UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2008

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER 0-33505

LIFE SCIENCES RESEARCH, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND
(JURISDICTION OF INCORPORATION OR ORGANIZATION)

52-2340150
IRS Employer Identification No.

PO BOX 2360, METTLERS ROAD, EAST MILLSTONE, NJ 08875-2360
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 732 649-9961

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of outstanding shares of each of the Issuer's classes of common stock as of the latest practicable date.

12,654,376 shares of Voting Common Stock of $0.01 par value as of April 28, 2008

TABLE OF CONTENTS

			Page
PART I	**FINANCIAL INFORMATION**		
	Item 1	Financial Statements (Unaudited).	
		Condensed Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007.	3
		Condensed Consolidated Balance Sheets at March 31, 2008 and December 31, 2007.	4
		Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2008 and 2007.	5
		Notes to Condensed Consolidated Financial Statements	6 – 12
	Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations.	13 – 20
	Item 3	Quantitative and Qualitative Disclosures about Market Risk.	21
	Item 4	Controls and Procedures	21
PART II	**OTHER INFORMATION**		
	Item 6	Exhibits	22
	Signatures		23

PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three months ended March 31	
(Dollars in thousands, except per share data)	**2008**	2007
Net revenues	**$63,227**	$54,297
Cost of sales	**(43,364)**	(40,283)
Gross profit	**19,863**	14,014
Selling, general and administrative expenses	**(10,199)**	(7,795)
Operating income	**9,664**	6,219
Interest income	**323**	382
Interest expense	**(2,661)**	(3,460)
Other expense	**(520)**	(439)
Income before income taxes	**6,806**	2,702
Income tax (expense)/benefit	**(71)**	752
Net income	**$6,735**	$3,454
Income per share		
- Basic	**$0.53**	$0.27
- Diluted	**$0.44**	$0.23
Weighted average number of common stock		
- Basic (000's)	**12,633**	12,782
- Diluted (000's)	**15,406**	15,056

See Notes to Condensed Consolidated Financial Statements.

LIFE SCIENCES RESEARCH, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share data)	**March 31, 2008 Unaudited**	December 31, 2007 Audited
ASSETS		
Current assets:		
Cash and cash equivalents	**$26,605**	$32,304
Short-term investments	**-**	3,919
Accounts receivable, net	**34,955**	30,116
Unbilled receivables, net	**25,169**	25,935
Inventories	**2,463**	2,530
Prepaid expenses and other current assets	**10,264**	9,270
Total current assets	**$99,456**	$104,074
Property and equipment, net	**73,193**	70,994
Goodwill	**7,269**	7,268
Other assets	**7,908**	8,382
Deferred income taxes	**10,795**	10,865
Total assets	**$198,621**	$201,583
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Accounts payable	**$12,086**	$15,477
Accrued payroll and other benefits	**8,060**	6,644
Accrued expenses and other liabilities	**28,885**	33,086
Short-term debt	**455**	618
Fees invoiced in advance	**44,453**	47,347
Total current liabilities	**$93,939**	$103,172
Long-term debt, net	**75,302**	75,429
Deferred gain on disposal of US property	**8,707**	8,787
Pension liabilities	**42,515**	43,522
Total liabilities	**$220,463**	$230,910
Commitments and contingencies		
Stockholders' equity/(deficit)		
Preferred Stock, $0.01 par value. Authorized 5,000,000		
Issued and outstanding: None	**-**	-
Non-Voting Common Stock, $0.01 par value. Authorized 5,000,000		
Issued and outstanding: None	**-**	-
Voting Common Stock, $0.01 par value. Authorized 50,000,000		
Issued and outstanding at **March 31, 2008: 12,645,598**		
(December 31, 2007: 12,626,498)	**126**	126
Paid in capital	**87,739**	87,216
Accumulated other comprehensive loss	**(46,648)**	(46,875)
Accumulated deficit	**(63,059)**	(69,794)
Total stockholders' deficit	**(21,842)**	(29,327)
Total liabilities and stockholders' deficit	**$198,621**	$201,583

See Notes to Condensed Consolidated Financial Statements.

LIFE SCIENCES RESEARCH, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Three months ended March 31	
(Dollars in thousands)	**2008**	2007
Cash flows from operating activities:		
Net income	**$6,735**	$3,454
Adjustments to reconcile net income to net cash (used in)/ provided by operating activities:		
Depreciation and amortization	**2,506**	2,229
Amortization of gain on disposal of US property	**(80)**	(80)
Non-cash compensation expense associated with employee stock compensation plans	**474**	558
Foreign exchange loss/(gain) on March 2006 Financing	**50**	(110)
Foreign exchange loss/(gain) on intercompany balances	**10**	(12)
Deferred income tax expense/(benefit)	**71**	(752)
Provision for losses on accounts receivable	**36**	85
Interest expense related to the amortization of debt issue costs	**503**	451
Amortization of financing costs	**460**	387
Changes in operating assets and liabilities:		
Accounts receivable, unbilled receivables and prepaid expenses	**(5,193)**	2,401
Inventories	**71**	(234)
Accounts payable, accrued expenses and other liabilities	**(4,321)**	1,117
Fees invoiced in advance	**(2,810)**	616
Net cash (used in)/provided by operating activities	**$(1,488)**	$10,110
Cash flows used in investing activities:		
Purchase of property, plant and equipment	**(4,754)**	(3,981)
Sale of property, plant and equipment	**-**	6
Payment for acquisition	**(1,771)**	-
Sale of short-term investments	**3,919**	-
Net cash used in investing activities	**$(2,606)**	$(3,975)
Cash flows used in financing activities:		
Proceeds from issuance of Voting Common Stock	**49**	35
Repayments of long-term borrowings	**(600)**	-
Repayments of short-term borrowings	**(216)**	(213)
Net cash used in financing activities	**$(767)**	$(178)
Effect of exchange rate changes on cash and cash equivalents	**(838)**	10
(Decrease)/increase in cash and cash equivalents	**(5,699)**	5,967
Cash and cash equivalents at beginning of period	**32,304**	44,088
Cash and cash equivalents at end of period	**$26,605**	$50,055
Supplementary Disclosures		
Interest paid	**$2,102**	$2,934
Taxes paid	**$80**	$128

See Notes to Condensed Consolidated Financial Statements.

