakings. The loans bear interest at rates of LIBOR + 3.25%-6.75% for USD denominated loans and EURIBOR + 3.25%-6.5% for EUR denominated loans.

Long-term loan notes

The Long-term loan notes are accruing interest of 10% per annum.

22. Operating leases

The Group has entered into commercial lease agreements.

The total future value of minimum lease payments is as follows:

	Group Land and buildings 2018 £000	Group Other 2018 £000	Group Land and buildings 2017 £000	Group Other 2017 £000
Within one year	6,524	699	5,544	739
In two to five years	18,358	367	14,130	1,367
In over five years	15,934	22	12,406	-
	40,816	1,088	32,080	2,106

The amount of non-cancellable operating lease payments recognised as an expense during the period was £7.5m (2017: £6.7m).

23. Pension and other schemes

(a) Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £3,966,000 (2017: £3,886,000). At the end of the period contributions of £282,000 (2017: £313,000) were outstanding.

Contributions of £4,100,000 (2017: £4,000,000) are expected to be made to the plan in the next financial year.

(b) UK Defined benefit pension scheme

The Group operates a defined benefit funded pension scheme, the assets of the scheme are held in a trustee fund which required contribution to be made to a separately administered fund. The scheme is a UK-based defined benefit scheme, providing benefits at retirement and on death. The scheme was closed to future accrual on 31 March 2014. The closure of the scheme to future accrual reduces future volatility risk and helps align pension benefits more consistently across all of the Group's employees.

In accordance with IAS 19 (R) re-measurements, comprising of actuarial gains and losses, excluding net interest costs are recognised immediately in the financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

23. Pension and other schemes (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'other external expenses' in consolidated statement of profit or loss (by nature):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The expected contributions to the plan for the next reporting period are £nil.

The scheme was most recently valued on 1 July 2015. The most recent full funding assessment was as at 1 July 2015 and the results, benefit structure and data were summarised to the trustees in October 2015. The benefit structure has not changed since the funding assessment.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board has issued statement IFRIC14 that deals with how surpluses in IAS19 are approached within the employer's accounts:

a) only allows a surplus at the accounting date to be recognised in the accounts if the employer has an unconditional right to it at some future date. If the employer does not have a right to it, then the surplus recognised cannot be bigger than the present value of the future service cost less the present value of the contributions for future service committed to in the Schedule of Contributions

b) requires an additional liability to be recognised if the employer is obliged to pay future contributions and will not be able to recover these amounts in the future.

Risks

Investment risk

A significant proportion of assets are invested in equities and property whereas the defined benefit obligation value depends on the yield on long-dated corporate bonds. These two asset classes can move in different directions causing the pension disclosure on the balance sheet to improve or deteriorate rapidly. The balance sheet volatility has been mitigated to an extent by moving investment from equities into multi asset credit investment and bonds, together with the use of a Liability Driven Investment (LDI) strategy

Inflation risk

Since the pension liability is adjusted to consumer price index, the pension plan is exposed to the UK's inflation, interest rate risks

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows.

	2018 £000	2017 £000
Fair value of scheme assets	99,399	97,773
Present value of scheme liabilities	(109,221)	(109,168)
Defined benefit pension scheme deficit	(9,822)	(11,395)

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

23. Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2018 £000	2017 £000
Fair value at start of financial year	97,773	84,608
Interest income	2,520	3,017
Actuarial gains and losses arising from changes in financial assumptions	792	11,757
Benefits paid	(1,686)	(1,609)
Fair value at end of period	99,399	97,773

Analysis of assets

The major categories of scheme assets are as follows:

	2018 £000	2017 £000
Cash and cash equivalents	4,927	2,771
Equity instruments	29,288	40,047
Debt instruments	58,412	48,625
Real estate	6,772	6,330
	99,399	97,773

Asset valuations are based on quoted market prices in an active market and investment profile of the assets.

