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LGC Science Group Holdings Limited

Registration number: 09903564

# LGC Science Group Holdings Limited

## Annual report and accounts

For the year from 1 April 2018 to 31 March 2019

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LGC Science Group Holdings Limited  
Report and accounts 2019

# LGC Science Group Holdings Limited

## Key Highlights

### Science for a safer world

#### Key highlights

Revenue:	£387m (2018: £331m)
Adjusted EBITDA	£106.1m (2018: £86.4m)
Number of employees (31 March 2019)	2,805 (2018: 2,626)
Revenues by region:	
EMEA/APAC	£233m (2018: £214m)
Americas	£154m (2018: £117m)

#### Our science in action

##### Human Health e.g. Molecular and clinical diagnostics, pharma and biotech

- 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.

##### Applied Markets e.g. Food, environment, agribiotech industrial

- 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 the annual global talent review process and management training programmes led by our Learning and Development team.
- We opened a reference materials manufacturing and proficiency testing facility in Nanjing, China in 2018. This facility increases our manufacturing capacity to meet the growth in demand for our products in the region.
- We completed the expansion of our facilities at Axolabs GmbH in March 2019, expanding capacity to support strong demand from customers in the development of nucleic acid therapeutics.
- We completed the expansion of our European proficiency testing hub in Bury, UK. The investment reflects continued strong growth since we opened the facility in 2010, and provides capacity for future growth in the food and beverage proficiency testing market globally.
- We relocated our a2si facility in Charleston, South Carolina, to a new, larger site, which will provide significant capacity for future growth in the manufacture of organic and inorganic reference materials for the food and environmental sectors.
- At Biosearch in Petaluma, California, we completed a significant investment in our GMP facility for producing oligonucleotides for therapeutic drug discovery.
- The Fordham expansion was also completed successfully in the year, providing capacity for growth particularly in the large molecule bioanalysis business. We hosted a royal visit to our Fordham site on 29 March when HRH The Princess Royal visited and met scientists at our expanded facility.
- We invested in information technology platforms, including a US data centre for improved resiliency and scalability, the implementation of our ERP system into acquired businesses and our e-commerce platforms, to improve our channel reach and customer experience.

# LGC Science Group Holdings Limited

## Key Highlights (continued)

### Acquisitions

- On 27 April 2018, we acquired BioAutomation Corporation, manufacturer of the renowned MerMade oligo synthesis instruments and related consumables. BioAutomation is based in Irving, Texas, USA.
- On 26 September 2018, we acquired Berry and Associates, a premier supplier of specialty oligo reagents. Berry and Associates is based in Dexter, near Ann Arbor, Michigan, USA.
- The investments in BioAutomation and Berry and Associates follow our acquisitions of Biosearch Technologies, Prime Synthesis and LINK Technologies in the oligonucleotide reagent and synthesised oligonucleotide markets.
- On 21 November 2018, we acquired SeraCare Life Sciences, Inc., a leading manufacturer and partner to global invitro diagnostics manufacturers and clinical laboratories. This acquisition strengthens our position across the spectrum of clinical quality control tools market and builds upon our existing calibration verification materials and proficiency testing offerings, including those of Maine Standards Company LLC, acquired in 2015. Additionally, the SeraSeq clinical genomics tools are complementary to our offering to the Next Generation Sequencing (NGS) market, which includes oligonucleotides, molecular biology enzymes and magnetic beads. SeraCare is based in Milford, Massachusetts, USA, and Gaithersburg, Maryland, USA.
- On 11 December 2018, we acquired M.B.H. Analytical Limited, (MBH) a leading manufacturer of metal alloy reference materials. The investment increases the breadth of our metal alloy reference materials portfolio, thereby strengthening our differentiated position as a manufacturer of reference materials for that applied segment.

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### Registered Office

LGC  
Queens Road  
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 2019.

The consolidated financial statements on pages 22 to 83 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 a global leader in the life science tools sector, serving customers in human healthcare, applied markets (including food, agbio and the environment), research and government.

We provide a comprehensive range of reference materials, proficiency testing schemes, oligonucleotides, genomics reagents and instrumentation based upon our foundation of research and measurement capabilities.

Our scientific tools and solutions form an essential part of our customers' quality and compliance procedures as well as enable them to provide safer products, develop new solutions and advance research.

### Our purpose and core values

Our core purpose is Science for 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 norms and come to work with an infectious energy to do their best every day

**Curiosity:** We constantly 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:** A commitment to high ethical standards has been at the heart of LGC since we started testing the integrity of products in 1842. Today, integrity is embedded throughout our business: we develop and deliver solutions 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 gender, age, nationality, religion and individuality, our diversity is our strength. We appreciate the skills, knowledge and strength of employees, teams and the Group as a whole, and respect our customers, their samples (where appropriate) and our environment at large

### Business model and strategy

LGC 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 our science capabilities

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

Our HS&I team runs a number of national, scientific laboratories on behalf of the British Government along with leading analytical and measurement capabilities for pharma customers in the development of nucleic acid therapeutics and small and large molecule drugs

The business addresses markets which are underpinned by sustainable growth drivers such as population demographics, rise of the middle class, increased regulatory activity and a continuing demand for a high quality of life.

Our strategy is to build sustainable leading positions in attractive niche segments requiring specialist scientific expertise, across the life science tools sector, including clinical and molecular diagnostics, pharma & biotech and applied markets (food & environment, agri-genomics, industrial and metals) In doing so we will leverage our position as a global leader in life science tools and technology, our world-class measurement science capabilities, our highly differentiated and complete portfolio of products and technologies and our proven capability in delivering organic and inorganic growth.

### Our strategic priorities

Our employees set us apart from our competition Their in-depth knowledge and expertise across a breadth of scientific areas enables 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 Most 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 & Innovation team works across all our divisions, via the science family network, 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 \$200 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, PRA International, BridgeBio Pharma, Coherus Biosciences and Slayback Pharma. KKR brings 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 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 continued to partner 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 2019 with revenue of £387.4m (2018: £331.2m) up 17% and Adjusted EBITDA of £106.1m (2018: £86.4m) up 23%. Net cash flow from operating activities increased 36% to £70.2m.

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

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Revenue	387.4	331.2
Adjusted EBITDA*	106.1	86.4
Long-term syndicate borrowings	856.2	674.1
Net cash flow from operating activities	70.2	51.5

\*Earnings before interest, tax, depreciation, amortisation, unrealised foreign exchange gains and losses and material, unusual and non-recurring items.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Adjusted EBITDA	106.1	86.4
Unrealised foreign exchange gains and losses	0.4	(3.6)
Depreciation and amortisation	(43.7)	(35.1)
Material, unusual and non-recurring items	(27.4)	(26.0)
Group operating profit / (loss)	35.4	21.7

#### KPI - Revenue

Revenue progression is a key metric aligned to LGC'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 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 organic performance of the business and strong performance of recent acquisitions. 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 again. Growth in China continued to be strong, driven by sales of reference materials, particularly for the food, environment and pharmaceutical markets, and increasingly 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	77.5	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
BioAutomation Corporation	Irving, TC, USA	100	A designer, developer, manufacturer and Supplier of synthesisers for pharmaceutical, biotech, scientific research and development and academic applications globally
Berry and Associates, Inc.	Dexter, MI, USA	100	A premier supplier of specialty oligo reagents to the pharmaceutical, clinical diagnostics and academic research sectors as well as to oligonucleotide synthesis companies and contract manufacturing organisations.
SeraCare Life Sciences, Inc	Gaithersburg, MD, USA Milford, MA, USA	100	A manufacturer and leading partner to global in-vitro diagnostics manufacturers and clinical laboratories
M B.H. Analytical Ltd	Barnet, UK	100	A leading manufacturer of metal alloy reference materials.

### KPI - Adjusted EBITDA

Adjusted EBITDA is the one of LGC'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 £106.1m (2018 £86.4m) represents a margin of 27.4% (2018 26.1%) which was in line with management expectations.

Adjusted EBITDA is operating profit before depreciation, amortisation, material, unusual or 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 for the year as determined in accordance with IFRS.

In deriving Adjusted EBITDA, operating profit is adjusted for a number of material, unusual and non-recurring items to permit a better understanding by management and other stakeholders of LGC's recurring profit performance.

# LGC Science Group Holdings Limited

## Group strategic report (continued)

Typically these material, unusual and non-recurring items include: one off costs associated with the acquisitions pursued by LGC, costs associated with the integration of businesses successfully acquired by LGC, restructuring costs and 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.

### **KPI - Long-term syndicate borrowings & financial position**

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

LGC maintains sufficient cash to fund day-to-day operating requirements. At the end of the year LGC had £59.0m (2018: £41.8m) of cash on its Consolidated statement of financial position.

In common with many other with Private Equity backed businesses, LGC's capital structure includes a proportion of debt. Together with equity funding and reserves of £540.6m (2018: £494.8m), LGC has long-term borrowings of £862.5m at 31 March 2019 (2018: £679.8m), a ratio of 0.6 equity and reserves: 1.0 long-term debt (2018: 0.7:1).

At 31 March 2019, the Group had long-term borrowings comprised of the following:

Group and Company	Interest	Maturity	2019 £m	2018 £m
USD denominated syndicated loans	LIBOR + (3.25%-6.75%)	4-5 years	385.3	270.2
EUR denominated syndicated loans	EURIBOR + (3.25%-6.50%)	4-5 years	483.0	417.0
Issue costs			(12.1)	(13.1)
Syndicated loans subtotal			856.2	674.1
Long-term loan notes (including accrued interest)	10%	13 years	6.3	5.7
			<b>862.5</b>	<b>679.8</b>

LGC'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 LGC's strategy. The total committed and undrawn Group facilities under the Senior Facilities Agreement at 31 March 2019 were £50m (2018: £31m).

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

### **KPI – Operating cash flow**

LGC's cash generation was also strong, with positive net cash flow from operating activities in the year of £70.2m (2018: £51.5m). 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.



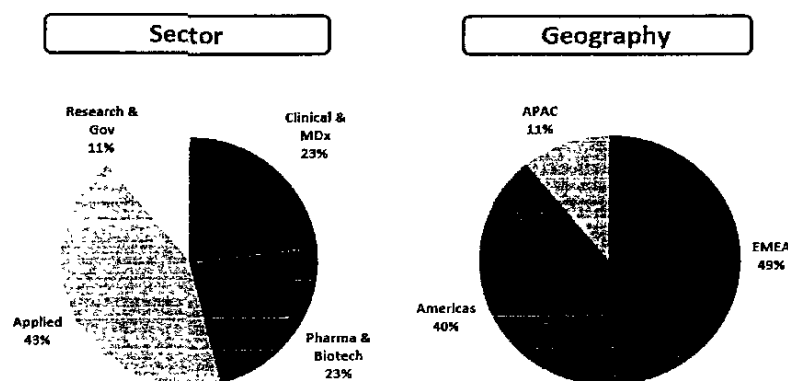
# LGC Science Group Holdings Limited

## Group strategic report (continued)

### Other key performance indicators

#### - Staff Engagement

Our employees are the key to our success. Annually we conduct an employee engagement survey. The 2019 survey recorded an 83% response rate (2018: 86%). 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 2019 (2018: 4.15)



#### - 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

LGC'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

LGC has in place a financial risk management programme that seeks to limit the adverse effects on the financial performance of LGC 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 LGC, 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 LGC's finance department.