1. THE COMPANY AND ITS OPERATIONS

LSR was incorporated on July 19, 2001 as a Maryland corporation for the purpose of acquiring all of the outstanding stock of the UK Company Huntingdon Life Sciences Group plc and effectively re-domiciling Huntingdon from the UK to the US. That acquisition was completed in March 2002. LSR's executive office is based at the Princeton Research Center in East Millstone, New Jersey.

2. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods presented. The condensed consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of LSR for the years ended December 31, 2007, 2006 and 2005 included in LSR's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The December 31, 2007 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

These financial statements have been prepared in accordance with US GAAP and under the same accounting principles as the financial statements included in the Annual Report on Form 10-K. Certain information and footnote disclosures related thereto normally included in the financial statements prepared in accordance with US GAAP have been omitted in accordance with Rule 10-01 of Regulation S-X.

ii) Stock-Based Compensation

The Company has stock option and stock-based compensation plans, which are described in detail in the audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2007. Under the Long Term Incentive Plan ("LTIP"), the Company granted 362,663 ten-year stock options to executives on June 1, 2004. All such options were granted with an exercise price equal to the market price of the underlying stock on the date of the grant. These options vested 100% on March 31, 2007 for those executives who remained employed with the Company on that date. Options totaling 6,244 from this issuance had been forfeited, leaving the remaining balance of 356,419 vesting on March 31, 2007.

In May and June 2006, options totaling 56,400 were issued to employees. 3,750 of these 10-year options vested immediately, 24,450 and 3,750 fully vested in May and June 2007 respectively and the remaining 24,450 shares will fully vest in May 2008. In addition in June 2006, a total of 7,500 shares of the Company's common stock were issued to non-management directors of the Company.

In December 2006, options totaling 480,000 were issued to employees. 240,000 of these 10-year options will vest in December 2008 and the remaining shares of 240,000 will become fully vested in December 2009. In addition in December 2006, a total of 100,000 shares of the Company's common stock were awarded to two of the executive officers of the Company (50,000 each to Richard Michaelson and Mark Bibi).

In January and December 2007, options totaling 10,000 were issued to employees. 5,000 of these 10-year options will vest in December 2008 and the remaining 5,000 shares will become fully vested in December 2009.

In March 2008, options totaling 48,600 were issued to employees. 24,300 of these 10-year options will vest in March 2010 and the remaining 24,300 shares will become fully vested in March 2011.

Effective January 1, 2006, the Company adopted Financial Accounting Standards ("FAS") No. 123R, "Share-Based Payment," utilizing the "modified prospective" method as described in FAS No. 123R. FAS No. 123R is a revision of FAS No. 123, "Accounting for Stock Based Compensation".

In the "modified prospective" method, compensation cost is recognized for all share-based payments granted after the effective date and for all unvested awards granted prior to the effective date. In accordance with FAS No. 123R, prior period amounts were not restated. FAS No. 123R also requires the tax benefits associated with these share-based payments to be classified as financing activities in the Condensed Consolidated Statements of Cash Flows, rather than as operating cash flows as required under previous regulations.

At March 31, 2008, the Company had two stock-based compensation plans with total unvested stock-based compensation expense of $3.0 million compared to $3.6 million in March 31, 2007, and a total weighted average remaining term of 8.67 years compared to 7.43 years in the same period in 2007. Total stock-based compensation expense, recognized in Cost of Sales and Selling, General and Administrative expenses, resulted in the non-cash FAS123 stock option expense of $0.5 million during the three month period ended March 31, 2008, compared to $0.6 million during the three month period ended March 31, 2007. The Company has not recorded any tax benefit relating to this expense as the majority of the compensation will be paid to employees that are located outside of the United States and the deduction is disallowed in that taxing jurisdiction. Accordingly, no tax benefit will be realized by the Company.

The recognition of total stock-based compensation expense impacted Basic Net Income Per Common Share by $0.04 for the three month period ended March 31, 2008, compared to $0.04 for the three month period ended March 31, 2007. The impact on Diluted Net Income Per Common Share was $0.03 during the three month period ended March 31, 2008, compared to $0.04 for the three month period ended March 31, 2007.

There were no grants of stock options during the three month period ended March 31, 2007. The per share weighted average exercise price of the stock options granted for the three month period ended March 31, 2008 was $24.10. The per share weighted average fair value (Black Scholes value) of the stock options granted for the three month period ended March 31, 2008 was $20.94. The fair values of the Company's employee stock options were estimated at the date of grant of each issuance using a Black-Scholes option-pricing model, with the following weighted average assumptions for all options expensed during the three month period ended March 31, 2008 and 2007:

	Three months ended March 31	
	FAS No. 123R Expense 2008	FAS No. 123 Expense 2007
Expected dividend yield of stock	**0%**	0%
Expected volatility of stock, range	**117.1% - 130.80%**	49.4% - 130.8%
Risk-free interest rate, range	**2.83% - 4.98%**	4.44% - 4.98%
Expected term of options	**5.52 - 6.53 years**	5.5 - 10 years

As partial consideration for the new loan obtained on March 2, 2006, LSR issued to the lender 10 year warrants to acquire 500,000 shares of LSR's common stock at an exercise price of $12.00 per share (such exercise price was determined by a premium formula based on LSR's then-recent closing market prices). These warrants were fully vested on the closing date of the loan, March 2, 2006. Accordingly, the fair value of these warrants ($4,994,000) has been recorded as a deferred debt premium and is being amortized to interest expense over the term of the loan. For financial statement presentation purposes, the unamortized amount of these warrants has been netted against the loan in long-term debt. Concurrent with the August 1, 2007 amendment to the loan, the Company repurchased 250,000 of these warrants for an aggregate consideration of $2,750,000. Accordingly, the lender now owns warrants to acquire 250,000 shares of LSR common stock at an exercise price of $12.00 per share.

In addition, as partial consideration for providing financial advisory services to assist the Company in obtaining the March 2006 Financing, LSR issued to its independent third party financial advisor 10 year warrants to acquire 300,000 shares of LSR common stock at an exercise price of $10.46 per share (the closing market price on the date the Company engaged the financial advisor). These warrants became fully vested on March 2, 2006, the closing date of the loan. The fair value of these warrants ($3,113,000) has been recorded as deferred financing costs and is being amortized to other expense over the term of the loan. For financial statement presentation purposes, the unamortized amount of these warrants has been classified as other assets (non-current). Certain customary registration rights were granted in connection with these warrants. The warrants are subject to customary anti-dilution provisions.