	2018 £000	2017 £000
Actual return on scheme assets	3,312	14,774

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company

Scheme liabilities

Changes in the present value of scheme liabilities are as follows

	2018 £000	2017 £000
Present value at start of financial period	109,168	83,679
Actuarial gains and losses arising from changes in financial assumptions	(1,077)	24,115
Interest cost	2,816	2,983
Benefits paid	(1,686)	(1,609)
Present value at end of financial period	109,221	109,168

Analysed as:

Present value of scheme liabilities arising from wholly or partly funded schemes	53	25,489
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LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

23. Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the Statement of financial position date are as follows:

	2018 %	2017 %
Retail price inflation (RPI)	3.40	3.50
Consumer price inflation (CPI)	2.40	2.50
Deferred pension revaluation	2.40	2.50
Discount rate	2.50	2.60
Mortality rate	1.50	1.50
Future pension increases	3.25	3.30

Actual return on scheme's assets

Post retirement mortality assumptions

	2018 Years	2017 Years
Current UK pensioners at retirement age - male	22.7	22.9
Current UK pensioners at retirement age - female	24.1	24.6
Future UK pensioners at retirement age - male	24.8	25.1
Future UK pensioners at retirement age - female	25.6	26.1

Amounts recognised in the income statement

	2018 £000	2017 £000
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in finance income or costs		
Net interest	296	(34)
Total recognised in the income statement	296	(34)

The service cost and net interest expense are recognised in the income statement.

Amounts taken to the Statement of comprehensive income

	2018 £000	2017 £000
Actuarial gains and losses arising from changes in financial assumptions	(407)	(25,414)
Actuarial gains and losses arising from changes in demographic assumptions	1,718	-
Return on plan assets, excluding amounts included in interest income/(expense)	558	13,056
Amounts recognised in the Statement of comprehensive income	1,869	(12,358)

Actuarial gains and losses arise when assumptions made about the future benefits or investment returns are not realised in practice and/or when assumptions are revised at the end of the financial year. Actuarial gains or losses are recognised immediately via Other comprehensive income.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

23. Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2018		2017	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£000	£000	£000	£000
Adjustment to discount rate				
Present value of total obligation	(2,401)	2,472	(2,493)	2,568
	2018		2017	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£000	£000	£000	£000
Adjustment to rate of inflation				
Present value of total obligation	1,336	(1,421)	1,481	(1,449)
	2018		2017	
	+ 1 Year	- 1 Year	+ 1 Year	- 1 Year
	£000	£000	£000	£000
Adjustment to mortality age rating assumption				
Present value of total obligation	(4,094)	4,143	(3,977)	4,026

The scheme is a UK-based providing benefits at retirement and on death. The most recent full funding assessment was as at 1 July 2015 and the benefit structure has not changed since the funding assessment. The scheme was closed to future accrual on 31 March 2014. The scheme is governed by a trustee that has a large degree of control over the operation, funding and investment strategy of the scheme. The Company works with the trustees to ensure the scheme has an appropriate funding strategy that meets legislative and regulatory requirements. Any shortfall of assets relative to funding target is financed over an appropriate period of time taking account of the contribution level that is reasonably affordable to the sponsoring employer.

The weighted average duration of the defined benefit obligation is around 23 years (2017: 23 years)

(c) Foreign defined benefit pension schemes

The Group's subsidiaries in Germany operate defined pension benefit schemes for certain employees and the funds are administered locally. The schemes have been re-measured in accordance with IAS 19(R). Actuarial gains and losses excluding net interest costs are recognised in the financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The defined benefit pension liability in the statement of financial position comprises the total for the plan at the present value of the defined benefit obligation, based on actuarial reports, which applied a discounted rate of 1.76% (2017: 1.52%)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2018	2017
	£000	£000
Present value of scheme liabilities	1,134	1,340

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Notes to the financial statements

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24. Provisions for liabilities and charges

	2018	2017
Group	£000	£000
Opening / at incorporation	7,001	-
Acquisitions	-	6,481
Utilised	(121)	-
Foreign exchange translation	(513)	520
Closing	6,367	7,001

The provisions are for potential litigation, uncertain tax positions, dilapidations, legal fees and a call / put option

25. Trade and other payables

	2018	2017
Group	£000	£000
Trade and other payables	19,408	24,037
Social security and other taxes	2,264	3,686
Accruals and deferred income	54,586	51,726
Deferred consideration	3,364	1,416
Other payables	366	444
	79,988	81,309

	2018	2017
Company	£000	£000
Accruals and deferred income	375	184

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note. The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note

26. Commitments and guarantees

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,623,000 (2017: £1,807,000) for the Group and £nil (2017: £nil) for the Company, and authorised but not yet contracted of £13,985,000 (2017: £8,723,000) for the Group and £nil (2017: £nil) for the Company

Pension commitments

Contributions of £4,100,000 (2017: £4,000,000) are expected to be made to the defined contribution plan in the next financial year.