#### Financial risk

#### Risk approach

##### Price

LGC'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

LGC 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. LGC's principal financial assets are bank balances, cash, trade and other receivables.

##### Liquidity

LGC actively maintains a mixture of long-term and short-term debt finance and cash deposits that are designed to ensure LGC 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 cash flow

During the year ended 31 March 2019 all of the Groups' bank debt was at floating interest rates (3 month LIBOR / EURIBOR). LGC monitors the trends in interest rates and regularly consults with investors and advisors regarding interest rates. LGC has opted to partially fix USD interest rates and partially cap EUR interest rates. LGC holds fluctuating cash balances that earn interest at fluctuating market rates (note 27).

# LGC Science Group Holdings Limited

## Group strategic report (continued)

### Financial risk

Foreign exchange  
cash flow

### Risk approach

LGC 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 2019 we continued to invest significantly in our businesses, in new technology and in new opportunities. Overall capital expenditure for the year was £43.5m (2018: £31.2m), reflecting continued investment in capacity and infrastructure for future growth, scientific equipment and IT across the entire business.

Of particular note are the substantial investments in the reference material and proficiency testing manufacturing facility in Nanjing (Ch), the Bury (UK) proficiency testing hub expansion, our GMP oligonucleotide production facility in Petaluma, CA (USA) and in expanding our nucleic acid therapeutic footprint in Germany. The o2Si business in Charleston (USA) was relocated to larger premises and the large molecule bioanalysis laboratories in Fordham, Cambridgeshire (UK) were also enlarged.

Key investments in IT include the US datacenter to improve resilience and scalability given the business that LGC now has in the USA, implementation of the ERP system into acquisitions and in customer facing technology including e-commerce. In addition, the obligation to pay future royalties on revenues relating to a strategically important portfolio of enzymes was also bought out.

### 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.

LGC's enterprise 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 31000:2018 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 Enterprise Risk Management team provides an independent risk based audit function, with clear reporting lines to the CFO.

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 CFO and comprises senior members of Management including the Chief Information Officer, Group General Counsel, Head of Enterprise Risk Management and representatives from each of the trading divisions.

The principal risks facing the Group include.

### Risk

Macroeconomic, market  
and competitor

### Risk approach

LGC's leadership positions, global reach and exposure to a number of end markets which are driven by long term macro drivers, minimises the impact of macroeconomic shocks on the Group. We operate globally in a number of countries and markets where competition and innovation can be high. We regularly monitor market trends and competitor developments. 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.

# LGC Science Group Holdings Limited

## Group strategic report (continued)

### Risk

#### Risk approach

In some areas, LGC 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.

### Legal & regulatory

LGC 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 LGC's activities. LGC is aware of the importance of identifying and complying with all applicable legislation and regulation affecting our business activities globally.

Legal and regulatory developments are actively monitored by LGC's risk committee and by our Enterprise Risk Management, 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.

### Employee recruitment and retention

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.

To ensure that we are able to recruit and retain the right people and develop them with the right skills, we have strong recruitment practices in place, provide regular learning and development opportunities in order to enhance the professional ability of all employees, and operate a talent management process.

### IT Resilience

Technology underpins our ability to deliver our strategy. Cybersecurity, platform performance and infrastructure resilience are of significant importance to LGC. In addition to financial investment, our senior technology and Enterprise Risk leaders regularly assess risk, policy and best practice to ensure IT operational resilience.

### ***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*

Macro trends previously identified result in long-term sustainable growth drivers for markets addressed by LGC. These 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 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 macroeconomic 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 that 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.

More information can be found in our Corporate social responsibility report available on our website. [lgcgroup.com](http://lgcgroup.com)

# 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 Enterprise Risk Management (ERM) and divisional QHSE teams have continued to ensure significant focus in this area across our business. The Head of Enterprise Risk Management, and the ERM team provide group policy on Quality, Health & Safety and Environment.

Our quality performance was underlined by a number of successful regulatory and 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.

LGC is committed to operating the business in accordance with the Health and Safety laws and regulations of the countries in which we operate and adopting the accepted best practices of comparable organisations. The Head of Enterprise Risk Management, in conjunction with the ERM team and divisional safety representatives, is responsible for setting the strategy and monitoring and reporting upon the performance across LGC.

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

The Head of Enterprise Risk Management in conjunction with the ERM team, and divisional QHSE team representatives, 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 number of employees for the year ended 31 March 2019 was 2,805 (2018: 2,626).

We are committed to creating an employment environment that attracts, retains and motivates the best employees. Throughout LGC, 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. 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 LGC.

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, which is available on our website [lgcgroup.com](http://lgcgroup.com).

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

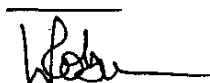
## Group strategic report (continued)

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

	2019		2018	
	Male %	Female %	Male %	Female %
Board Of Directors and Company Secretary	90	10	90	10
Senior Managers	66	34	68	32
Other employees	42	58	42	58

Senior managers are comprised of the members of the Executive Leadership Team (unless already included within the Board of Directors) and the LGC Leadership Team.

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



**Tim Robinson**

Director and Chief Executive Officer

25 July 2019

# LGC Science Group Holdings Limited

## Corporate governance report

The Board of Directors is responsible for setting LGC'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 behavior in directing LGC'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 (Managing Directors of the Standards and Genomics Divisions), three KKR appointed Directors and a Non-Executive Director.

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. 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. He was previously Chief Executive of Talaris, the global leader in technology-based solutions for cash management.

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 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 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, Válinge, 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.

**Kugan Sathiyandarajah,**  
Director KKR & Co. Inc.

Kugan joined the Board in March 2016. Having joined KKR in 2010, Kugan held joint responsibility for the European healthcare team and was a member of the UK team until 2017. He was involved in the investments in LGC Group, Alvogen, Walgreens Boots Alliance and Galenica. In addition, he was involved in the portfolio management of Northgate Information Systems. In 2019, Kugan joined KKR's US healthcare team.

Prior to joining KKR, Kugan was with Goldman Sachs, where he was a member of the UK mergers & acquisitions team. Kugan holds an M.A. (First Class Hons) in Physical Natural Sciences, specialising in theoretical chemistry, from the University of Cambridge.

**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.

# LGC Science Group Holdings Limited

## Corporate governance report (continued)

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. Nicolas completed his M.S in Organic Chemistry from Iowa State University and has a PhD in Organic Chemistry from the University of Nevada, Reno

**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 LGC's key activities and the CFO provided an update on LGC's financial performance.

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

- Strategy - LGC's strategy was discussed, confirmed and approved;
- Business performance - financial, operational and strategic performance updates on LGC's divisions were provided by the relevant Executive Directors;
- Annual budget - LGC'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 LGC's ERP and ecommerce systems, and other significant investments in technology and scientific equipment were provided by senior science and technology employees;
- Enterprise Risk Management (ERM) and quality, health, safety and the environment (QHSE) - LGC'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 LGC 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 LGC's strategy and performance, together with details of the challenges and opportunities faced by LGC. These events are designed to update employees on the progress of LGC 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 Groups 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.



# LGC Science Group Holdings Limited

## Corporate governance report (continued)

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

### ***Remuneration Committee***

During the year, the Remuneration Committee was chaired by Edouard Pillot.

The quorum for the Remuneration Committee is two, one of whom must be a director appointed by KKR.

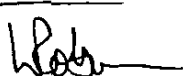
The Committee has responsibility for determining the overall framework and policy for the remuneration of the Executive Directors other Senior Executives and employees overall, as determined by the Board

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 LGC and deliver LGC'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

25 July 2019

# LGC Science Group Holdings Limited

## Directors' report

The Directors present their report and financial statements for the year ended 31 March 2019.

### Directors

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

Derek Craston  
Mark Danzey  
Brian Kim  
Euan O'Sullivan  
Simon Parsons  
Edouard Pillot  
Tim Robinson  
Nicolas Roelofs  
Kugan Sathiyandarajah

### 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 2019 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 customers' 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.

### 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 (2018: £nil)

By order of the Board



**Simon Parsons**

Director and Chief Financial Officer

25 July 2019

# 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 2019 which comprise Consolidated income statement, the Consolidated and Parent company statement of financial position, Consolidated statement of cash flows, the Consolidated statement of comprehensive income, the Group and Parent statement of changes in equity and the related notes 1 to 31, 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 2019 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" as adopted by the European Union in accordance with the provisions of the Companies Act 2006; 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.

# Independent auditor's report (continued)

## to the members of LGC Science Group Holdings Limited

### 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

### 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.

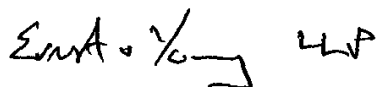
### Auditor's responsibilities for the audit of the financial statements

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: 25 July 2019

LGC Science Group Holdings Limited

# Consolidated income statement

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
<b>Continuing operations:</b>			
<b>Group revenue</b>	<b>5</b>	<b>387,452</b>	<b>331,191</b>
Raw materials and consumables		(97,032)	(95,967)
Staff costs	9	(147,720)	(123,966)
Depreciation and amortisation		(43,786)	(35,155)
Other administration and operating expenses		(63,686)	(54,697)
Profit on disposal of fixed assets		163	264
<b>Adjusted EBITDA</b>		<b>106,137</b>	<b>86,400</b>
Unrealised foreign exchange gains and losses		408	(3,620)
Depreciation and amortisation		(43,786)	(35,155)
Material, unusual and non-recurring items	7	(27,368)	(25,955)
<b>Group operating profit</b>	<b>6</b>	<b>35,391</b>	<b>21,670</b>
Finance income	8	875	579
Finance cost	8	(45,637)	(37,406)
Loss on disposal of investments	10	-	(16,555)
<b>Loss before tax from continuing operations</b>		<b>(9,371)</b>	<b>(31,712)</b>
Tax income on loss	11	4,542	11,444
<b>Loss for the period from continuing operations</b>		<b>(4,829)</b>	<b>(20,268)</b>
<b>Discontinued operations:</b>			
Loss for the period after tax from discontinued operations	10	(449)	(3,276)
<b>Loss for the period</b>		<b>(5,278)</b>	<b>(23,544)</b>
<b>Attributable to:</b>			
Equity holders of the Company		(7,026)	(23,595)
Non-controlling interests		1,748	51
<b>Loss for the financial period</b>		<b>(5,278)</b>	<b>(23,544)</b>

# LGC Science Group Holdings Limited

## Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
<b>Loss for the financial period</b>		<b>(5,278)</b>	<b>(23,544)</b>
<b>Items that may be reclassified subsequently to profit or loss in subsequent periods (net of tax):</b>			
Exchange differences on translation of foreign operations		15,625	(14,622)
Net (loss) / gain on cash flow hedges		(584)	1,602
<b>Items not to be reclassified subsequently to profit or loss</b>			
Actuarial gain on UK defined benefit pension scheme	23(b)	10,987	1,869
Actuarial gain on foreign defined benefit pension schemes		41	103
Income tax effect		(2,187)	(355)
<b>Total comprehensive income for the period, net of tax</b>		<b>18,604</b>	<b>(34,947)</b>
<b>Attributable to:</b>			
Equity holders of the Company		16,856	(34,998)
Non-controlling interests		1,748	51
<b>Total comprehensive income for the period, net of tax</b>		<b>18,604</b>	<b>(34,947)</b>