On July 27, 2007 in a privately negotiated transaction with an unaffiliated LSR warrant holder the Company repurchased warrants to acquire 50,000 shares of LSR common stock at an exercise price of $10.70 per share for an aggregate consideration of $350,000.

On August 29, 2007 in a privately negotiated transaction with an unaffiliated LSR warrant holder the Company repurchased warrants to acquire 312,500 shares of LSR common stock at an exercise price of $10.46 for an aggregate consideration of $3,594,000.

iii) Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements,” (“SFAS 157”) which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS 157 could impact how fair values are determined and assigned to assets and liabilities in any future acquisition.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 159 to have a material effect on the Company’s consolidated results of operations or financial position.

In December 2007, the FASB issued FAS 141(R), "Business Combinations - a replacement of FASB Statement No. 141", which significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. This statement will be effective for the Company beginning in fiscal 2009. The Company is currently evaluating FAS 141(R), and has not yet determined the impact if any, FAS 141(R) will have on its consolidated results of operations or financial position.

3. SEGMENT ANALYSIS

The Company operates within two segments based on geographical markets, the United Kingdom and the United States, and incurs corporate administrative expenses. The Company has one continuing activity, Contract Research.

The analysis of the Company's net revenues and operating income by segment for the three month period ended March 31, 2008 and March 31, 2007 is as follows:

(Dollars in thousands)		Three months ended March 31 **2008**	2007
Net revenues			
	UK	**$49,602**	$43,296
	US	**13,625**	11,001
	Corporate	**-**	-
		$63,227	$54,297
Operating income			
	UK	**$9,878**	$7,005
	US	**2,426**	1,225
	Corporate	**(2,640)**	(2,011)
		$9,664	$6,219

4. REFINANCING

On June 14, 2005, the Company entered into and consummated the Sale/Leaseback Transaction with Alconbury. Alconbury was newly formed in June 2005 and controlled by LSR's Chairman and CEO, Andrew Baker. The total consideration paid by Alconbury for the three properties was $40 million, consisting of $30 million cash and a five year, $10 million variable rate subordinated promissory note, which Alconbury paid in full on June 30, 2006, together with accrued interest of $0.6 million. The Company agreed to pay the expenses incurred by Alconbury in the Sale/Leaseback Transaction of $4.6 million, subject to Alconbury's obligation to reimburse those expenses in the future. Such reimbursement shall be made in equal installments in each year of the five-year period beginning on June 14, 2008, the third anniversary of the closing date of the Sale/Leaseback Transaction. Interest has been imputed on this loan at 15% and a discount (expense) of $2.4 million was recorded by the Company on June 14, 2005. This $2.4 million is being ratably recorded as interest income over the seven year term of the loan.

As part of the Sale/Leaseback Transaction, the Company (through subsidiaries) entered into thirty-year leases with Alconbury for each facility, with two five-year renewal options. The initial base aggregate annual rent for the facilities was $4.9 million (approximately $1.8 million in the US and approximately $3.1 million in the UK) which increases by 3% each year for the UK facilities and by an amount equal to the annual US consumer price index for the US facility. Under the terms of the leases, no security deposit was initially required, but a three-month security deposit was required to be paid at the time that Alconbury refinanced its financing arrangements. Additionally, because the leases are "triple net" leases, LSR also pays for all of the costs associated with the operation of the facilities, including costs such as insurance, taxes and maintenance.

Since the Sale/Leaseback Transaction was with a related party (Mr. Baker, LSR's Chairman and CEO and the controlling owner of Alconbury), an Independent Committee of LSR's Board of Directors (the "Committee") was formed to analyze and consider the proposed Sale/Leaseback Transaction. The Committee was comprised of the three independent directors of LSR: Gabor Balthazar, Afonso Junqueiras and Yaya Sesay. The Committee retained independent legal and financial advisors to assist in its analysis. The Committee and LSR's senior management (other than Mr. Baker) negotiated the key terms and provisions of the Sale/Leaseback Transaction with Alconbury. In evaluating the total consideration negotiated for this transaction, the Committee took into consideration an assessment and review of the levels of consideration that were proposed to be paid by independent third party bidders over the prior several years for sale/leaseback transactions of the Company's operating facilities in transactions that were proposed and negotiated but not ultimately consummated. The Committee also obtained appraisals of the facilities from independent real estate appraisal firms and a fairness opinion from an independent investment banking firm.

The proceeds from the Sale/Leaseback Transaction (plus additional cash on hand) were used by the Company to pay in full its £22.6 million non-bank debt (approximately $41.1 million based on exchange rates at the time).

In accordance with the provisions of FASB Interpretation No. 46R ("FIN 46R"), the Company has reflected the consolidation of Alconbury from June 14, 2005 through June 29, 2006, the period in which the Company was considered the "primary beneficiary" of Alconbury's variable interests. The Company has determined that as of June 29, 2006 it was no longer the primary beneficiary of Alconbury, and therefore was required to deconsolidate Alconbury's assets and liabilities from the Company's Condensed Consolidated Balance Sheet as of that date.

Due to the consolidation resulting from the Company's adoption of FIN 46R, for the period of June 14, 2005 through June 29, 2006, the Company's financial statements reflected a loan payable to an unrelated third party in the aggregate principal amount of $30 million. This loan had a maturity date of June 14, 2006, with the right to extend the term one additional year. The loan, carried an annual interest rate of 15%, was secured by first priority lien on all the assets, including the facilities, of Alconbury, and was also personally guaranteed by the owner of Alconbury. This loan was payable in twelve monthly installments of interest only, with a balloon payment of $30 million due on June 14, 2006. Alconbury refinanced this debt on a long-term basis on June 13, 2006 with an interest rate of 12%. However, due to the June 30, 2006 deconsolidation of Alconbury, the Company did not reflect this new loan on the Condensed Consolidated Balance Sheet as at June 30, 2006.