Guarantees

The Group and other subsidiaries have provided guarantees and granted security to support the syndicated bank borrowing arrangements of the Group.

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Notes to the financial statements

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27. Financial instruments

(a) Financial assets and Liabilities

Financial assets

	Carrying value 2018 £000	Fair value 2018 £000	Carrying value 2017 £000	Fair value 2017 £000
Cash and cash equivalents	41,816	41,816	60,538	60,538
Trade and other receivables *	56,263	56,263	53,710	53,710
	98,079	98,079	114,248	114,248

Financial liabilities

	Carrying value 2018 £000	Fair value 2018 £000	Carrying value 2017 £000	Fair value 2017 £000
Trade and other payables**	74,338	74,338	76,207	76,207
Borrowing	679,835	679,835	675,717	675,717
	754,173	754,173	751,924	751,924

* Trade and other receivables are stated excluding Prepayments and accrued income

** Trade and other payables are stated excluding Social security and other taxes and Deferred consideration

The fair values of these financial instruments reflect market value which is not materially different to the carrying values

Derivatives:

Derivative Assets

Carrying value and Fair value	2018 £000	2017 £000
Derivative designated as hedging instrument		
Interest rate swaps	1,602	-
Derivatives not designated as hedging instruments		
Call option over royalty buyout	1,354	-
Foreign exchange forward contracts	42	-
	2,998	-

Derivative liabilities

Carrying value and Fair value	2018 £000	2017 £000
Derivatives not designated as hedging instruments		
Interest rate cap	(390)	-
Foreign exchange forward contracts	-	(398)
	(390)	(398)

Derivatives designated as hedging instruments reflect the positive change in fair value of interest rate swaps, designated as cash flow hedges to hedge interest payable (USD). The cash flow hedges of expected future interest payments were assessed to be highly effective and a gain of £1,602k (2017: No contracts) has been included in other comprehensive income in respect of these contracts.

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Notes to the financial statements

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27. Financial instruments (continued)

As part of the Lucigen Corporation business combination (see Note 4), a royalty buy out option was acquired and recognised at fair value

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. These contracts are not designated as hedging instruments but trading derivatives and are generally from 1 to 12 months. Trading derivatives are classified as a current asset or liability and changes in value are recorded in the Income statement.

The valuation of foreign exchange forward contracts was provided by HSBC Bank Plc. The valuation method was derived from proprietary models based upon recognised financial principles and reasonable estimates about relevant future market conditions and may reflect certain other financial factors

The Group classifies its foreign exchange forward contracts as level 2 within the fair value hierarchy. There were no transfers between fair value hierarchies during the period. The notional principal amount of outstanding foreign exchange forward contracts at 31 March 2018 was EUR 14,000,000 (2017: EUR 19,500,000)

Other derivative liabilities not designated as hedging instruments reflect the negative change in fair value of an interest rate cap that is not designated in hedge relationships, but is, nevertheless, intended to reduce the level of foreign currency risk for interest payable (EUR).

Call option:

Carrying value and Fair value

Call option over Douglas Scientific LLC non-controlling interest
Derivative asset

2018	2017
£000	£000
11,737	13,166
11,737	13,166

On 1 April 2016 the Group entered into a call option agreement with the non-controlling interest of Douglas Scientific LLC to purchase the entire NCI. The option is classified as a non-current derivative asset and changes in value are recorded in the Income statement.

(b) Financial risk management and impairment of financial assets

The Group is exposed to market risk (including interest rate and foreign currency risk), credit risk and liquidity risk

The Group has in place a financial risk management programme that seeks to limit the adverse effects on the financial performance of the Group that could arise, including monitoring levels of debt finance and related finance costs. Cash flow and leverage in respect of the Company's banking facilities are reported monthly to the Board. 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.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Key market risks affecting the Group including interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits

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Notes to the financial statements

at 31 March 2018

27. Financial instruments (continued)

Interest rate risk

During the year ended 31 March 2018 all of the Group's bank debt was at floating interest rates. The Group monitors the trends in interest rates and regularly consults with investors and advisors regarding interest rates. The Group has opted to partially fix USD interest rates and partially cap EUR interest rates. The Group holds fluctuating cash balances that earn interest at fluctuating market rates.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to the risk of changes in foreign exchange rates arising from various currency exposures, primarily with respect to Euro, US dollar and the UK pound. Foreign exchange risk arises primarily from foreign acquisitions, foreign operations, trade payables and trade receivables held in foreign currencies, recognised assets and liabilities and net investments in foreign operations.