LGC Science Group Holdings Limited

# Consolidated statement of financial position

at 31 March 2019

Assets	Notes	2019 £000	2018 £000
<b>Non-current assets</b>			
Property, plant and equipment	13	97,857	85,134
Intangible assets	14	1,255,835	1,086,849
Long-term receivables	16	362	430
Deferred tax assets (restated)	11	8	184
Derivative asset	27(a)	12,635	11,737
		<u>1,366,697</u>	<u>1,184,334</u>
<b>Current assets</b>			
Inventories	17	86,424	56,436
Trade and other receivables	18	74,011	61,069
Income tax asset		6,763	2,555
Derivative asset	27(a)	1,457	2,998
Cash and cash equivalents	19	58,976	41,816
		<u>227,631</u>	<u>164,874</u>
<b>Total assets</b>		<u><b>1,594,328</b></u>	<u><b>1,349,208</b></u>
<b>Equity and liabilities</b>			
Issued share capital	20	60,493	56,582
Share premium	20	544,439	509,242
Foreign currency translation reserve		27,668	12,043
Hedging reserve	27(a)	1,018	1,602
Retained earnings		(92,988)	(84,656)
<b>Equity attributable to equity holders of the Group</b>		<u>540,630</u>	<u>494,813</u>
<i>Non-controlling interests</i>		<u>10,773</u>	<u>10,230</u>
<b>Total equity</b>		<u><b>551,403</b></u>	<u><b>505,043</b></u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	862,503	679,835
Retirement benefit obligation	23	450	10,956
Deferred tax liabilities (restated)	11	59,284	60,808
Provisions	24	9,039	6,367
		<u>931,276</u>	<u>757,966</u>
<b>Current liabilities</b>			
Trade and other payables	25	101,568	79,988
Income tax liability		8,898	5,821
Derivative liability	27(a)	1,183	390
		<u>111,649</u>	<u>86,199</u>
<b>Total liabilities</b>		<u><b>1,042,925</b></u>	<u><b>844,165</b></u>
<b>Total equity and liabilities</b>		<u><b>1,594,328</b></u>	<u><b>1,349,208</b></u>



**Simon Parsons**

Chief Financial Officer

25 July 2019

LGC Science Group Holdings Limited  
**Statement of financial position of the Company**  
at 31 March 2019

	Notes	2019 £000	2018 £000
<b>Non-current assets</b>			
Investments in subsidiaries	15	436,483	277,981
Long-term receivables	16	1,177,142	999,678
Deferred tax assets	11	862	1,500
		<u>1,614,487</u>	<u>1,279,159</u>
<b>Current assets</b>			
Amounts owed by subsidiary undertakings		-	735
Derivative asset	27(a)	1,018	1,602
Income tax asset		304	-
		<u>1,322</u>	<u>2,337</u>
<b>Total assets</b>		<u><b>1,615,809</b></u>	<u><b>1,281,496</b></u>
<b>Equity and liabilities</b>			
Share capital	20	60,493	56,582
Share premium	20	544,439	509,242
Hedging reserve	27(a)	1,018	1,602
Retained earnings		56,962	23,743
<b>Total equity</b>		<u><b>662,912</b></u>	<u><b>591,169</b></u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	951,306	689,258
<b>Current liabilities</b>			
Income tax liability		-	304
Trade and other payables	25	408	375
Derivative liability	27(a)	1,183	390
<b>Total liabilities</b>		<u><b>952,897</b></u>	<u><b>690,327</b></u>
<b>Total equity and liabilities</b>		<u><b>1,615,809</b></u>	<u><b>1,281,496</b></u>



**Simon Parsons**  
Chief Financial Officer  
25 July 2019

LGC Science Group Holdings Limited

# Consolidated statement of changes in equity

for the year ended 31 March 2019

	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
<b>At 31 March 2017</b>	<b>56,582</b>	<b>509,242</b>	<b>26,665</b>	<b>(62,678)</b>	<b>-</b>	<b>529,811</b>	<b>10,179</b>	<b>539,990</b>
Loss for the year	-	-	-	(23,595)	-	(23,595)	51	(23,544)
Other comprehensive income	-	-	(14,622)	1,617	1,602	(11,403)	-	(11,403)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(14,622)</b>	<b>(21,978)</b>	<b>1,602</b>	<b>(34,998)</b>	<b>51</b>	<b>(34,947)</b>
<b>At 31 March 2018</b>	<b>56,582</b>	<b>509,242</b>	<b>12,043</b>	<b>(84,656)</b>	<b>1,602</b>	<b>494,813</b>	<b>10,230</b>	<b>505,043</b>
Effect of adoption of new accounting standards	-	-	-	(3,364)	-	(3,364)	-	(3,364)
<b>At 31 March 2018 (restated)</b>	<b>56,582</b>	<b>509,242</b>	<b>12,043</b>	<b>(88,020)</b>	<b>1,602</b>	<b>491,449</b>	<b>10,230</b>	<b>501,679</b>
Loss for the year	-	-	-	(7,026)	-	(7,026)	1,748	(5,278)
Other comprehensive income	-	-	15,625	8,841	(584)	23,882	-	23,882
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>15,625</b>	<b>1,815</b>	<b>(584)</b>	<b>16,856</b>	<b>1,748</b>	<b>18,604</b>
Share capital issued in period	3,911	35,197	-	-	-	39,108	-	39,108
Changes in non-controlling interests	-	-	-	(6,783)	-	(6,783)	(1,205)	(7,988)
<b>At 31 March 2019</b>	<b>60,493</b>	<b>544,439</b>	<b>27,668</b>	<b>(92,988)</b>	<b>1,018</b>	<b>540,630</b>	<b>10,773</b>	<b>551,403</b>

LGC Science Group Holdings Limited  
**Statement of changes in equity of the Company**  
for the year ended 31 March 2019

	Issued Share capital £000	Share Premium £000	Hedging reserve £000	Retained earnings £000	Total £000
<b>At 31 March 2017</b>	<b>56,582</b>	<b>509,242</b>	-	(29,817)	<b>536,007</b>
Profit for the year	-	-	-	53,560	53,560
Other comprehensive income	-	-	1,602	-	1,602
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,602</b>	<b>53,560</b>	<b>55,162</b>
<b>At 31 March 2018</b>	<b>56,582</b>	<b>509,242</b>	<b>1,602</b>	<b>23,743</b>	<b>591,169</b>
Profit for the year	-	-	-	33,219	33,219
Other comprehensive income	-	-	(584)	-	(584)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(584)</b>	<b>33,219</b>	<b>32,635</b>
Share capital issued in period	3,911	35,197	-	-	39,108
<b>At 31 March 2019</b>	<b>60,493</b>	<b>544,439</b>	<b>1,018</b>	<b>56,962</b>	<b>662,912</b>

LGC Science Group Holdings Limited

# Consolidated statement of cash flows

for the year ended 31 March 2019

	Notes	2019	2018
Loss for the period		(5,278)	(23,544)
<b>Adjustments to reconcile to net cash flows</b>			
Depreciation and amortisation	6	43,800	36,622
(Profit) / loss on disposal of property, plant and equipment		(163)	463
Finance income	8	(875)	(579)
Finance cost	8	45,637	37,406
Loss on disposal of investments	10	-	16,555
Income tax income	11	(4,542)	(11,444)
Movement in provisions	24	1,102	(121)
Unwind of fair value adjustments	7	8,024	10,127
Net foreign exchange differences		(408)	3,620
		<b>87,297</b>	<b>69,105</b>
<b>Working capital adjustments</b>			
Increase in inventories		(10,335)	(835)
Increase in trade and other receivables		(6,484)	(4,037)
Increase / (decrease) in trade and other payables		10,152	(1,533)
		<b>(6,667)</b>	<b>(6,405)</b>
<b>Operating cash flows (before income tax)</b>		<b>80,630</b>	<b>62,700</b>
Income taxes paid		(10,398)	(11,235)
<b>Net cash flows from operating activities</b>		<b>70,232</b>	<b>51,465</b>
<b>Cash flows from investing activities</b>			
Interest received		478	139
Proceeds from sale of property, plant and equipment		366	364
Proceeds from disposal of investments	10	-	30,265
Acquisition of tangible assets	13	(24,713)	(26,250)
Acquisition of intangible assets	14	(18,818)	(4,948)
Acquisition of subsidiary undertakings (net of cash acquired)		(179,232)	(54,699)
<b>Net cash used in investing activities</b>		<b>(221,919)</b>	<b>(55,129)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(39,720)	(33,593)
Issue of share capital	20	39,108	-
Bank loans repaid		(32,535)	(63,500)
New borrowings		201,734	85,278
<b>Net cash flows from financing activities</b>		<b>168,587</b>	<b>(11,815)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>16,900</b>	<b>(15,479)</b>
Net foreign exchange difference		260	(3,243)
Cash and cash equivalents at 1 April		41,816	60,538
<b>Cash and cash equivalents at 31 March</b>	19	<b>58,976</b>	<b>41,816</b>

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 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 2019 were authorised for issue in accordance with a resolution of the Directors and the Board on 25 July 2019. 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 (ISAB).

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.

##### 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.

##### 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
- 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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### 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 2019. 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 2019

### 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 and services based on the transfer of control of goods and services to customers under contracts. Five indicators of transfer of control are:

- Transfer of risks and rewards
- Transfer of legal title
- Right to payment for asset
- Transfer of physical possession
- Customer acceptance

To recognise revenue in accordance with the transfer of control of goods and services a five step model is applied to contracts, or appropriate groupings of contracts with similar characteristics on a portfolio basis:

- Identify the contracts with a customer
- Identify the separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations
- Recognise revenue when the entity satisfies a performance obligation



# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

Customers contract with the Group to purchase goods and services that are the output of the Group's ordinary activities in exchange for consideration over the contract term. There are five elements of a contract.

- Approved
- Rights of each party identified
- Payment terms identified
- Commercial substance
- Collectability

Contract modifications which represent a change to the scope of the contract and the price of the contract are accounted for as separate contracts. Otherwise, the contract modification is accounted for prospectively if remaining goods and services from a contract are distinct from the goods and services before the modification, and retrospectively where the goods and services are not distinct.

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services.

A performance obligation is distinct where

- A customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and
- The good or service is separately identifiable from other promises in the contract:
  - not an input into combined output specified by customer
  - does not significantly modify or customise another good or service promised in the contract
  - not highly dependent on, or highly interrelated with, other goods or services promised in the contract
  - not limited to these factors

Performance obligations under a contract are considered to be a series of distinct goods or services where the performance obligations are substantially the same and that have the same pattern of transfer to the customer:

- Each distinct good or service meet the criteria to be satisfied over time, and
- Same method to measure progress toward satisfaction of the performance obligation for each distinct good or service.