On March 2, 2006, the Company entered into a $70 million loan (the "March 2006 Financing") under the terms of a Financing Agreement dated March 1, 2006 with a third party lender. The borrower under the Financing Agreement is Huntingdon Life Sciences Limited and LSR and substantially all of LSR's other subsidiaries guarantee all of the borrower's obligations thereunder. The loan matures on March 1, 2011 and had an interest rate of LIBOR + 825 basis points (which reduced to LIBOR + 800 basis points upon the Company meeting certain financial tests). The Financing Agreement contains standard financial and business covenants, including, without limitation, reporting requirements, limitations on the incurrence of additional indebtedness, events of default, limitations on dividends and other payment restrictions and various financial ratio requirements. The loan is secured by substantially all of the assets of the Company and the Company has in connection therewith entered into a customary Security Agreement and a customary Pledge and Security Agreement. On August 1, 2007 the Company entered into an amendment to its $70 million March 2006 Financing in which the principal amount was reduced to $60 million and the interest rate was reduced from the reduced rate of LIBOR + 800 basis points to LIBOR + 350 basis points. A closing fee of $4.3 million was paid to the lender in connection with this amendment which has been recorded as a deferred debt premium and is being amortized to interest expense over the remaining term of the loan. For financial statement presentation purposes, the unamortized amount of the closing fee has been netted against the loan in long-term debt. On November 30, 2007, the Company entered into a Second Amendment to the Financing Agreement in which certain financial covenants were modified and consent was given by the lender to permit the Company to complete a fold-in acquisition.

As partial consideration for the March 2006 Financing, LSR issued to the lender 10 year warrants to acquire 500,000 shares of LSR's common stock at an exercise price of $12.00 per share (such exercise price was determined by a premium formula based on LSR's then-recent closing market prices). These warrants were fully vested on the closing date of the loan, March 2, 2006. Accordingly, the fair value of these warrants ($4,994,000) has been recorded as a deferred debt premium and is being amortized to interest expense over the term of the loan. For financial statement presentation purposes, the unamortized amount of these warrants has been netted against the loan in long-term debt. Concurrent with the August 1, 2007 amendment to the loan, the Company repurchased 250,000 of these warrants for an aggregate consideration of $2,750,000. Accordingly, the lender now owns warrants to acquire 250,000 shares of LSR common stock at an exercise price of $12.00 per share.

In addition, as partial consideration for providing financial advisory services to assist the Company in obtaining the March 2006 Financing, LSR issued to its independent third party financial advisor 10 year warrants to acquire 300,000 shares of LSR common stock at an exercise price of $10.46 per share (the closing market price on the date the Company engaged the financial advisor). These warrants became fully vested on March 2, 2006, the closing date of the loan. The fair value of these warrants ($3,113,000) has been recorded as deferred financing costs and is being amortized to other expense over the term of the loan. For financial statement presentation purposes, the unamortized amount of these warrants has been classified as other assets (non-current). Certain customary registration rights were granted in connection with these warrants. The warrants are subject to customary anti-dilution provisions.

Net proceeds from the March 2006 Financing were approximately $63 million and a portion of these proceeds were used to redeem the $46.2 million outstanding principal amount of the Company's 7.5% Convertible Capital Bonds, which were due to mature in September 2006. The balance of the proceeds was held for general corporate purposes.

5. RELATED PARTY TRANSACTIONS

On June 11, 2002 LSR issued to Focused Healthcare Partners ("FHP"), an entity controlled by Andrew Baker, the Company's Chairman and CEO, warrants to purchase up to 410,914 shares of LSR Voting Common Stock at a purchase price of $1.50 per share. These LSR warrants are exercisable at any time and will expire on June 11, 2012. These warrants arose out of negotiations regarding the provision of the $2.9 million loan facility made available to the Company on September 25, 2000 by Mr. Baker. In accordance with APB 14 the loan and warrants were recorded at their pro rata fair values in relation to the proceeds received. As a result, the value of the warrants was $250,000.

On June 14, 2005, the Company entered into and consummated the Sale/Leaseback Transaction with Alconbury. Alconbury was newly formed in June 2005 and controlled by LSR's Chairman and CEO, Andrew Baker. The total consideration paid by Alconbury for the three properties was $40 million, consisting of $30 million cash and a five year, $10 million variable rate subordinated promissory note, which Alconbury paid in full on June 30, 2006, together with accrued interest of $0.6 million. The Company agreed to pay the expenses incurred by Alconbury in the Sale/Leaseback Transaction of $4.6 million, subject to Alconbury's obligation to reimburse those expenses in the future. Such reimbursement shall be made in equal installments in each year of the five-year period beginning on June 14, 2008, the third anniversary of the closing date of the Sale/Leaseback Transaction. Interest has been imputed on this loan at 15% and a discount (expense) of $2.4 million was recorded by the Company on June 14, 2005. This $2.4 million is being ratably recorded as interest income over the seven year term of the loan.

As part of the Sale/Leaseback Transaction, the Company (through subsidiaries) entered into thirty-year leases with Alconbury for each facility, with two five-year renewal options. The initial base aggregate annual rent for the facilities was $4.9 million (approximately $1.8 million in the US and approximately $3.1 million in the UK) which increases by 3% each subsequent year for the UK facilities and by an amount equal to the annual US consumer price index for the US facility. Under the terms of the leases, no security deposit was initially required, but a three-month security deposit was paid at the time that Alconbury refinanced its financing arrangements. Additionally, because the leases are "triple net" leases, LSR also pays for all of the costs associated with the operation of the facilities, including costs such as insurance, taxes and maintenance.

Since the Sale/Leaseback Transaction was with a related party (Mr. Baker, LSR's Chairman and CEO and the controlling owner of Alconbury), an Independent Committee of LSR's Board of Directors (the "Committee") was formed to analyze and consider the proposed Sale/Leaseback Transaction. The Committee was comprised of the three independent directors of LSR: Gabor Balthazar, Afonso Junqueiras and Yaya Sesay. The Committee retained independent legal and financial advisors to assist in its analysis. The Committee and LSR's senior management (other than Mr. Baker) negotiated the key terms and provisions of the Sale/Leaseback Transaction with Alconbury. In evaluating the total consideration negotiated for this transaction, the Committee took into consideration an assessment and review of the levels of consideration that were proposed to be paid by independent third party bidders over the prior several years for sale/leaseback transactions of the Company's operating facilities in transactions that were proposed and negotiated but not ultimately consummated. The Committee also obtained appraisals of the facilities from independent real estate appraisal firms and a fairness opinion from an independent investment banking firm.

6. COMMITMENTS AND CONTINGENCIES

(i) The Company is party to certain legal actions arising out of the normal course of its business. In management's opinion, none of these actions will have a material effect on the Company's operations, financial condition or liquidity. No form of proceedings has been brought, instigated or is known to be contemplated against the Company by any governmental agency.