This risk is partially mitigated by internally generated cash flows in a similar mix of currencies. Net risk of exposure to operations in foreign currencies is managed by the purchase of foreign exchange forward contracts.

Credit risk and impairment

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Cash and receivables credit risk exposure and management

2018

Cash and cash equivalents

Trade and other receivables *

Maximum amount of exposure £000	Provision for doubtful debt £000	Carrying value £000
41,816	-	41,816
57,176	(913)	56,263
98,992	(913)	98,079

2017

Cash and cash equivalents

Trade and other receivables *

Maximum amount of exposure £000	Provision for doubtful debt £000	Carrying value £000
60,538	-	60,538
54,562	(852)	53,710
115,100	(852)	114,248

* Trade and other receivables are stated excluding Prepayments and accrued income

The majority of the Group's trade receivables are due from large national or multinational companies, or are government backed where the risk of default is considered low and there is limited customer concentration. Outstanding customer receivables are regularly monitored and any contracts with major customers are generally covered by letters of credit or other forms of credit insurance. Individual credit limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

27. Financial instruments (continued)

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department and the credit risk on liquid funds and derivative financial instruments is considered limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

Allowances for impairment by credit losses

	2018	2017
	£000	£000
At start of period / incorporation	(852)	-
Acquisitions	-	(776)
Movement during the period	(61)	(76)
At end of period	(913)	(852)

Liquidity risk

The Group monitors liquidity on an ongoing basis. All financial liabilities outstanding at the current period end are due within one year and the contractual maturities are the same as the carrying value

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a variety of borrowing instruments. The Group assessed the concentration of risk and concluded it to be low. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Maturity analysis

	Within 1 year	>5 years	Total
	£000	£000	£000
2018			
Trade and other payables *	74,338	-	74,338
Bank borrowings	-	674,128	674,128
Long-term loan notes	-	5,707	5,707
	74,338	679,835	754,173
2017			
Trade and other payables *	76,207	-	76,207
Bank borrowings	-	670,529	670,529
Long-term loan notes	-	5,188	5,188
	76,207	675,717	751,924

* Trade and other payables are stated excluding Social security and other taxes and Deferred consideration

(c) Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital structure to support its business and maximise shareholder value. In order to achieve this business objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the bank borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings

The Group monitors capital using a leverage ratio, which is net debt divided by pro forma adjusted EBITDA*.

*Earnings (including joint venture) before interest, tax, depreciation, amortisation, unrealised foreign exchange gains and losses and material, unusual and non-recurring items, including the pre-acquisition period for businesses acquired during the period.

LGC Science Group Holdings Limited

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28. Related party transactions

(a) Transactions with KKR, the majority shareholder

	2018 £000	2017 £000
<u>Services and closing balance</u>		
Costs relating to the acquisition of the LGC Science Group Limited	-	20,017
Management fees	500	532
Debt facility fees	562	3,288
Other services	145	632
Payables closing balance	125	146

(b) Transactions with non-controlling interest – Douglas Scientific LLC

Group companies entered into transactions with Douglas Scientific LLC (a 55% controlled subsidiary).

	2018 £000	2017 £000
<u>Trading</u>		
Sale of goods and services during the period	2,779	950
Purchase of goods and services during the period	(10,882)	(1,742)
Trade receivable closing balance	275	989
Trade payables closing balance	(6,210)	(410)
<u>Intercompany loan account</u>		
Interest payable	258	127
Closing balance	4,318	2,046

(c) Transactions with non-controlling interest – Brand Reputation Compliance Limited

Group companies entered into transactions with Brand Reputation Compliance Limited (a 70% controlled subsidiary) and its subsidiary BRC Trading Limited

	2018 £000	2017 £000
<u>Intercompany loan account</u>		
Interest payable	87	4
Closing balance	1,838	204

(d) Transactions with joint venture

The Group had a 50% interest in LGC Promochem India Private Limited. During the prior period sales were made at normal market prices.