Where considered to be a series of distinct goods or services the performance obligations are treated as a single performance obligation, and revenue is recognised in the most appropriate way to measure completion of the performance obligation over time *that best depicts the transfer of goods and services*.

The transaction price represents the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services. This is usually straight forward for the Group, being the price per good or service fixed per the contract.

On contracts with variable consideration, this is predicted considering past business practice and whether an amount of consideration is contingent on a future event. Variable consideration for the Group includes discounts, volume rebates and royalties, warranties and rights of return. Variable consideration is predicted using the most appropriate method for each contract.

- Expected value representing the sum of probability weighted events, which is more appropriate for a large number of contracts with similar characteristics
- Most likely amount, which is most appropriate for a contract with only two possible outcomes

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section 'Provisions'. The Group also provides service type warranty on various goods and services, which are accounted for under revenue recognition.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

The Group considers that, at contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, and as such does not adjust the transfer price for the effects of a significant financing component.

Consideration payable to customer, such as rebates, reduces the transaction price, unless payment is in exchange for a distinct good or service transferred to the company by the customer.

The transaction price is not otherwise adjusted for collectability

The transaction price is allocated to separate performance objectives based on the relative standalone selling prices, which are generally directly observable for the Group.

Discounts are allocated to all performance objectives relative to their stand-alone selling prices, as is other variable consideration excepting where variable consideration clearly relates to a single performance obligation and is applied to that single performance obligation

Revenue is recognised as a performance obligation is satisfied. A performance obligation is satisfied when control of the good or service passes to the customer:

- Ability to direct the use of the good or service, including restricting other companies right to use the good or service
- Obtain substantially all of the remaining benefit or can be consumed immediately, as with services

Control, from the customers perspective, can transfer:

- Over time, where:
  - The customer simultaneously receives and consumes the benefit
  - Performance creates or enhances asset customer controls
  - Performance does not create an asset with alternative use for entity, and right to payment for work to date.
- If not over time, then control transfers at a point in time

When the performance objective is satisfied over time, a method must be used to measure progress over time and revenue which should be recognised:

- Output method: direct measurements of the value transferred to the customer
- Input method: efforts to satisfy the performance obligation
- Time based method: where the performance obligation is satisfied evenly over a period of time, or the Group stands ready obligation to perform over time
- Right to invoice: as a practical expedient where the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the Group recognises revenue in the amount to which the entity has a right to invoice

The incremental costs of obtaining contracts are recognised as an asset if the Group expects to recover them. As a practical expedient, the Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. For the Group these contract assets represent accrued income.

#### Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 'Financial instruments – initial recognition and subsequent measurement'.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. For the Group contract liabilities present deferred income and payment received on account.

#### **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.

#### **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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### 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.

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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

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.

#### 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	Amortisation method and rate
IP and other intangibles	straight line over period between 6 and 19 years
Internally generated development costs	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

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 'Revenue'.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met.

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes loan notes.

#### Financial assets at fair value through OCI

For debt instruments at fair value through OCI, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI include Derivatives, which are designated as effective hedging instruments.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment

#### 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

#### 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

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

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**

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments*

##### **Subsequent measurement**

*The measurement of financial liabilities depends on their classification, as described below:*

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

##### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

##### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### **Derivative financial instruments and hedge accounting**

##### ***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as interest rate swaps and Interest rate caps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.



# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

For the purpose of hedge accounting, hedges are classified as

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 April 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated

Beginning 1 April 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements.

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

#### **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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### **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".

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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

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.

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

#### 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 2019, share based payments have no impact on the financial statements of the Group or of the Company.

The key assumptions used in the calculation are the maintainable earnings of the Group and the EV/earnings multiple. An increase in the maintainable earnings of 10% would result in a fair value of £1.0m and an increase in the EV/earnings multiple of 10% would result in a fair value of £0.9m.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### 2.3 New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1 April 2018 was, as follows.

	1 April 2018
Adjustments	£000
Current assets:	
Trade and other receivables	(b) (202)
<b>Total assets</b>	<b>(202)</b>
Retained earnings	(3,364)
<b>Total equity</b>	<b>(3,364)</b>
Non-current liabilities:	
Deferred tax liabilities	(882)
Trade and other payables:	
Deferred income and payments on account	(a) 4,044
<b>Total liabilities</b>	<b>3,162</b>
<b>Total equity and liabilities</b>	<b>(202)</b>

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 March 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

#### Consolidated income statement for the year ended 31 March 2019

Reference	Amounts prepared under		Decrease £'000
	IFRS 15 £'000	Previous IFRS £'000	
Revenue (a),(b)	387,452	387,979	(527)
Unrealised foreign exchange gains and losses	408	477	(69)
Deferred tax charge	(13,654)	(13,774)	120
Loss for the period from continuing operations	<b>(4,829)</b>	<b>(4,353)</b>	<b>(476)</b>
Loss for the period	<b>(5,278)</b>	<b>(4,802)</b>	<b>(476)</b>
Loss attributable to equity holders of the Company	<b>(7,026)</b>	<b>(6,550)</b>	<b>(476)</b>

#### Consolidated statement of financial position as at 31 March 2019

Reference	Amounts prepared under		Increase/ (Decrease) £'000
	IFRS 15 £'000	Previous IFRS £'000	
Current assets:			
Trade and other receivables (b)	74,011	74,283	(272)
<b>Total assets</b>	<b>1,594,328</b>	<b>1,594,600</b>	<b>(272)</b>
Retained earnings	(92,988)	(89,148)	(3,840)
<b>Total equity</b>	<b>551,403</b>	<b>555,243</b>	<b>(3,840)</b>
Non-current liabilities:			
Deferred tax liabilities	59,284	60,334	(1,050)
Current liabilities:			
Trade and other payables (a)	101,568	96,950	4,618
<b>Total liabilities</b>	<b>1,042,925</b>	<b>1,039,357</b>	<b>3,568</b>
<b>Total equity and liabilities</b>	<b>1,594,328</b>	<b>1,594,600</b>	<b>(272)</b>

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 and the statement of profit or loss for the year ended 31 March 2019 are described below:

#### (a) Proficiency Testing

Under previous IFRS revenue for proficiency testing was measured partly at the sending of the sample, the point at which the invoice is raised, based on costs incurred and partly on the delivery of the final report to the customer. Under IFRS 15 the performance obligation is deemed to be the delivery of the final report to the customer, leading to an increase in deferred revenue.

As at 1 April 2018, IFRS 15 increased Deferred income by £4,044,000, decreased Deferred tax liabilities by £838,000 and decreased Retained earnings by £3,206,000. It also decreased Revenue by £457,000 for the year ended 31 March 2019

#### (b) Supply chain assurance

Membership fees for SASS schemes were recognised as income when billed under previous IFRS, however the performance obligation is deemed to be satisfied over time under IFRS 15

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

As at 1 April 2018, IFRS 15 increased Deferred income by £202,000, decreased Deferred tax liabilities by £44,000 and decreased Retained earnings by £158,000. It also decreased Revenue by £70,000 for the year ended 31 March 2019

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment; and hedge accounting

The Group applied IFRS 9 prospectively, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity

There was no effect on the Group statement of financial position of adopting IFRS 9 as at 1 April 2018

#### Hedge accounting

Prior to the date of initial application, some of the Groups cash flow hedging relationships were deemed to be ineffective and as such did not qualify for Hedge accounting. Under IFRS 9 criteria these relationships are deemed to qualify for hedge accounting, but as the hedges remain ineffective this has not led to a change in the accounting for these items in the reported financial statements.

### 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.

#### 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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 4. Business combinations

#### (a) 2019

##### BioAutomation Corporation

On 27 April 2018 the Group acquired 100% of the ordinary capital in BioAutomation Corporation, manufacturer of the renowned MerMade oligo synthesis instruments. BioAutomation is based in Irving, Texas, 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
<b>Assets and liabilities acquired</b>	
Financial assets	998
Inventory	612
Property, plant and equipment	86
Financial liabilities	(379)
Total identifiable assets	1,317
Goodwill	3,881
Total consideration	5,198
 Total cash consideration	5,198
Less: cash and cash equivalent balances acquired	(79)
Net cash outflow arising on acquisition	5,119

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, BioAutomation Corporation contributed £4.3m of revenue and £0.3m of profit before tax on ordinary activities of the Group. If the combination had taken place on the first day of the financial year, revenue would have been £4.9m and profit before tax would have been £0.5m.

##### Berry & Associates

On 26 September 2018 the Group acquired 100% of the ordinary capital in acquired Berry and Associates, a premier supplier of specialty oligo reagents. Berry and Associates is based in Dexter, near Ann Arbor, Michigan, 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
<b>Assets and liabilities acquired</b>	
Financial assets	523
Inventory	962
Property, plant and equipment	447
Financial liabilities	(123)
Total identifiable assets	1,809
Goodwill	5,571
Total consideration	7,380

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 4. Business combinations (continued)

	Total fair value £000
Total cash consideration	7,380
Less: cash and cash equivalent balances acquired	(129)
Net cash outflow arising on acquisition	7,251

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, Berry & Associates contributed £1.3m of revenue and £0.3m of profit before tax on ordinary activities of the Group. If the combination had taken place on the first day of the financial year, revenue would have been £3.0m and profit before tax would have been £0.7m.

#### SeraCare Life Sciences, Inc

On 21 November 2018 the Group acquired 100% of the ordinary capital of Project Plasma Holdings Corporation, the holding company for SeraCare Life Sciences, Inc, a manufacturer and leading partner to global in vitro diagnostics manufacturers and clinical laboratories, and Kirkegaard & Perry Laboratories, Inc. SeraCare Life Sciences, Inc is based in Milford, Massachusetts, USA, and Gaithersburg, Maryland, 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
<b>Assets and liabilities acquired</b>	
Financial assets	21,301
Inventory	23,686
Property, plant and equipment	2,384
Identifiable intangible assets	75,448
Financial liabilities	(29,040)
Total identifiable assets	93,779
Goodwill	64,911
Total consideration	158,690
 Total consideration	 158,690
Less: deferred consideration	(239)
Cash paid	158,451
Less: cash and cash equivalent balances acquired	(4,206)
Net cash outflow arising on acquisition	154,245

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.



# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 4. Business combinations (continued)

From the date of acquisition, SeraCare Life Sciences, Inc contributed £13.8m of revenue and £0.2m of profit before tax on ordinary activities of the Group. If the combination had taken place on the first day of the financial year, revenue would have been £40.6m and profit before tax would have been £0.7m.

#### M.B.H. Analytical Limited

On 11 December 2018 the Group acquired 100% of the ordinary capital in M.B.H. Analytical Limited, a leading manufacturer of metal alloy reference materials, based in Barnet, UK.