(ii) The Compensation Committee approved and adopted at its December 6, 2006 meeting the 2007 Long Term Incentive Plan (the "2007 LTIP"), which provides for awards of cash compensation to executive officers and other members of the senior management team if certain performance goals are achieved during the 2007-2009 performance period. The Compensation Committee established a specific level of operating margin percentage to be achieved over any four consecutive quarters during such performance period that would trigger such awards. The aggregate amount payable to all participants under the 2007 LTIP if the threshold performance level is achieved is approximately $5 million.

Management will be ratably accruing, as compensation expense, an amount equal to the estimated cash bonus that would be payable over the performance period during which the specified performance goals are achieved. Management will re-evaluate this estimate periodically throughout the performance period and, if applicable, will adjust the estimate accordingly.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. RESULTS OF OPERATIONS

a) Three months ended March 31, 2008 compared with three months ended March 31, 2007.

Net revenues for the three months ended March 31, 2008 were $63.2 million, an increase of 16.4% on net revenues of $54.3 million for the three months ended March 31, 2007. The underlying increase, after adjusting for the impact of the movement in exchange rates was 15.3%; with the UK showing a 13.1% increase and the US a 23.9% increase. The increase in revenues reflects the increase in orders and, consequently, backlog over the last 2 years.

Cost of sales for the three months ended March 31, 2008 were $43.4 million (68.6% of revenue), an increase of 7.6% on cost of sales of $40.3 million (74.2% of revenue) for the three months ended March 31, 2007. The underlying increase, after adjusting for the impact of the movement in exchange rates was 6.6% with the UK showing a 4.7% increase and the US a 13.9% increase. The decrease in cost of sales as a % of revenue was due to improved efficiencies associated with revenue increases and improved capacity utilization, including a 380 basis point reduction in overhead costs as a % of revenues. In addition a reduction of 220 basis points in direct study costs as a % of revenue was due to a change in the mix of business.

Selling, general and administrative expenses (SG&A) increased by 30.8% to $10.2 million for the three months ended March 31, 2008 from $7.8 million in the corresponding period in 2007. The underlying increase, after adjusting for the impact of the movement in exchange rates was 29.7%. That increase in costs was due to an increase in incentive accruals as a result of improved performance and higher employee stock option expenses.

Net interest expense decreased by 24.0% to $2.3 million for the three months ended March 31, 2008 from $3.1 million for the three months ended March 31, 2007. Of the decrease of $0.8 million, $1.0 million relates to a decrease in interest expense associated with the $10 million reduction in the principal of the March 2006 Financing and the reduced interest rate associated with August 1, 2007 loan amendment, offset by a $0.1 million increase in capital lease interest and a $0.1 million decrease in interest income.

Other expense of $0.5 million for the three months ended March 31, 2008 comprised finance arrangement fees of $0.4 million and $0.1 million from the non-cash foreign exchange re-measurement loss on the March 2006 Financing denominated in US dollars (the functional currency of the financial subsidiary that holds the loan is UK sterling). In the three months ended March 31, 2007 there were other expenses of $0.4 million which comprised finance arrangement fees of $0.5 million, offset by $0.1 million from the non-cash foreign exchange re-measurement gain on the March 2006 Financing denominated in US dollars.

Income tax expense for the three months ended March 31, 2008 was $0.1 million. The income tax benefit for the three months ended March 31, 2007 was $0.8 million. Net operating losses are $94.8 million at March 31, 2008, with net operating losses in the US of $8.4 million and net operating losses in the UK of $86.4 million.

Net income for the three months ended March 31, 2008 was $6.7 million compared with net income of $3.5 million for the three months ended March, 31 2007. The increase in net income of $3.2 million is due to a $3.4 million increase in operating income, a decrease in the net interest expense of $0.8 million and a decrease in non-cash finance arrangement fees of $0.1 million, offset by an increase in the income tax expense of $0.9 million and an increase in non-cash foreign exchange re-measurement loss of $0.2 million.

Net income per outstanding common share for the three months ended March 31, 2008 was 53 cents, compared to 27 cents income in the same period last year, on the weighted average common shares outstanding of 12,633,031 and 12,782,384 respectively. Net income per fully diluted share for the three months ended March 31, 2008 was 44 cents, compared to 23 cents in the same period last year.

2. LIQUIDITY & CAPITAL RESOURCES

Bank Loan and Non-Bank Loans

On June 14, 2005, the Company entered into and consummated the Sale/Leaseback Transaction with Alconbury. Alconbury was newly formed in June 2005 and controlled by LSR's Chairman and CEO, Andrew Baker. The total consideration paid by Alconbury for the three properties was $40 million, consisting of $30 million cash and a five year, $10 million variable rate subordinated promissory note, which Alconbury paid in full on June 30, 2006, together with accrued interest of $0.6 million. The Company agreed to pay the expenses incurred by Alconbury in the Sale/Leaseback Transaction of $4.6 million, subject to Alconbury's obligation to reimburse those expenses in the future. Such reimbursement shall be made in equal installments in each year of the five-year period beginning on June 14, 2008, the third anniversary of the closing date of the Sale/Leaseback Transaction. Interest has been imputed on this loan at 15% and a discount (expense) of $2.4 million was recorded by the Company on June 14, 2005. This $2.4 million is being ratably recorded as interest income over the seven year term of the loan.

As part of the Sale/Leaseback Transaction, the Company (through subsidiaries) entered into thirty-year leases with Alconbury for each facility, with two five-year renewal options. The initial base aggregate annual rent for the facilities was $4.9 million (approximately $1.8 million in the US and approximately $3.1 million in the UK) which increases by 3% each year for the UK facilities and by an amount equal to the annual US consumer price index for the US facility. Under the terms of the leases, no security deposit was initially required, but a three-month security deposit was required to be paid at the time that Alconbury refinanced its financing arrangements. Additionally, because the leases are "triple net" leases, LSR also pays for all of the costs associated with the operation of the facilities, including costs such as insurance, taxes and maintenance.

Since the Sale/Leaseback Transaction was with a related party (Mr. Baker, LSR's Chairman and CEO and the controlling owner of Alconbury), an Independent Committee of LSR's Board of Directors (the "Committee") was formed to analyze and consider the proposed Sale/Leaseback Transaction. The Committee was comprised of the three independent directors of LSR: Gabor Balthazar, Afonso Junqueiras and Yaya Sesay. The Committee retained independent legal and financial advisors to assist in its analysis. The Committee and LSR's senior management (other than Mr. Baker) negotiated the key terms and provisions of the Sale/Leaseback Transaction with Alconbury. In evaluating the total consideration negotiated for this transaction, the Committee took into consideration an assessment and review of the levels of consideration that were proposed to be paid by independent third party bidders over the prior several years for sale/leaseback transactions of the Company's operating facilities in transactions that were proposed and negotiated but not ultimately consummated. The Committee also obtained appraisals of the facilities from independent real estate appraisal firms and a fairness opinion from an independent investment banking firm.

