

**REGISTRAR OF
COMPANIES**

**ALCHEMY LABORATORIES
LIMITED**

Report and Financial Statements

31 March 2007



REPORT AND FINANCIAL STATEMENTS 2007

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J Bames (appointed 16 May 2006)
Mr R Lamotte

SECRETARY

Mr C Anderson

REGISTERED OFFICE

8 Tom McDonald Avenue
Medi Park
Dundee
DD2 1NH

BANKERS

Barclays Bank Plc

SOLICITORS

Berry Smith Solicitors

AUDITORS

Deloitte & Touche LLP
Cardiff

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 15 months ended 31 March 2007. The accounting reference date was changed in order to bring the company in line with the BBI Holdings plc ("BBI") group, following the acquisition of the company, as noted below.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

ACTIVITIES

The principal activity of the company during the period was the research, development and manufacture of diagnostics reagents and tests.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Details of the company's performance are given in the profit and loss account on page 5 and the position of the company at the end of the financial period is given in the balance sheet on page 6. The performance of the business in the period has been satisfactory and the directors are confident regarding its future prospects.

The entire share capital of the company was purchased by BBI Holdings Plc on 16 May 2006.

See note 20 for details of post balance sheet events.

DIVIDENDS

Dividends of £1,900,000 were paid during the financial period (31 December 2005 - £nil).

DIRECTORS

The current directors of the company, who served throughout the financial year unless otherwise stated, are as set out on page 1. Mr Stephen Young was appointed as a director on 16 May 2006 and resigned on 30 September 2007.

RESEARCH AND DEVELOPMENT

The company invests in research and development of products that will sustain its competitive advantage. Research and development costs of £153,656 were incurred during the period (31 December 2005 - £129,104).

AUDITORS

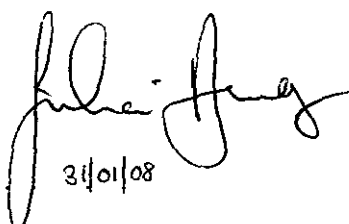
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Director 
Date 31/01/08

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

United Kingdom 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCHEMY LABORATORIES LIMITED

We have audited the financial statements of Alchemy Laboratories Limited for the 15 months ended 31 March 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the 15 months then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte Touche W

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date 31 January 2008

ALCHEMY LABORATORIES LIMITED

PROFIT AND LOSS ACCOUNT
15 months ended 31 March 2007

	Note	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
TURNOVER	2	1,807,282	1,261,909
Cost of sales		<u>(659,805)</u>	<u>(186,645)</u>
Gross profit		1,147,477	1,075,264
Administrative expenses		<u>(695,081)</u>	<u>(521,394)</u>
OPERATING PROFIT	4	452,396	553,870
Interest receivable and similar income		25,990	17,766
Interest payable and similar charges	5		(3,030)
Income from other fixed asset investments		376	9,389
Loss on disposal of investments		<u>(24,350)</u>	<u>(37,312)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		454,412	540,683
Tax on profit on ordinary activities	6	<u>(248,972)</u>	<u>(127,255)</u>
PROFIT FOR THE FINANCIAL PERIOD	15	<u><u>205,440</u></u>	<u><u>413,428</u></u>

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
15 months ended 31 March 2007

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Profit for the financial period	205,440	413,428
Unrealised surplus on investments		<u>384,664</u>
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	<u><u>205,440</u></u>	<u><u>798,092</u></u>

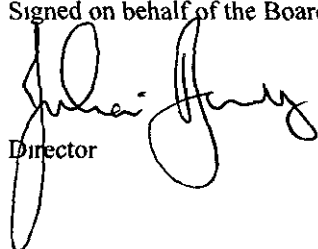
The surplus arising during the year ended 31 December 2005 related to the revaluation of listed investment at the balance sheet date in accordance with the company policy. The investments were sold in the 15 month period ended 31 March 2007.

ALCHEMY LABORATORIES LIMITED

BALANCE SHEET
31 March 2007

	Note	31 March 2007 £	31 December 2005 £
FIXED ASSETS			
Tangible assets	8	62,937	47,881
Investments	9		1,287,888
		<u>62,937</u>	<u>1,335,769</u>
CURRENT ASSETS			
Stocks	10	98,999	142,372
Debtors	11	566,962	421,089
Cash at bank and in hand		115,717	440,618
		<u>781,678</u>	<u>1,004,079</u>
CREDITORS: amounts falling due within one year	12	<u>(493,957)</u>	<u>(290,708)</u>
NET CURRENT ASSETS		<u>287,721</u>	<u>713,371</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		350,658	2,049,140
PROVISIONS FOR LIABILITIES	13	<u>(5,684)</u>	<u>(9,606)</u>
NET ASSETS		<u>344,974</u>	<u>2,039,534</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Share premium account	15	1,816	1,816
Revaluation reserve	15		418,071
Profit and loss account	15	343,058	1,619,547
		<u>344,974</u>	<u>2,039,534</u>
TOTAL SHAREHOLDERS' FUNDS	15	<u>344,974</u>	<u>2,039,534</u>

These financial statements were approved by the Board of Directors on 31 JANUARY 2008
Signed on behalf of the Board of Directors


Director

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current financial period and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage under FRS 1 of the exemption from preparing a cash flow statement as a consolidated cash flow statement is produced in the parent company's financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less provision for accumulated depreciation. Freehold land is not depreciated. On other assets, depreciation is calculated so as to write off their cost over their expected useful economic lives. The annual rates of depreciation are as follows:

Fixtures, fittings and equipment	25% reducing balance
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Fixed asset investments

Fixed asset investments comprise listed investments, carried at valuation at the balance sheet date.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Grants

Revenue grants are released to the profit and loss account in line with the related expenditure.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts, value added tax and other sales related taxes.