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
<b>Assets and liabilities acquired</b>	
Financial assets	845
Inventory	2,920
Property, plant and equipment	982
Financial liabilities	(387)
<i>Total identifiable assets</i>	<i>4,360</i>
Goodwill	1,075
Total consideration	5,435
 Total cash consideration	 5,435
Less: cash and cash equivalent balances acquired	(752)
Net cash outflow arising on acquisition	4,683

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, M.B.H. Analytical Limited contributed £0.5m of revenue and £0.1m of profit before tax on ordinary activities of the Group. If the combination had taken place on the first day of the financial year, revenue would have been £2.1m and profit before tax would have been £0.5m.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 4. Business combinations (continued)

#### (b) 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 2019 £000	Previous fair value 2018 £000
<b>Assets and liabilities acquired</b>		
Financial assets	867	840
Inventory	771	893
Property, plant and equipment	224	224
Financial liabilities	(708)	(530)
Total identifiable assets	1,154	1,427
Goodwill	3,731	3,430
Total consideration	4,885	4,857
 Total consideration	4,885	4,857
Less: deferred consideration	(600)	(600)
Cash paid	4,285	4,257
Less cash and cash equivalent balances acquired	(491)	(491)
Net cash outflow arising on acquisition	3,794	3,766

The previous fair value has been revised in the period post-acquisition to reflect the final allocation of assets and liabilities acquired and the purchase price adjustment.

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 2019

### 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 2019 £000	Previous fair value 2018 £000
<b>Assets and liabilities acquired</b>		
Financial assets	4,476	4,476
Inventory	2,791	2,791
Property, plant and equipment	1,649	1,649
Identifiable intangible assets	22,347	22,347
Financial liabilities	(6,163)	(6,163)
Total identifiable assets	25,100	25,100
Goodwill	28,969	29,122
Total consideration	54,069	54,222
 Total consideration	54,069	54,222
Less: deferred consideration	(2,089)	(2,089)
Cash paid	51,980	52,133
Less: cash and cash equivalent balances acquired	(1,739)	(1,739)
Net cash outflow arising on acquisition – revised	50,241	50,394

On 31 July 2018 a final purchase price adjustment was made which reduced cash consideration and goodwill by £0.2m.

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 2019

### 5. Revenue

#### (a) Disaggregated revenue information

Goods and services	2019 £000	2018 £000
Sale of goods	269,147	217,585
Rendering of services	118,305	113,606
	<b>387,452</b>	<b>331,191</b>

Performance Obligations	2019 £000
Reference materials, Oligos, PCR and NGS	224,448
Specialised therapeutic services and Lab services	44,567
Proficiency testing	42,836
Supply chain assurance	30,391
Instruments, Service and Software	14,455
National laboratory and science	25,390
Other	5,365
	<b>387,452</b>

#### (b) Contract balances

Revenue recognised in the reporting period included in contract liabilities at the beginning of the period was £26.8m. There was no revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods

The timing of revenue recognition, invoicing and cash collections results in trade receivables, accrued income (contract assets) and payments received on account (contract liabilities) on the Group Statement of financial position. The Group typically invoices and recognises revenue when goods are dispatched, or under the right to invoice practical expedient. Where the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the Group recognises revenue in the amount to which the entity has a right to invoice. Where the terms of shipping differ from this the revenue is deferred to later periods when the performance obligation is satisfied, and where payments are received in advance of invoicing these are held as contract liabilities on the Statement of financial position until the revenue is invoiced. Where performance obligations have been fulfilled, but the work has not been invoiced revenue will be accrued and recognised on the Statement of financial position as accrued income.

Changes in the contract asset and contract liability balances were not materially impacted by other factors

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 5. Revenue (continued)

#### (c) Performance obligations

Performance Obligation	When Performance Obligation is Typically Satisfied	When Payment is typically due	How Stand-alone Selling Price is typically estimated
Reference materials and Products	Shipment of the goods	30-90 days from invoicing	Directly observable
Drug Development and Lab services	Delivery of report to customer	30-90 days from invoicing	Directly observable
Proficiency testing	Delivery of report to customer	30-90 days from invoicing	Directly observable
Supply chain assurance	Delivery of report to customer	30-90 days from invoicing	Directly observable
Instruments, Service and Software	Shipment of the goods	30-90 days from invoicing	Directly observable
National laboratory and Grant Management	Distribution of agreed funds for authorised purposes	30-90 days from invoicing	Directly observable

#### (d) Transaction price allocated to remaining performance obligations

Under the practical expedient the Group has not disclosed information about the aggregate amount of transaction price allocated to unsatisfied performance objectives, as the Groups contracts meet at least one of the two conditions

- The original expected duration of the underlying contract is one year or less; or
- The Group recognises revenue from the satisfaction of performance obligation under the right to invoice practical expedient (please see Contract balances section above)

### 6. Group operating profit

This is stated after charging /(crediting):

		2019 £000	2018 £000
Auditor's remuneration	- audit fees	625	485
	- corporate finance advisory	221	422
	- taxation services	81	20
Depreciation expense		15,048	12,215
Amortisation of intellectual property		26,377	22,218
Amortisation of development costs		2,361	722
Operating lease rentals	- land and buildings	6,255	5,643
	- plant and machinery	1,026	1,853
Foreign exchange (gains) and losses		(408)	3,620
Research and development expense		23,985	24,001

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 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.

	2019 £000	2018 £000
Unwind of inventory fair value step ups	8,024	10,127
Costs associated with mergers and acquisitions	9,448	4,229
Costs of integrating acquisitions	6,250	3,790
Costs associated with the disposal of the Forensics & Security business	155	3,462
Restructuring and reorganisation costs	2,734	2,677
KKR integration costs	757	1,125
Costs associated with the purchase of LGC Science Group Limited	-	545
	<b>27,368</b>	<b>25,955</b>

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 mergers and acquisitions principally relate to financial and commercial due diligence, advisory fees, deferred consideration expensed under IFRS 3 and adjustments to acquisition net assets outside of the IFRS 3 measurement period

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, reorganisation and other initiative costs reflect the costs associated with restructuring and reorganisation projects and include termination payments, cessation costs, advisory fees and other similar payments. They also include other specific items that are material, either because of their size or their nature, or that are unusual or non-recurring, and would otherwise impair the users understanding of recurring, underlying performance.

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

Costs associated with the purchase of LGC Science Group Limited are advisory fees.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 8. Finance income and cost

	2019 £000	2018 £000
<b>Finance income</b>		
Interest income on bank deposits	477	139
Gain on foreign exchange forward contracts	398	440
<b>Total Finance income</b>	<b>875</b>	<b>579</b>

	2019 £000	2018 £000
<b>Finance cost</b>		
Interest on bank overdrafts and borrowings	(39,719)	(33,593)
Interest on Long-term loan notes	(572)	(519)
Amortisation of debt issue costs	(2,880)	(2,607)
Interest rate cap	(793)	(390)
Option exercised	(1,428)	-
Other finance costs	(245)	(297)
<b>Total Finance cost</b>	<b>(45,637)</b>	<b>(37,406)</b>

### 9. Staff costs and Directors remuneration

#### (a) Staff costs

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

	2019 £000	2018 £000
Wages and salaries	129,825	108,832
Social security costs	13,170	11,464
Other pension costs	4,725	3,670
	<b>147,720</b>	<b>123,966</b>

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

Included in other pension costs are £218,000 (2018: £165,000) in respect of the defined benefit scheme and £4,517,000 (2018: £3,505,000) in respect of the defined contribution scheme

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

	2019 No.	2018 No.
<b>Average monthly number of employees</b>		
Scientific	1,464	1,282
Administration and management	1,140	1,003
<b>Continuing operations</b>	<b>2,604</b>	<b>2,285</b>
Discontinued operations	-	341
	<b>2,604</b>	<b>2,626</b>

There were no staff employed by the Company during the period (2018: None)

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 9. Staff costs and Directors remuneration (continued)

#### (b) Directors' remuneration

The Directors' remuneration for the period was as follows.

	2019	2018
	£000	£000
Aggregate remuneration in respect of qualifying services	2,170	2,148

	2019	2018
	No.	No.
The number of Directors receiving remuneration during the period	6	6
The number of Directors accruing benefits under a defined contribution pension scheme	6	6

	2019	2018
	£000	£000
Aggregate remuneration in respect of the highest paid Director	734	746

During the period, the Group made contributions of £24,000 (2018: £16,000) 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:

	2019	2018
	£000	£000
Revenue	265	28,623
Expenses	(714)	(31,899)
<b>Loss before tax from discontinued operations</b>	<b>(449)</b>	<b>(3,276)</b>
Tax expense on loss	-	-
<b>Loss for the period from discontinued operations</b>	<b>(449)</b>	<b>(3,276)</b>

The amount in the comparative 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 2019

### 11. Taxation

Tax credited in the income statement:

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

	2019	2018
	£000	£000
<b>Current tax</b>		
UK income tax charge	230	304
Adjustments in respect of current UK income tax of previous years	64	-
Foreign tax	6,219	7,182
Adjustments in respect of current Foreign income tax of previous years	2,599	998
<b>Total current tax</b>	<b>9,112</b>	<b>8,484</b>

#### Deferred tax

Relating to origination and reversal of temporary differences	(11,282)	(15,993)
Adjustments in respect of previous years	(2,372)	(3,935)
Change in rates	-	-
<b>Total deferred tax</b>	<b>(13,654)</b>	<b>(19,928)</b>

#### Total tax income for the period

<b>(4,542)</b>	<b>(11,444)</b>
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#### 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	<b>2,187</b>	<b>355</b>
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#### (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% (2018 19%). The differences are reconciled below

	2019	2018
	£000	£000
Loss from continuing operations before taxation	(9,371)	(31,712)
Loss from discontinued operations before taxation	(449)	(3,276)
	<b>(9,820)</b>	<b>(34,988)</b>

<b>Corporation tax at standard rate of 19%</b>	<b>(1,866)</b>	<b>(6,648)</b>
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#### Effects of:

Expenses not deductible for tax purposes	2,869	7,314
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Adjustments with respect to prior years	298	(2,937)
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Tax effect of losses not previously recognised	-	-
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Higher foreign tax rates on overseas earnings	1,531	82
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Movement in unrecognised deferred taxes	(2,125)	(6,119)
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Patent Box	(80)	(53)
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Rate change adjustment	(4,625)	(3,071)
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Recognition of previously unrecognised tax assets	(195)	79
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Group relief received / surrendered for nil payment	(349)	(91)
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Minority Interest	-	-
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<b>Total tax for the period</b>	<b>(4,542)</b>	<b>(11,444)</b>
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# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 11. Taxation (continued)

#### (c) Deferred tax assets and liabilities

Deferred tax relates to the following.