	2018 £000	2017 £000
<u>Trading</u>		
Sale of goods during the period	-	99
Trade receivable closing balance	-	8

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

28. Related party transactions (continued)

(e) Transactions with other related party

Group companies entered into transactions with Airtio Ltd, a company where Derek Craston holds a Directorship. During the prior period, purchases have been made at normal market price on an arm's length basis.

	2018 £000	2017 £000
Trading		
Purchase of services during the period	-	(7)
Trade payables closing balance	-	(1)

(f) Transactions with companies owned by KKR

Group companies entered into transactions with other companies owned by KKR. During the period, sales and purchases have been made at normal market price on an arm's length basis.

	2018 £000	2017 £000
Trading		
Sale of goods and services during the period	22	193
Purchase of goods and services during the period	(351)	(220)
Trade receivable closing balance	2	43
Trade payables closing balance	(38)	(114)

29. Ultimate holding company and controlling party

The Company's immediate parent undertaking is Elwy 3 Limited

The majority shareholders of LGC Science Group Holdings Limited are KKR Fund Holdings L.P. and KKR European Fund IV L.P. (the "Funds") Kohlberg Kravis Roberts & Co. L.P., a registered investment adviser regulated by the United States Securities & Exchange Commission (Registration NO 90169634) under the U.S. Investment Advisors Act of 1940, acts as a manager for and on behalf of the Funds. No individual investor in the Funds has more than 25% of the interest in LGC Science Group Limited. The ultimate parent company of KKR Fund Holdings L.P. and KKR European Fund IV L.P. is KKR & Co. L.P., an entity incorporated in the United States of America.

30. Post balance sheet event

On 27 April 2018 the Group acquired the entire voting rights of BioAutomation Corporation, manufacturer of the renowned MerMade brand of oligo synthesis instruments, based in Irving, Texas, USA, for a consideration of £8.0m. The net assets of the acquired business were £1.7m.

LGC Science Group Holdings Limited

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31. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective up to the date of the issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The financial impact of these standards is not yet known and reasonably estimable.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. If a contract with a customer does not yet meet all of the criteria, the entity will continue to reassess the contract going forward to determine whether it subsequently meets the criteria and from that point to recognise the revenue.

The Group is in the business of providing contract services and sales of modified high-tech goods. The services and goods are sold on its own in separate contracts with customers and together as a bundled package of goods and/or services. The Group provides warranties for the goods and/or services sold in its contracts with customers. As such, the Group determines that such warranties are assurance-type warranties which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current practice.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IFRS 16 Leases

IFRS 16 *Leases* was issued in January 2016 and has a mandatory effective date of 1 January 2019. Early adoption is permitted but only if IFRS 15 is also applied.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 replaces the previous leases Standards, IAS 17 *Leases*, and related Interpretations.

LGC Science Group Holdings Limited

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at 31 March 2018

32. Details of the investments of the Group

As at 31 March 2018 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	Registered office/principal place of business	Type of shares	Proportion of voting rights and shares held	Nature of business
Allergen Control Group Inc	(1)	Ordinary	100	Distribution of analytical reference standards
American Proficiency Institute Group Inc	(2)	Ordinary	100	Food proficiency testing services
Analytical Reference Materials International Corp	(3)	Ordinary	100	Distribution of analytical reference standards
Aquacheck Limited [†]	(4)	Ordinary	100	Dormant
Axolabs GmbH	(5)	Ordinary	100	Contract development and manufacturing of oligonucleotide therapeutics
Biosearch Technologies Inc	(6)	Ordinary	100	Genomics products and services
Brand Reputation Compliance Limited	(4)	Ordinary	70	Holding company
BRC Global Standards (Americas) Corporation	(7)	Ordinary	70	Distribution of analytical reference standards
BRC Trading Limited	(4)	Ordinary	70	Distribution of analytical reference standards
Cardiff Bioanalytical Services Limited [†]	(4)	Ordinary	100	Dormant
Douglas Scientific LLC	(8)	Ordinary	55	Genomics products and services
Dr Ehrenstorfer GmbH	(9)	Ordinary	100	Distribution of analytical reference standards
Focus Forensic Telecommunications Limited [†]	(4)	Ordinary	100	Dormant
Forensic Alliance Limited [†]	(4)	Ordinary	100	Dormant
HFL Sport Science Limited [†]	(4)	Ordinary	100	Dormant
Industrial Analytical (Proprietary) Limited	(10)	Ordinary	100	Distribution of analytical reference standards
KBiosciences Limited [†]	(4)	Ordinary	100	Dormant
LGC (Holdings) Limited	(4)	Ordinary	100	Holding company
LGC (North West) Limited	(4)	Ordinary	100	Holding company
LGC (Teddington) Limited	(4)	Ordinary	100	Holding company
LGC Beteiligungs GmbH	(9)	Ordinary	100	Holding company
LGC Bio Senate Limited [†]	(4)	Ordinary	100	Dormant
LGC Bioresearch Limited [†]	(4)	Ordinary	100	Dormant
LGC Biosearch GmbH	(11)	Ordinary	100	Genomics products and services
LGC Biosearch technologies A/S	(12)	Ordinary	100	Genomics products and services
LGC Coleshill Limited [†]	(4)	Ordinary	100	Dormant
LGC Genomics GmbH	(13)	Ordinary	100	Genomics products and services
LGC Genomics Holding GmbH	(13)	Ordinary	100	Holding company
LGC Genomics Limited [†]	(4)	Ordinary	100	Genomics products and services
LGC Genomics LLC	(2)	Ordinary	100	Genomics products and services
LGC Genomics US Holdings Inc	(2)	Ordinary	100	Holding company
LGC GmbH	(14)	Ordinary	100	Manufacture of analytical reference standards
LGC Group Holdings Limited	(4)	Ordinary	100	Holding company
LGC Holding GmbH	(13)	Ordinary	100	Holding company