The proceeds from the Sale/Leaseback Transaction (plus additional cash on hand) were used by the Company to pay in full its £22.6 million non-bank debt (approximately $41.1 million based on exchange rates at the time).

In accordance with the provisions of FASB Interpretation No. 46R ("FIN 46R"), the Company has reflected the consolidation of Alconbury from June 14, 2005 through June 29, 2006, the period in which the Company was considered the "primary beneficiary" of Alconbury's variable interests. The Company has determined that as of June 29, 2006 it was no longer the primary beneficiary of Alconbury, and therefore was required to deconsolidate Alconbury's assets and liabilities from the Company's Condensed Consolidated Balance Sheet as of that date.

Due to the consolidation resulting from the Company's adoption of FIN 46R, for the period of June 14, 2005 through June 29, 2006, the Company's financial statements reflected a loan payable to an unrelated third party in the aggregate principal amount of $30 million. This loan had a maturity date of June 14, 2006, with the right to extend the term one additional year. The loan, carried an annual interest rate of 15%, was secured by first priority lien on all the assets, including the facilities, of Alconbury, and was also personally guaranteed by the owner of Alconbury. This loan was payable in twelve monthly installments of interest only, with a balloon payment of $30 million due on June 14, 2006. Alconbury refinanced this debt on a long-term basis on June 13, 2006 with an interest rate of 12%. However, due to the June 30, 2006 deconsolidation of Alconbury, the Company did not reflect this new loan on the Condensed Consolidated Balance Sheet as at June 30, 2006.

On March 2, 2006, the Company entered into a $70 million loan (the "March 2006 Financing") under the terms of a Financing Agreement dated March 1, 2006 with a third party lender. The borrower under the Financing Agreement is Huntingdon Life Sciences Limited and LSR and substantially all of LSR's other subsidiaries guarantee all of the borrower's obligations thereunder. The loan matures on March 1, 2011 and had an interest rate of LIBOR + 825 basis points (which reduced to LIBOR + 800 basis points upon the Company meeting certain financial tests). The Financing Agreement contains standard financial and business covenants, including, without limitation, reporting requirements, limitations on the incurrence of additional indebtedness, events of default, limitations on dividends and other payment restrictions and various financial ratio requirements. The loan is secured by substantially all of the assets of the Company and the Company has in connection therewith entered into a customary Security Agreement and a customary Pledge and Security Agreement. On August 1, 2007 the Company entered into an amendment to its $70 million March 2006 Financing in which the principal amount was reduced to $60 million and the interest rate was reduced from the reduced rate of LIBOR + 800 basis points to LIBOR + 350 basis points. A closing fee of $4.3 million was paid to the lender in connection with this amendment which has been recorded as a deferred debt premium and is being amortized to interest expense over the remaining term of the loan. For financial statement presentation purposes, the unamortized amount of the closing fee has been netted against the loan in long-term debt. On November 30, 2007, the Company entered into a Second Amendment to the Financing Agreement in which certain financial covenants were modified and consent was given by the lender to permit the Company to complete a fold-in acquisition.

As partial consideration for the March 2006 Financing, LSR issued to the lender 10 year warrants to acquire 500,000 shares of LSR's common stock at an exercise price of $12.00 per share (such exercise price was determined by a premium formula based on LSR's then-recent closing market prices). These warrants were fully vested on the closing date of the loan, March 2, 2006. Accordingly, the fair value of these warrants ($4,994,000) has been recorded as a deferred debt premium and is being amortized to interest expense over the term of the loan. For financial statement presentation purposes, the unamortized amount of these warrants has been netted against the loan in long-term debt. Concurrent with the August 1, 2007 amendment to the loan, the Company repurchased 250,000 of these warrants for an aggregate consideration of $2,750,000. Accordingly, the lender now owns warrants to acquire 250,000 shares of LSR common stock at an exercise price of $12.00 per share.

In addition, as partial consideration for providing financial advisory services to assist the Company in obtaining the March 2006 Financing, LSR issued to its independent third party financial advisor 10 year warrants to acquire 300,000 shares of LSR common stock at an exercise price of $10.46 per share (the closing market price on the date the Company engaged the financial advisor). These warrants became fully vested on March 2, 2006, the closing date of the loan. The fair value of these warrants ($3,113,000) has been recorded as deferred financing costs and is being amortized to other expense over the term of the loan. For financial statement presentation purposes, the unamortized amount of these warrants has been classified as other assets (non-current). Certain customary registration rights were granted in connection with these warrants. The warrants are subject to customary anti-dilution provisions.

Net proceeds from the March 2006 Financing were approximately $63 million and a portion of these proceeds were used to redeem the $46.2 million outstanding principal amount of the Company's 7.5% Convertible Capital Bonds, which were due to mature in September 2006. The balance of the proceeds was held for general corporate purposes.

Related Party Transactions

On June 11, 2002 LSR issued to FHP, an entity controlled by Andrew Baker, the Company's Chairman and CEO, warrants to purchase up to 410,914 shares of LSR Voting Common Stock at a purchase price of $1.50 per share. These LSR warrants are exercisable at any time and will expire on June 11, 2012. These warrants arose out of negotiations regarding the provision of the $2.9 million loan facility made available to the Company on September 25, 2000 by Mr. Baker. In accordance with APB 14 the loan and warrants were recorded at their pro rata fair values in relation to the proceeds received. As a result, the value of the warrants was $250,000.

On June 14, 2005, the Company entered into and consummated the Sale/Leaseback Transaction with Alconbury. Alconbury was newly formed in June 2005 and controlled by LSR's Chairman and CEO, Andrew Baker. The total consideration paid by Alconbury for the three properties was $40 million, consisting of $30 million cash and a five year, $10 million variable rate subordinated promissory note, which Alconbury paid in full on June 30, 2006, together with accrued interest of $0.6 million. The Company agreed to pay the expenses incurred by Alconbury in the Sale/Leaseback Transaction of $4.6 million, subject to Alconbury's obligation to reimburse those expenses in the future. Such reimbursement shall be made in equal installments in each year of the five-year period beginning on June 14, 2008, the third anniversary of the closing date of the Sale/Leaseback Transaction. Interest has been imputed on this loan at 15% and a discount (expense) of $2.4 million was recorded by the Company on June 14, 2005. This $2.4 million is being ratably recorded as interest income over the seven year term of the loan.