	2019 £000	2018 £000
Accelerated tax depreciation	3,972	4,485
Intangibles	(75,047)	(64,219)
Inventory	(1,543)	(3,518)
Goodwill	(12,462)	(7,764)
General provisions - incl bad debt	275	91
Pensions - defined contribution	(160)	1,785
Pensions spread	-	(61)
Foreign exchange movements	(227)	43
Interest accrued / deferred	7,171	3,101
Research and development	(1,339)	113
Other timing differences	1,568	(324)
Accrued bonuses, compensation, sick pay and vacation	848	227
Interest swaps and forward contracts	(33)	(38)
Revaluation of land and buildings	(1,768)	(1,820)
Losses	19,469	7,275
<b>Net deferred tax liability</b>	<b>(59,276)</b>	<b>(60,624)</b>

Reflected in the statement of financial position as follows:

Deferred tax assets	8	184
Deferred tax liabilities	(59,284)	(60,808)
<b>Net deferred tax liability</b>	<b>(59,276)</b>	<b>(60,624)</b>

#### Reconciliation of net deferred tax liability

	2019 £000	2018 £000
<b>Opening</b>	<b>(60,624)</b>	<b>(81,400)</b>
Adjustment on initial application of IFRS 15	882	-
Tax income during the period recognised in the Income Statement	13,654	19,928
Tax charge during the period recognised in Other Comprehensive Income	(2,187)	(355)
Foreign exchange movements	874	6,022
Deferred tax arising on business combinations	(11,875)	(4,819)
<b>At 31 March</b>	<b>(59,276)</b>	<b>(60,624)</b>

There is a deferred tax asset of £8,000 (2018: £184,000) recognised in the statement of financial position.

Group companies have tax losses carried forward at 31 March 2019 of approximately £134.4m (2018: £73.4m). Of the related deferred tax asset of £24.0m (2018: £13.3m), £1.8m (2018: £1.8m) has been recognised to offset the deferred tax liability on future capital gain on land and buildings and £18.1m (2018: £5.5m) recognised to offset against future taxable profit in accordance with IAS 12. The remaining deferred tax asset of £4.0m (2018: £6.0m) 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 £29.8m (2018: £34.3m). The related deferred tax asset is £4.0m (2018: £4.5m) which has been recognised in accordance with IAS 12.

The prior year presentation of the deferred tax assets and deferred tax liabilities has been restated so that, in accordance with IAS 12, deferred tax assets and deferred tax liabilities arising in the same tax jurisdiction have been offset.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 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 2019 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 £33,219,000 (2018: profit of £53,560,000).

LGC Science Group Holdings Limited  
**Notes to the financial statements**  
at 31 March 2019

**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
<b>Group</b>						
<b>Cost:</b>						
<b>At 31 March 2017</b>	<b>40,338</b>	<b>6,627</b>	<b>6,870</b>	<b>23,905</b>	<b>10,590</b>	<b>88,330</b>
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)
<b>At 31 March 2018</b>	<b>39,949</b>	<b>11,638</b>	<b>5,638</b>	<b>31,519</b>	<b>19,202</b>	<b>107,946</b>
Acquisitions	1,385	562	100	1,258	594	3,899
Additions	1,227	2,936	3,879	11,733	4,938	24,713
Transfers	-	-	-	-	(2,356)	(2,356)
Disposals	-	(15)	(30)	(184)	(98)	(327)
Foreign exchange translation	553	437	74	399	170	1,633
<b>At 31 March 2019</b>	<b>43,114</b>	<b>15,558</b>	<b>9,661</b>	<b>44,725</b>	<b>22,450</b>	<b>135,508</b>
<b>Depreciation:</b>						
<b>At 31 March 2017</b>	<b>1,131</b>	<b>918</b>	<b>1,354</b>	<b>5,640</b>	<b>3,081</b>	<b>12,124</b>
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)
<b>At 31 March 2018</b>	<b>2,133</b>	<b>1,688</b>	<b>1,497</b>	<b>10,651</b>	<b>6,843</b>	<b>22,812</b>
Charge for the period	938	1,864	581	7,146	4,533	15,062
Disposals	-	(8)	(4)	(40)	(72)	(124)
Transfers	-	-	-	-	(532)	(532)
Foreign exchange translation	45	121	11	165	91	433
<b>At 31 March 2019</b>	<b>3,116</b>	<b>3,665</b>	<b>2,085</b>	<b>17,922</b>	<b>10,863</b>	<b>37,651</b>
<b>Net book value:</b>						
<b>At 31 March 2019</b>	<b>39,998</b>	<b>11,893</b>	<b>7,576</b>	<b>26,803</b>	<b>11,587</b>	<b>97,857</b>
<b>At 31 March 2018</b>	<b>37,816</b>	<b>9,950</b>	<b>4,141</b>	<b>20,868</b>	<b>12,359</b>	<b>85,134</b>

The element of land included in the net book value of freehold land and buildings at 31 March 2019 is £13.9m (2018: £13.9m).

No assets are held under finance leases.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 14. Intangible assets

Group	Goodwill £000	IP and Other intangibles £000	Internally generated development Costs £000	Total Intangibles £000
<b>Cost:</b>				
<b>At 31 March 2017</b>	<b>800,662</b>	<b>346,165</b>	<b>5,569</b>	<b>1,152,396</b>
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)
<b>At 31 March 2018</b>	<b>770,639</b>	<b>352,884</b>	<b>5,774</b>	<b>1,129,297</b>
Acquisitions	75,628	75,448	-	151,076
Other additions	-	14,234	4,584	18,818
Transfers	-	1,053	1,303	2,356
Disposals	-	(119)	(58)	(177)
Foreign exchange translation	18,468	8,291	310	27,069
<b>At 31 March 2019</b>	<b>864,735</b>	<b>451,791</b>	<b>11,913</b>	<b>1,328,439</b>
<b>Amortisation:</b>				
<b>At 31 March 2017</b>	-	<b>21,132</b>	<b>522</b>	<b>21,654</b>
Charge for the period	-	22,837	1,090	23,927
Disposals	-	(1,389)	(652)	(2,041)
Foreign exchange translation	-	(1,058)	(34)	(1,092)
<b>At 31 March 2018</b>	-	<b>41,522</b>	<b>926</b>	<b>42,448</b>
Charge for the period	-	26,377	2,361	28,738
Disposals	-	(17)	(10)	(27)
Transfers	-	69	463	532
Foreign exchange translation	-	895	18	913
<b>At 31 March 2019</b>	-	<b>68,846</b>	<b>3,758</b>	<b>72,604</b>
<b>Net book value:</b>				
At 31 March 2019	<b>864,735</b>	<b>382,945</b>	<b>8,155</b>	<b>1,255,835</b>
At 31 March 2018	<b>770,639</b>	<b>311,362</b>	<b>4,848</b>	<b>1,086,849</b>

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

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 14. Intangible assets (continued)

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.

### 15. Investments

#### 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. In the year to 31 March 2019 the company acquired 100% of the newly issued ordinary shares of its subsidiary, LGC Science Group Limited.

	£000
<b>At 31 March 2017</b>	<b>277,981</b>
Acquisitions	58,832
Disposals	(58,832)
<b>At 31 March 2018</b>	<b>277,981</b>
Acquisitions	158,502
<b>At 31 March 2019</b>	<b>436,483</b>

Details of the investments in which the Group holds 20% or more of the nominal value are disclosed in note 31

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 16. Long-term receivables

Group	2019	2018
	£000	£000
<b>Plant and equipment investment</b>		
Minimum lease rentals receivable	841	781
Estimated residual value	12	11
Gross investment	853	792
Unearned finance income	(139)	(129)
<b>Present value of the minimum lease rentals receivable</b>	<b>714</b>	<b>663</b>
<b>Total minimum lease rentals receivable</b>		
Within 1 year	445	230
Within 2-5 years	396	551
	<b>841</b>	<b>781</b>
<b>Present value of the total minimum lease rentals receivable</b>		
Within 1 year	340	222
Within 2-5 years	362	430
Residual value	12	11
	<b>714</b>	<b>663</b>

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	2019	2018
	£000	£000
Long-term loan notes (including accrued interest)	1,060,819	735,111
Preference shares (including accrued interest)	-	264,567
Amounts owed from subsidiary undertakings	116,323	-
	<b>1,177,142</b>	<b>999,678</b>

#### Long-term loan notes

The Long-term loan notes are accruing interest of between 7.5% and 15% per annum. The Company has not impaired long-term loan notes on the basis that a review of recovery strategies indicate that the outstanding balances of the loans would be fully recovered, and the time period to realise cash would be short such that the effect of discounting would be immaterial.

#### 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. In the year to 31 March 2019 LGC Science Group Limited converted its preference shares in to ordinary shares.

### 17. Inventories

Group	Group
2019	2018
£000	£000
Raw materials and consumables	18,732
Work in progress	15,105
Finished goods	52,587
	<b>86,424</b>
	<b>56,436</b>

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 18. Trade and other receivables

	Group 2019 £000	Group 2018 £000
Trade receivables	57,383	47,881
Provision for impairment of trade receivables	(2,395)	(913)
Net trade receivables	54,988	46,968
Other receivables	4,602	2,216
Accrued income	8,659	7,079
Prepayments	5,762	4,806
	<b>74,011</b>	<b>61,069</b>

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

Age of trade receivables not impaired	Group 2019 £000	Group 2018 £000
Not Due	39,682	32,360
Past Due		
1 to 30 days	10,325	8,698
31 to 60 days	2,500	2,449
61 to 90 days	866	1,538
>90 days	4,010	2,836
	<b>17,701</b>	<b>15,521</b>
	<b>57,383</b>	<b>47,881</b>

### 19. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000
Cash at bank	58,619	40,578
Short-term deposits	357	1,238
	<b>58,976</b>	<b>41,816</b>

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.

Included within Cash at bank is £13.1m (2018: £11.4m) which is not immediately available for use in the business.



# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 20. Issued share capital

#### Group and Company

##### Allotted and issued fully paid share capital

	Share capital	Share premium	Total
2019	2019	2019	2019
Number	£000	£000	£000
A Ordinary shares of £1 each	60,493,189	60,493	544,439
			604,932
2018	2018	2018	2018
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 issued ordinary shares, as table below.

	2019	2019	2019	2019
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
<b>At 31 March 2018</b>	<b>56,582,484</b>	<b>56,582,484</b>	<b>509,242,352</b>	<b>565,824,836</b>
Issued on 19 November 2018	3,910,705	3,910,705	35,196,345	39,107,050
<b>At 31 March 2019</b>	<b>60,493,189</b>	<b>60,493,189</b>	<b>544,438,697</b>	<b>604,931,886</b>

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

### 21. Loans and borrowings

#### Group

	2019	2018
	£000	£000
<b>Non-current loans and borrowings</b>		
Bank borrowings	856,226	674,128
Long-term loan notes (including accrued interest)	6,277	5,707
	<b>862,503</b>	<b>679,835</b>

#### Company

	2019	2018
	£000	£000
<b>Non-current loans and borrowings</b>		
Bank borrowings	856,226	674,128
Long-term loan notes (including accrued interest)	14,756	-
Amounts owed to subsidiary undertakings	80,324	15,130
	<b>951,306</b>	<b>689,258</b>

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 21. Loans and borrowings (continued)

#### 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 £nil was drawn at 31 March 2019 (2018: £19m). The total committed and undrawn facilities under the Senior Facilities Agreement at 31 March 2019 were £38m (2018: £31m).

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 between 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 2019 £000	Group Other 2019 £000	Group Land and buildings 2018 £000	Group Other 2018 £000
Within one year	7,049	667	6,524	699
In two to five years	19,487	275	18,358	367
In over five years	14,224	1	15,934	22
	<b>40,760</b>	<b>943</b>	<b>40,816</b>	<b>1,088</b>

The amount of non-cancellable operating lease payments recognised as an expense during the period was £7.3m (2018: £7.5m).