LGC Science Group Holdings Limited

Notes to the financial statements

at 31 March 2018

32. Details of the investments of the Group (continued)

Subsidiary	Registered office/principal place of business	Type of shares	Proportion of voting rights and shares held	Nature of business
LGC Investments GmbH	(9)	Ordinary	100	Holding company
LGC Investments Limited	(4)	Ordinary	100	Holding company
LGC Labor GmbH	(9)	Ordinary	100	Manufacture of analytical reference standards
LGC Limited	(4)	Ordinary	100	Chemical and biochemical analysis consultancy and distribution of analytical reference standards
LGC North America Inc	(2)	Ordinary	100	Holding company
LGC Rhone Inc	(2)	Ordinary	100	Holding company
LGC Science (Beijing) Co Limited	(15)	Ordinary	100	Distribution of analytical reference standards
LGC Science (Nanjing) Co Limited	(16)	Ordinary	100	Distribution of analytical reference standards
LGC Science (Shanghai) Co Limited	(17)	Ordinary	100	Distribution of analytical reference standards
LGC Science and Standards (India) Private Limited	(18)	Ordinary	100	Distribution of analytical reference standards
LGC Science Group (Singapore) Pte Limited	(19)	Ordinary	100	Holding company
LGC Science Group Limited	(4)	Ordinary	100*	Holding company
LGC Science Holdings Limited	(4)	Ordinary	100	Holding company
LGC Science Inc	(20)	Ordinary	100	Analytical testing services
LGC Science Investments Limited	(4)	Ordinary	100	Holding company
LGC Science Limited†	(4)	Ordinary	100	Dormant
LGC Standards (South Africa) (Proprietary) Limited	(10)	Ordinary	100	Holding company
LGC Standards AB	(21)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Brazil Exportação E Importação Ltda	(22)	Ordinary	100	Distribution of analytical reference standards
LGC Standards GmbH	(9)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Inc	(23)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Sarl	(24)	Ordinary	100	Distribution of analytical reference standards
LGC Standards SL	(25)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Sp Z o o	(26)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Srl	(27)	Ordinary	100	Distribution of analytical reference standards
LGC Whirlwind Ltd	(4)	Ordinary	100	Holding company
Link Technologies Limited	(28)	Ordinary	100	Genomics products and services
Lucigen Corporation	(29)	Ordinary	100	Genomics products and services
Maine Standards Company LLC	(30)	Ordinary	100	Manufacture of analytical reference standards
Organic Standard Solutions International LLC	(31)	Ordinary	100	Distribution of analytical reference standards

LGC Science Group Holdings Limited

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32. Details of the investments of the Group (continued)