As part of the Sale/Leaseback Transaction, the Company (through subsidiaries) entered into thirty-year leases with Alconbury for each facility, with two five-year renewal options. The initial base aggregate annual rent for the facilities was $4.9 million (approximately $1.8 million in the US and approximately $3.1 million in the UK) which increases by 3% each subsequent year for the UK facilities and by an amount equal to the annual US consumer price index for the US facility. Under the terms of the leases, no security deposit was initially required, but a three-month security deposit was paid at the time that Alconbury refinanced its financing arrangements. Additionally, because the leases are “triple net” leases, LSR also pays for all of the costs associated with the operation of the facilities, including costs such as insurance, taxes and maintenance.

Since the Sale/Leaseback Transaction was with a related party (Mr. Baker, LSR’s Chairman and CEO and the controlling owner of Alconbury), an Independent Committee of LSR’s Board of Directors (the “Committee”) was formed to analyze and consider the proposed Sale/Leaseback Transaction. The Committee was comprised of the three independent directors of LSR: Gabor Balthazar, Afonso Junqueiras and Yaya Sesay. The Committee retained independent legal and financial advisors to assist in its analysis. The Committee and LSR’s senior management (other than Mr. Baker) negotiated the key terms and provisions of the Sale/Leaseback Transaction with Alconbury. In evaluating the total consideration negotiated for this transaction, the Committee took into consideration an assessment and review of the levels of consideration that were proposed to be paid by independent third party bidders over the prior several years for sale/leaseback transactions of the Company’s operating facilities in transactions that were proposed and negotiated but not ultimately consummated. The Committee also obtained appraisals of the facilities from independent real estate appraisal firms and a fairness opinion from an independent investment banking firm.

Cash flows

During the three months ended March 31, 2008 funds used were $5.7 million, decreasing cash and cash equivalents from $32.3 million at December 31, 2007 to $26.6 million at March 31, 2008. Operating activities used cash of $1.5 million, of which $6.9 million was due to the increase in DSOs. A further $4.8 million of cash was used on capital expenditure.

Net days sales outstanding ("DSOs") at March 31, 2008 were 23 days, an increase from the 13 days at December 31, 2007, (11 days at March 31, 2007). DSOs are calculated as a sum of accounts receivables, unbilled receivables and fees in advance over total net revenue. Over the last 5 years, DSOs at the quarter ends have varied from 2 days to 23 days so they are currently at a five year high and reflect the high levels of invoicing at the end of March 2008. The impact on liquidity from a one-day change in DSO is approximately $685,000.

3. CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with US GAAP. The Company considers the following accounting policies to be critical accounting policies.

Revenue recognition

The majority of the Company's net revenues have been earned under contracts, which generally range in duration from a few months to three years. Net revenue from these contracts is generally recognized over the term of the contracts as services are rendered. Contracts may contain provisions for re-negotiation in the event of cost overruns due to changes in the level of work scope. Renegotiated amounts are included in net revenue when earned and realization is assured. Provisions for losses to be incurred on contracts are recognized in full in the period in which it is determined that a loss will result from performance of the contractual arrangement. Most service contracts may be terminated for a variety of reasons by the Company's customers, either immediately or upon notice of a future date. The contracts generally require payments to the Company to recover costs incurred, including costs to wind down the study, and payment of fees earned to date, and in some cases to provide the Company with a portion of the fees or income that would have been earned under the contract had the contract not been terminated early.

Unbilled receivables are recorded for net revenue recognized to date that is currently not billable to the customer pursuant to contractual terms. In general, amounts become billable upon the achievement of certain aspects of the contract or in accordance with predetermined payment schedules. Unbilled receivables are billable to customers within one year from the respective balance sheet date. Fees in advance are recorded for amounts billed to customers for which net revenue has not been recognized at the balance sheet date (such as upfront payments upon contract authorization, but prior to the actual commencement of the study).

If the Company does not accurately estimate the resources required or the scope of work to be performed, or does not manage its projects properly within the planned periods of time or satisfy its obligations under the contracts, then future margins may be significantly and negatively affected or losses on existing contracts may need to be recognized. While such issues have not historically been significant, any such resulting reductions in margins or contract losses could be material to the Company's results of operations.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the results of operations during the reporting periods. These also include management estimates in the calculation of pension liabilities covering discount rates, return on plan assets and other actuarial assumptions. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from those estimates.

Taxation

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting For Income Taxes" ("SFAS 109"). SFAS 109 requires recognition of deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of operations in the period in which the enactment rate changes. Deferred tax assets and liabilities are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event that the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should the Company determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.

On January 1, 2007, the Company adopted FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS 109. FIN 48 provides guidance on recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that a company has taken or expects to take on a tax return.

Consolidation of Alconbury

On June 14, 2005, the Company entered into and consummated purchase and sale agreements with Alconbury Estates Inc. and subsidiaries (collectively "Alconbury") for the sale and leaseback of the Company's three operating facilities in Huntingdon and Eye, England and East Millstone, New Jersey (the "Sale/Leaseback Transaction"). Alconbury was newly formed in June 2005 and controlled by LSR's Chairman and CEO, Andrew Baker. The total consideration paid by Alconbury for the three properties was $40 million, consisting of $30 million in cash and a five year, $10 million variable rate subordinated promissory note, which Alconbury paid in full on June 30, 2006, together with accrued interest of $0.6 million.

In accordance with the provisions of FASB Interpretation No. 46R ("FIN 46R"), the Company has reflected the consolidation of Alconbury from June 14, 2005 through June 29, 2006, the period in which the Company was considered the "primary beneficiary" of Alconbury's variable interests. The Company has determined that as of June 29, 2006 it was no longer the primary beneficiary of Alconbury, and therefore was required to deconsolidate Alconbury's assets and liabilities from the Company's consolidated balance sheet as of that date.

Exchange rate fluctuations and exchange controls

The Company operates on a worldwide basis and generally invoices its clients in the currency of the country in which it operates. Thus, for the most part, exposure to exchange rate fluctuations is limited as sales are denominated in the same currency as costs. Trading exposures to currency fluctuations do occur as a result of certain sales contracts, performed in the UK for US clients, which are denominated in US dollars and contribute approximately 9% of total net revenues. Management has decided not to hedge against this exposure.