### 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 £4,517,000 (2018: £3,966,000). At the end of the period contributions of £371,000 (2018: £282,000) were outstanding.

Contributions of £4,700,000 (2018: £4,100,000) 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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 23. Pension and other schemes (continued)

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.

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

	2019 £000	2018 £000
Fair value of scheme assets	106,499	99,399
Present value of scheme liabilities	(105,579)	(109,221)
Defined benefit pension scheme surplus / (deficit)	920	(9,822)

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 23. Pension and other schemes (continued)

#### **Scheme assets**

Changes in the fair value of scheme assets are as follows

	2019 £000	2018 £000
Fair value at start of financial year	99,399	97,773
Interest income	2,464	2,520
Actuarial gains and losses arising from changes in financial assumptions	6,342	792
Benefits paid	(1,706)	(1,686)
Fair value at end of period	<b>106,499</b>	<b>99,399</b>

#### **Analysis of assets**

The major categories of scheme assets are as follows.

	2019 £000	2018 £000
Cash and cash equivalents	9,814	4,927
Equity instruments	35,764	29,288
Debt instruments	48,275	58,412
Real estate	8,835	6,772
Alternatives and others	3,811	-
	<b>106,499</b>	<b>99,399</b>

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

	2019 £000	2018 £000
Actual return on scheme assets	<b>8,806</b>	<b>3,312</b>

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:

	2019 £000	2018 £000
Present value at start of financial period	109,221	109,168
Actuarial gains and losses arising from changes in financial assumptions	(4,645)	(1,077)
Interest cost	2,709	2,816
Benefits paid	(1,706)	(1,686)
Present value at end of financial period	<b>105,579</b>	<b>109,221</b>

#### **Analysed as:**

Present value of scheme liabilities arising from wholly or partly funded schemes	<b>(3,642)</b>	<b>53</b>
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# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 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

	2019 %	2018 %
Retail price inflation (RPI)	3.30	3.40
Consumer price inflation (CPI)	2.30	2.40
Deferred pension revaluation	2.30	2.40
Discount rate	2.40	2.50
Mortality rate	1.50	1.50
Future pension increases	3.15	3.25

#### Actual return on scheme's assets

#### Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	22.2	22.7
Current UK pensioners at retirement age - female	23.7	24.1
Future UK pensioners at retirement age - male	23.9	24.8
Future UK pensioners at retirement age - female	25.0	25.6

#### Amounts recognised in the income statement

	2019 £000	2018 £000
<b>Amounts recognised in operating profit</b>		
Recognised in arriving at operating profit	-	-
<b>Amounts recognised in finance income or costs</b>		
Net interest	245	296
<b>Total recognised in the income statement</b>	<b>245</b>	<b>296</b>

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

#### Amounts taken to the Statement of comprehensive income

	2019 £000	2018 £000
Actuarial gains and losses arising from changes in financial assumptions	(623)	(407)
Actuarial gains and losses arising from changes in demographic assumptions	2,448	1,718
Return on plan assets, excluding amounts included in interest income/(expense)	9,162	558
<b>Amounts recognised in the Statement of comprehensive income</b>	<b>10,987</b>	<b>1,869</b>

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 2019

### 23. Pension and other schemes (continued)

#### Sensitivity analysis

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

	2019		2018	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£000	£000	£000	£000
<b>Adjustment to discount rate</b>				
Present value of total obligation	(2,376)	2,449	(2,401)	2,472
	2019		2018	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£000	£000	£000	£000
<b>Adjustment to rate of inflation</b>				
Present value of total obligation	1,172	(1,161)	1,336	(1,421)
	2019		2018	
	+ 1 Year	- 1 Year	+ 1 Year	- 1 Year
	£000	£000	£000	£000
<b>Adjustment to mortality age rating assumption</b>				
Present value of total obligation	(4,160)	4,012	(4,094)	4,143

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 24 years (2018: 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 1.59% (2018: 1.76%).

#### Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2019	2018
	£000	£000
Present value of scheme liabilities	1,370	1,134

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 24. Provisions for liabilities and charges

	2019	2018
Group	£000	£000
Opening	6,367	7,001
Acquisitions	1,251	-
New	3,897	-
Utilised	(2,795)	(121)
Foreign exchange translation	319	(513)
Closing	9,039	6,367

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

### 25. Trade and other payables

	2019	2018
Group	£000	£000
Trade and other payables	28,519	20,405
Social security and other taxes	2,758	2,264
Accruals	30,846	26,757
Deferred income and payments on account	37,405	26,832
Deferred consideration	1,611	3,364
Other payables	429	366
	101,568	79,988

	2019	2018
Company	£000	£000
Accruals	408	375

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 £984,000 (2018: £1,623,000) for the Group and £nil (2018: £nil) for the Company

#### Pension commitments

Contributions of £4,700,000 (2018: £4,100,000) 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

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 27. Financial instruments

#### (a) Financial assets and Liabilities

##### Financial assets

	Carrying value 2019 £000	Fair value 2019 £000	Carrying value 2018 £000	Fair value 2018 £000
Cash and cash equivalents	58,976	58,976	41,816	41,816
Trade and other receivables *	59,590	59,590	49,184	49,184
	<b>118,566</b>	<b>118,566</b>	<b>91,000</b>	<b>91,000</b>

##### Financial liabilities

	Carrying value 2019 £000	Fair Value 2019 £000	Carrying value 2018 £000	Fair value 2018 £000
Trade and other payables **	97,199	97,199	74,360	74,360
Borrowings	862,503	862,503	679,835	679,835
	<b>959,702</b>	<b>959,702</b>	<b>754,195</b>	<b>754,195</b>

\* 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	2019 £000	2018 £000
Derivative designated as hedging instrument:		
Interest rate swaps	1,018	1,602
Derivatives not designated as hedging instruments:		
Call option over royalty buyout	-	1,354
Foreign exchange forward contracts	439	42
	<b>1,457</b>	<b>2,998</b>

##### Derivative liabilities

Carrying value and Fair value	2019 £000	2018 £000
Derivatives designated as hedging instruments:		
Interest rate cap	(1,183)	-
Derivatives not designated as hedging instruments:		
Interest rate cap	-	(390)
	<b>(1,183)</b>	<b>(390)</b>

Derivatives designated as hedging instruments reflect the change in fair value of interest rate swaps, designated as cash flow hedges to hedge interest payable (USD and EUR). The cash flow hedges of expected future USD interest payments were effective though a loss of £584,000 (2018: £1,602,000 gain) has been included in other comprehensive income in respect of these contracts.



# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 27. Financial instruments (continued)

Other derivative liabilities designated as hedging instruments reflect the negative change in fair value of an interest rate cap which is ineffective, but is, nevertheless, intended to reduce the level of foreign currency risk for interest payable (EUR). The Group has not applied the option to designate a credit exposure as measured at fair value through P&L.

During 2018, as part of the Lucigen Corporation business combination (see Note 4), a royalty buy out option was acquired and recognised at fair value. During 2019 the option was exercised

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 2019 was EUR 18,000,000 (2018: EUR 14,000,000)

#### Call option:

##### Carrying value and Fair value

	2019	2018
	£000	£000
Call option over Douglas Scientific LLC non-controlling interest	12,635	11,737
Derivative asset	<u>12,635</u>	<u>11,737</u>

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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 27. Financial instruments (continued)

#### Interest rate risk

During the year ended 31 March 2019 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

	Maximum amount of exposure £000	Provision for doubtful debt £000	Carrying value £000
<b>2019</b>			
Cash and cash equivalents	58,976	-	58,976
Trade and other receivables *	61,985	(2,395)	59,590
	<b>120,961</b>	<b>(2,395)</b>	<b>118,566</b>
<b>2018</b>			
Cash and cash equivalents	41,816	-	41,816
Trade and other receivables *	50,097	(913)	49,184
	<b>91,913</b>	<b>(913)</b>	<b>91,000</b>

\* 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 2019

### 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

	2019 £000	2018 £000
At start of period	(913)	(852)
Acquisitions	(285)	-
Movement during the period	(1,197)	(61)
At end of period	<b>(2,395)</b>	<b>(913)</b>

#### 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

2019	Within 1 year £000	>5 years £000	Total £000
Trade and other payables *	97,199	-	97,199
Bank borrowings	-	856,226	856,226
Long-term loan notes	-	6,277	6,277
	<b>97,199</b>	<b>862,503</b>	<b>959,702</b>

2018	Within 1 year £000	>5 years £000	Total £000
Trade and other payables *	74,360	-	74,360
Bank borrowings	-	674,128	674,128
Long-term loan notes	-	5,707	5,707
	<b>74,360</b>	<b>679,835</b>	<b>754,195</b>

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

#### Changes in liabilities arising from financing activities

	2018 £'000	Cash flows £'000	Foreign Exchange Movement £'000	Changes in FV £'000	Other £'000	2019 £'000
Bank borrowings	674,128	169,199	12,899	-	-	856,226
Long-term loan notes	5,707	-	-	-	570	6,277
Derivative liability	390	-	-	793	-	1,183
	<b>680,225</b>	<b>169,199</b>	<b>12,899</b>	<b>793</b>	<b>570</b>	<b>863,686</b>

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 27. Financial instruments (continued)

	2017 £'000	Cash flows £'000	Foreign Exchange Movement £'000	Changes in FV £'000	Other £'000	2018 £'000
Bank borrowings	670,529	21,778	(18,179)	-	-	674,128
Long-term loan notes	5,188	-	-	-	519	5,707
Derivative liability	399	-	-	(9)	-	390
	<b>676,116</b>	<b>21,778</b>	<b>(18,179)</b>	<b>(9)</b>	<b>519</b>	<b>680,225</b>

The 'Other' column includes the effect of accrued but not yet paid interest on interest bearing loans and borrowings

### (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

## Notes to the financial statements

at 31 March 2019

### 28. Related party transactions

#### (a) Transactions with KKR, the majority shareholder

	2019 £000	2018 £000
<b><u>Services and closing balance</u></b>		
Management fees	500	500
Debt facility fees	2,466	562
Other services	38	145
Payables closing balance	4	125

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

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

	2019 £000	2018 £000
<b><u>Trading</u></b>		
Sale of goods and services during the period	3,734	2,779
Purchase of goods and services during the period	(11,979)	(10,882)
Trade receivable closing balance	27	275
Trade payables closing balance	(6,305)	(6,210)
<b><u>Intercompany loan account</u></b>		
Interest payable	294	258
Closing balance	3,264	4,318

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

Group companies entered into transactions with Brand Reputation Compliance Limited (a 77.5% controlled subsidiary) and its subsidiary BRC Trading Limited

	2019 £000	2018 £000
<b><u>Intercompany loan account</u></b>		
Interest payable	298	87
Closing balance	7,365	1,838

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 28. Related party transactions (continued)

#### (d) 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.

	2019 £000	2018 £000
<b>Trading</b>		
Purchase of services during the period	(9)	-
Trade payables closing balance	-	-

#### (e) 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

	2019 £000	2018 £000
<b>Trading</b>		
Sale of goods and services during the period	42	22
Purchase of goods and services during the period	(112)	(351)
Trade receivable closing balance	2	2
Trade payables closing balance	(17)	(38)

### 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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 30. 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 16 Leases*

IFRS 16 replaces the previous leases Standards, IAS 17 *Leases*, and related Interpretations. IFRS 16 *Leases* was issued in January 2016 and has a mandatory effective date of 1 January 2019, so will have an effective date of 1 April 2019 for the Group. 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.