Subsidiary	Registered office/principal place of business	Type of shares	Proportion of voting rights and shares held	Nature of business
Prime Synthesis Inc	(32)	Ordinary	100	Genomics products and services
Promochem Limited†	(4)	Ordinary	100	Dormant
Quality Management Holdings Limited†	(4)	Ordinary	100	Holding company
Quality Management Limited†	(4)	Ordinary	100	Dormant
Teddington 2 Limited	(4)	Ordinary	100	Holding company
Thistle Laboratory Services (Proprietary) Limited	(10)	Ordinary	100	Analytical testing services
University Diagnostics Limited†	(4)	Ordinary	100	Dormant
VHG Labs Inc	(33)	Ordinary	100	Distribution of analytical reference standards

* Directly held by the Company

† Companies exempt from the requirement of the Companies Act 2006 relating to the preparation of accounts under section 394A of the Act.

Statutory instrument exemption

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Act

- LGC (North West) Limited
- LGC (Teddington) Limited
- LGC Genomics Limited
- LGC Group Holdings Limited
- LGC (Holdings) Limited
- LGC Investments Limited
- LGC Science Group Limited
- LGC Science Holdings Limited
- LGC Science Investments Limited
- LGC Whirlwind Limited
- Teddington 2 Limited
- Link Technologies Limited

The country of incorporation matches the country in which the registered office/principal place of business is located.

Key to registered office/principal place of business

- (1) 15 Martin Street, Suite 202, Milton, ON L9T 2R4
- (2) National Registered Agents, Inc, 160 Greentree Drive, Suite 101, Dover DE 19904, United States
- (3) National Registered Agents, Inc, 1021 Main Street, 1150, Houston TX 77002, United States
- (4) LGC, Queens Road, Teddington, Middlesex, TW11 0LY, United Kingdom
- (5) Fritz-Hornschuch-Straße 9, D-95326 Kulmbach Germany
- (6) National Registered Agents, Inc, 818 W Seventh Street, Suite 930, Los Angeles CA 90017, United States
- (7) Cogency Global Inc. 850 New Burton Road Suite 201 Dover DE 19904, United States

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32. Details of the investments of the Group (continued)

Key to registered office/principal place of business (continued)

- (8) 1010 Dale St N, St Paul, MN 55117–5603, USA
- (9) Mercatorstr 51, 46485 Wesel, Germany
- (10) 48 Monte Carlo Crescent, Kyalami Business Park, Kyalami, Gauteng, 1684, South Africa
- (11) Sonneberger Strasse 69, 96523 Steinach, Germany
- (12) Voldbjergvej 16B, 8240, Risskov, Denmark
- (13) Ostendstrasse 25, TGS Haus 8, 12459 Berlin, Germany
- (14) Louis-Pasteur-Str 30, 14943, Luckenwalde, Germany
- (15) Room 110, Unit 3, No 6 Building, No 88 Yark, Kechuang Sixth Street, Beijing China
- (16) 5F, Block A5, Hongfeng Science Park, Economic and Technological Development Zone, Nanjing
- (17) Room 1577B, No 55 Xili Road, Shanghai Free Trade Zone, Shanghai, China
- (18) Unit No. 216, Commercial Building Square One, C-2 District Centre, Saket, New Delhi, 110017, India
- (19) 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, Singapore
- (20) Northwest Registered Agent Service, Inc, 1521 Concord Pike, Suite 202, Wilmington DE 19803, United States
- (21) Box 1737, 50117 Boras, Sweden
- (22) Avenida Salmão 663, Sala 66, Jardim Aquarius - São José Dos Campos, 12246-260 Brazil
- (23) National Registered Agents, Inc, 155 Federal Street, Suite 700, Boston MA 02110, United States
- (24) 6 rue Alfred Kastler, 67120 Molsheim, France
- (25) Salvador Espriu 59, 08005 Barcelona, Spain
- (26) ul. M.Konopnickiej 1, Dziekanów Leśny, 05-092, Łomianki, Poland
- (27) Via Tintoretto n. 5, 20145 Milano, Italy
- (28) 3 Mallard Way, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3BF
- (29) Cogency Global, Inc , 901 S Whitney Way, Madison, WI, 53711 - 2553
- (30) 221 US Route 1, Cumberland Foreside, ME 04110, United States
- (31) National Registered Agents Inc., 2 Office Park Court, Columbia SC 29223, United States
- (32) 2 New Road, Suite 126, Aston DE 19014, United States
- (33) National Registered Agents Inc, 276 Abby Road, Manchester NH 03103, United States