Also, exchange rate fluctuations may have an impact on the relative price competitiveness of the Company vis á vis competitors who trade in currencies other than sterling or dollars.

The Company has debt denominated in US dollars whereas the Company's functional currency is the UK pound sterling, which results in the Company recording other income/loss associated with US dollar debt as a function of relative changes in foreign exchange rates. To manage the volatility relating to these exposures, from time to time, the Company might enter into certain derivative transactions. The Company holds and issues derivative financial instruments for economic hedging purposes only. There were no derivative financial instruments in place on March 31, 2008.

Finally, the consolidated financial statements of LSR are denominated in US dollars. Changes in exchange rates between the UK pounds sterling and the US dollar will affect the translation of the UK subsidiary's financial results into US dollars for the purposes of reporting the consolidated financial results. The process by which each foreign subsidiary's financial results are translated into US dollars is as follows: income statement accounts are translated at average exchange rates for the period; balance sheet asset and liability accounts are translated at end of period exchange rates; and capital accounts are translated at historical exchange rates and retained earnings are translated at weighted average of historical rates. Translation of the balance sheet in this manner affects the stockholders' equity account, referred to as the accumulated other comprehensive loss. Management has decided not to hedge against the impact of exposures giving rise to these translation adjustments as such hedges may impact upon the Company's cash flow compared to the translation adjustments which do not affect cash flow in the medium term.

Exchange rates for translating sterling into US dollars were as follows:

	At December 31	**At March 31**	**3 months to March 31 Average rate (1)**
2006	1.9572	1.7346	1.7518
2007	1.9906	1.9614	1.9529
2008	-	1.9875	1.9784

(1) Based on the average of the exchange rates on each day of each month during the period.

On April 28, 2008 the noon buying rate for sterling was £1.00 = $1.9908.

The Company has not experienced difficulty in transferring funds to and receiving funds remitted from those countries outside the US or UK in which it operates and management expects this situation to continue.

While the UK has not at this time entered the European Monetary Union, the Company has ascertained that its financial systems are capable of dealing with Euro denominated transactions.

The following table summarizes the financial instruments denominated in currencies other than the US dollar held by LSR and its subsidiaries as of March 31, 2008:

		Expected Maturity Date							
		2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
(In US Dollars, amounts in thousands)									
Cash	- Pound Sterling	11,811	-	-	-	-	-	11,811	11,811
	- Euro	301	-	-	-	-	-	301	301
	- Japanese Yen	4,236	-	-	-	-	-	4,236	4,236
Accounts receivable	- Pound Sterling	28,772	-	-	-	-	-	28,772	28,772
	- Euro	1,136	-	-	-	-	-	1,136	1,136
	- Japanese Yen	2,587	-	-	-	-	-	2,587	2,587
Capital leases	- Pound Sterling	345	54	-	-	-	8,328	8,727	8,727

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements,” (“SFAS 157”) which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS 157 could impact how fair values are determined and assigned to assets and liabilities in any future acquisition.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 159 to have a material effect on the Company’s consolidated results of operations or financial position.

In December 2007, the FASB issued FAS 141(R), "Business Combinations - a replacement of FASB Statement No. 141", which significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. This statement will be effective for the Company beginning in fiscal 2009. The Company is currently evaluating FAS 141(R), and has not yet determined the impact if any, FAS 141(R) will have on its consolidated results of operations or financial position.

There have been no significant changes in critical accounting policies or management estimates since the year ended December 31, 2007. A comprehensive discussion of the Company’s critical accounting policies and management estimates is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007.

4. LEGAL PROCEEDINGS

The Company is party to certain legal actions arising out of the normal course of its business. In management's opinion, none of these actions will have a material effect on the Company's operations, financial condition or liquidity. No form of proceedings has been brought, instigated or is known to be contemplated against the Company by any governmental agency.

5. FORWARD LOOKING STATEMENTS

Statements in this management’s discussion and analysis of financial condition and results of operations, as well as in certain other parts of this Quarterly Report on Form 10-Q (as well as information included in oral statements or other written statements made or to be made by the Company) that look forward in time, are forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, expectations, predictions, and assumptions and other statements which are other than statements of historical facts. Although the Company believes such forward-looking statements are reasonable, it can give no assurance that any forward-looking statements will prove to be correct. Such forward-looking statements are subject to, and are qualified by, known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by those statements. These risks, uncertainties and other factors include, but are not limited to the Company’s ability to estimate the impact of competition and of industry consolidation and risks, uncertainties and other factors more fully described in the Company’s filings with the SEC, including its Registration Statement on Form S-1, dated July 12, 2002, and Annual Report on Form 10-K for the year ended December 31, 2007, each as filed with the Securities and Exchange Commission.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

LSR is subject to market risks arising from changes in interest rates and foreign currency exchange rates.

The Company has debt denominated in US dollars, whereas the Company's functional currency is the UK pound sterling, which results in the Company recording other income/loss associated with US dollars debt as a function of relative changes in foreign exchange rates. The Company is unable to predict whether it will experience future gains or future losses from such exchange-related risks on the debt. To manage the volatility relating to these exposures, from time to time, the Company might enter into certain derivative transactions. The Company holds and issues derivative financial instruments for economic hedging purposes only. There were no derivative financial instruments in place at March 31, 2008.

LIBOR

In the three months ended March 31, 2008, a 1% change in LIBOR would have resulted in a fluctuation in interest expense of $146,000.

Revenue

For the three months ended March 31, 2008, approximately 70% of the Company's net revenues were from outside the US.

See Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4 CONTROLS AND PROCEDURES

As of March 31, 2008 an evaluation was carried out, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the quarter ended March 31, 2008 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in our periodic SEC filings. During the quarter ended March 31, 2008 there were no significant changes in internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 6 EXHIBITS

Exhibit 31.1	Certification of the Chief Executive Officer
Exhibit 31.2	Certification of the Chief Financial Officer
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer
Exhibit 99.1	Press Release, dated April 29, 2008 announcing the first quarter earnings results for 2008.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, this Quarterly Report on Form 10-Q has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Life Sciences Research Inc.
(Registrant)

By:	/s/ Andrew Baker
Name:	Andrew Baker
Title:	Chairman and Chief Executive Officer – Principal Executive Officer
Date:	April 30, 2008

By:	/s/ Richard Michaelson
Name:	Richard Michaelson
Title:	CFO – Principal Financial and Accounting Officer
Date:	April 30, 2008