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 31. Details of the investments of the Group

As at 31 March 2019 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
American Proficiency Institute Group Inc	(1)	Ordinary	100	Food proficiency testing services
Analytical Reference Materials International Corp	(2)	Ordinary	100	Distribution of analytical reference standards
Aquacheck Limited†	(3)	Ordinary	100	Dormant
Axolabs GmbH	(4)	Ordinary	100	Contract development and manufacturing of oligonucleotide therapeutics.
Berry & Associates, Inc	(5)	Ordinary	100	Genomics products and services
BioAutomation Corporation	(6)	Ordinary	100	Genomics products and services
Biosearch Technologies Inc	(7)	Ordinary	100	Genomics products and services
Brand Reputation Compliance Limited	(3)	Ordinary	77.5	Holding company
BRC Global Standards (Americas) Corporation	(8)	Ordinary	77.5	Distribution of analytical reference standards
BRC GS America Inc	(9)	Ordinary	77.5	Distribution of analytical reference standards
BRC Trading Limited	(3)	Ordinary	77.5	Distribution of analytical reference standards
Cardiff Bioanalytical Services Limited†	(3)	Ordinary	100	Dormant
Douglas Scientific LLC	(10)	Ordinary	55	Genomics products and services
Dr Ehrenstorfer GmbH	(11)	Ordinary	100	Distribution of analytical reference standards
Focus Forensic Telecommunications Limited†	(3)	Ordinary	100	Dormant
Forensic Alliance Limited†	(3)	Ordinary	100	Dormant
HFL Sport Science Limited†	(3)	Ordinary	100	Dormant
Industrial Analytical (Proprietary) Limited	(12)	Ordinary	100	Distribution of analytical reference standards
KBiosciences Limited†	(3)	Ordinary	100	Dormant
Kirkegaard & Perry Laboratories, Inc	(13)	Ordinary	100	Dormant
LGC (Holdings) Limited	(3)	Ordinary	100	Holding company
LGC (North West) Limited	(3)	Ordinary	100	Holding company
LGC (Teddington) Limited	(3)	Ordinary	100	Holding company
LGC Beteiligungs GmbH	(11)	Ordinary	100	Holding company
LGC Bio Senate Limited†	(3)	Ordinary	100	Dormant
LGC Bioresearch Limited†	(3)	Ordinary	100	Dormant
LGC Biosearch GmbH	(14)	Ordinary	100	Genomics products and services
LGC Biosearch technologies A/S	(15)	Ordinary	100	Genomics products and services
LGC Coleshill Limited†	(3)	Ordinary	100	Dormant
LGC Genomics GmbH	(16)	Ordinary	100	Genomics products and services
LGC Genomics Holding GmbH	(16)	Ordinary	100	Holding company
LGC Genomics Limited	(3)	Ordinary	100	Genomics products and services
LGC Genomics LLC	(1)	Ordinary	100	Genomics products and services



# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 31. 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 Genomics US Holdings Inc	(1)	Ordinary	100	Holding company
LGC GmbH	(17)	Ordinary	100	Manufacture of analytical reference standards
LGC Group Holdings Limited	(3)	Ordinary	100	Holding company
LGC Holding GmbH	(16)	Ordinary	100	Holding company
LGC Investments GmbH	(11)	Ordinary	100	Holding company
LGC Investments Limited	(3)	Ordinary	100	Holding company
LGC Labor GmbH	(11)	Ordinary	100	Manufacture of analytical reference standards
LGC Limited	(3)	Ordinary	100	Chemical and biochemical analysis consultancy and distribution of analytical reference standards
LGC North America Inc	(1)	Ordinary	100	Holding company
LGC Rhone Inc	(1)	Ordinary	100	Holding company
LGC SA BBOS Trust	(12)	Ordinary	100	Black Economic Empowerment Trust
LGC SA ESOP Trust	(12)	Ordinary	100	Black Economic Empowerment Trust
LGC Scheme Pension Trustee Limited	(3)	Ordinary	100	Activities auxiliary to insurance and pension funding
LGC Science (Beijing) Co Limited	(18)	Ordinary	100	Distribution of analytical reference standards
LGC Science (Nanjing) Co Limited	(19)	Ordinary	100	Distribution of analytical reference standards
LGC Science (Shanghai) Co Limited	(20)	Ordinary	100	Distribution of analytical reference standards
LGC Science and Standards (India) Private Limited	(21)	Ordinary	100	Distribution of analytical reference standards
LGC Science Group (Singapore) Pte Limited	(22)	Ordinary	100	Holding company
LGC Science Group Limited	(3)	Ordinary	100*	Holding company
LGC Science Holdings Limited	(3)	Ordinary	100	Holding company
LGC Science Inc	(23)	Ordinary	100	Analytical testing services
LGC Science Investments Limited	(3)	Ordinary	100	Holding company
LGC Science Limited†	(3)	Ordinary	100	Dormant
LGC Standards (South Africa) (Proprietary) Limited	(12)	Ordinary	100	Holding company
LGC Standards Brazil Exportação E Importação Ltda	(24)	Ordinary	100	Distribution of analytical reference standards
LGC Standards GmbH	(11)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Inc	(25)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Sarl	(26)	Ordinary	100	Distribution of analytical reference standards
LGC Standards SL	(27)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Sp Z.o.o	(28)	Ordinary	100	Distribution of analytical reference standards
LGC Standards Srl	(29)	Ordinary	100	Distribution of analytical reference standards

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 31. 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 Whirlwind Ltd	(3)	Ordinary	100	Holding company
Link Technologies Limited	(30)	Ordinary	100	Genomics products and services
Lucigen Corporation	(31)	Ordinary	100	Genomics products and services
Maine Standards Company LLC	(32)	Ordinary	100	Manufacture of analytical reference standards
MBH Analytical Limited	(3)	Ordinary	100	Manufacture of certified reference materials
Organic Standard Solutions International LLC	(33)	Ordinary	100	Distribution of analytical reference standards
Prime Synthesis Inc	(34)	Ordinary	100	Genomics products and services
Project Plasma Holdings Corporation	(35)	Ordinary	100	Holding Company
Promochem Limited†	(3)	Ordinary	100	Dormant
Quality Management Holdings Limited†	(3)	Ordinary	100	Holding company
Quality Management Limited†	(3)	Ordinary	100	Dormant
SeraCare Life Sciences, Inc	(36)	Ordinary	100	Manufacture of certified reference and clinical diagnostic materials
Teddington 2 Limited	(3)	Ordinary	100	Holding company
Thistle Laboratory Services (Proprietary) Limited	(12)	Ordinary	100	Analytical testing services
University Diagnostics Limited†	(3)	Ordinary	100	Dormant
VHG Labs Inc	(37)	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 Scheme Pension Trustee Limited
- LGC Science Group Limited
- LGC Science Holdings Limited
- LGC Science Investments Limited
- LGC Whirlwind Limited
- Link Technologies Limited

# LGC Science Group Holdings Limited

## Notes to the financial statements

at 31 March 2019

### 31. Details of the investments of the Group (continued)

- MBH Analytical Limited
- Teddington 2 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) National Registered Agents, Inc, 160 Greentree Drive, Suite 101, Dover DE 19904, United States
- (2) National Registered Agents, Inc, 1021 Main Street, 1150, Houston TX 77002, United States
- (3) LGC, Queens Road, Teddington, Middlesex, TW11 0LY, United Kingdom
- (4) Fritz-Hornschuch-Straße 9, D-95326 Kulmbach Germany
- (5) 2434 Bishop Circle E, Dexter Michigan, 48130, United States
- (6) National Registered Agents Inc, 701 S Carson St, Ste 200, Carson City, 89701, Nevada, United States
- (7) National Registered Agents, Inc, 818 W Seventh Street, Suite 930, Los Angeles CA 90017, United States
- (8) Cogency Global Inc 850 New Burton Road Suite 201 Dover DE 19904, United States
- (9) 15 Martin Street, Suite 202, Milton, ON L9T 2R4
- (10) 1010 Dale St N, St Paul, MN 55117-5603, USA
- (11) Mercatorstr 51, 46485 Wesel, Germany
- (12) 48 Monte Carlo Crescent, Kyalami Business Park, Kyalami, Gauteng, 1684, South Africa
- (13) The Corporation Trust Inc, 2405 York Road, Suite 201, Lutherville, Timonium MD, 21093-2264
- (14) Sonneberger Strasse 69, 96523 Steinach, Germany
- (15) Voldbjergvej 16B, 8240, Risskov, Denmark
- (16) Ostendstrasse 25, TGS Haus 8, 12459 Berlin, Germany
- (17) Louis-Pasteur-Str. 30, 14943, Luckenwalde, Germany
- (18) Room 110, Unit 3, No 6 Building, No 88 Yark, Kechuang Sixth Street, Beijing China
- (19) 5F, Block A5, Hongfeng Science Park, Economic and Technological Development Zone, Nanjing
- (20) Room 1577B, No 55 Xili Road, Shanghai Free Trade Zone, Shanghai, China
- (21) Unit No. 216, Commercial Building Square One, C-2 District Centre, Saket, New Delhi, 110017, India
- (22) 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, Singapore
- (23) Northwest Registered Agent Service, Inc, 1521 Concord Pike, Suite 202, Wilmington DE 19803, United States
- (24) Avenida Salmão 663, Sala 66, Jardim Aquarius - São José Dos Campos, 12246-260 Brazil
- (25) National Registered Agents, Inc, 155 Federal Street, Suite 700, Boston MA 02110, United States
- (26) 6 rue Alfred Kastler, 67120 Molsheim, France
- (27) Salvador Espriu 59, 08005 Barcelona, Spain
- (28) ul M.Konopnickiej 1, Dziekanów Leśny, 05-092, Łomianki, Poland
- (29) Via Tintoretto n 5, 20145 Milano, Italy
- (30) 3 Mallard Way, Strathclyde Business Park, Bellshill, Lanarkshire, ML4 3BF
- (31) Cogency Global, Inc., 901 S Whitney Way, Madison, WI, 53711 - 2553
- (32) 221 US Route 1, Cumberland Foreside, ME 04110, United States
- (33) National Registered Agents Inc., 2 Office Park Court, Columbia SC 29223, United States
- (34) 2 New Road, Suite 126, Aston DE 19014, United States
- (35) National Registered Agents Inc, 160 Greentree Drive, Suite 101, Dover, Kent, 19904, Delaware, United States
- (36) The Corporation Trust Company Corporation Trust Center, 1209 Orange ST, Wilmington, DE, 19801, United States
- (37) National Registered Agents Inc, 276 Abby Road, Manchester NH 03103, United States