Revenue is recognised on despatch of the related goods. For revenue in respect of research and development contracts, the revenue is recognised as it is earned under the terms of the contract.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2. TURNOVER

All of the company turnover relates to the group's diagnostics division in the current and the prior financial year.

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Geographical analysis by destination		
United Kingdom	845,326	705,723
Other European countries	746,349	355,763
North America	96,318	131,248
Rest of the world	119,289	69,175
	<u>1,807,282</u>	<u>1,261,909</u>

All turnover originates within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Mr J Baines is remunerated by the parent company for his services to the group as a whole. Details of his remuneration can be found in the financial statements of that company. It is not practicable to allocate his remuneration for his service as a director between group companies.

Mr S Young is remunerated by British Biocell International Limited, a 100% subsidiary of BBI Holdings Plc. It is not practicable to allocate his remuneration for his service as a director between group companies.

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Directors' emoluments		
Salaries	100,000	95,000
Pension contributions	3,750	
	<u>103,750</u>	<u>95,000</u>

Three directors were members of a defined contribution pension scheme (31 December 2005 – one)

	No.	No.
Average number of persons employed		
Directors	1	1
Development and manufacture	14	12
Administration	3	3
	<u>18</u>	<u>16</u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	511,501	345,508
Social security costs	51,196	32,065
Pension costs	12,450	
	<u>575,147</u>	<u>377,573</u>

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

4. OPERATING PROFIT

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Operating profit is after charging/(crediting)		
Depreciation		
Owned assets	25,269	14,528
Auditors' remuneration – audit services		3,500
Foreign currency gains	(4,896)	(1,324)
Research and development	153,656	129,104
Operating lease rentals	84,060	22,360
Revenue grants receivable	(850)	
	<u>25,990</u>	<u>17,766</u>

The audit fee of £4,000 for the current period has been borne by the parent company, BBI Holdings Plc.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Bank interest receivable	14,716	13,518
Other interest receivable	7,409	383
Loan interest receivable	3,865	3,865
	<u>25,990</u>	<u>17,766</u>

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Current taxation		
United Kingdom corporation tax		
Current tax on income for the period at 30% (31 December 2005 – 30%)	249,620	123,985
Adjustment in respect of prior years	3,274	
Total current tax	<u>252,894</u>	<u>123,985</u>
Deferred tax		
Timing differences, origination and reversal	(3,922)	3,270
	<u>(3,922)</u>	<u>3,270</u>
	<u>248,972</u>	<u>127,255</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	£	£
Profit on ordinary activities before tax	<u>454,412</u>	<u>540,683</u>
Tax on profit on ordinary activities before tax at 30% (31 December 2005 – 30%)	136,324	162,205
Factors affecting charge for the period		
Expenses not deductible for tax purposes	2,862	152
Tax loss utilised	(18,804)	
Depreciation in excess of capital allowances	3,922	1,547
Other	(105)	6,822
Marginal relief		(30,374)
Prior period adjustments	3,274	
Capital gains	125,421	
Research and development tax relief		(16,367)
Current tax charge for the period	<u>252,894</u>	<u>123,985</u>

The reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

7. DIVIDENDS

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Final £19,000 (31 December 2005 £nil) per share	1,900,000	<u> </u>

8. TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £
Cost	
At 1 January 2006	100,145
Additions	<u>40,325</u>
At 31 March 2007	<u>140,470</u>
Depreciation	
At 1 January 2006	52,264
Charge for the period	<u>25,269</u>
At 31 March 2007	<u>77,533</u>
Net book value	
At 31 March 2007	<u>62,937</u>
At 31 December 2005	<u>47,881</u>

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

9. INVESTMENTS

	£
Fixed asset investment as at 1 January 2006	1,287,888
Disposals	<u>(1,287,888)</u>
As at 31 March 2007	<u><u> </u></u>

10. STOCKS

	31 March 2007 £	31 December 2005 £
Raw materials and consumables	82,021	135,928
Finished goods and goods for re sale	16,978	6,444
	<u>98,999</u>	<u>142,372</u>

11. DEBTORS

	31 March 2007 £	31 December 2005 £
Trade debtors	553,998	337,080
Other debtors		84,009
Prepayments and accrued income	12,964	
	<u>566,962</u>	<u>421,089</u>

All amounts are due within one year

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2007 £	31 December 2005 £
Trade creditors	158,095	84,309
Amounts owed to group undertakings	8,491	
Corporation tax	249,620	123,985
Other taxes and social security	17,416	58,185
Other creditors	55,050	24,229
Accruals and deferred income	5,285	
	<u>493,957</u>	<u>290,708</u>

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

13. PROVISIONS FOR LIABILITIES

Deferred tax is provided at 30% (31 December 2005 – 19%) in respect of

	31 March 2007 £	31 December 2005 £
Capital allowances in excess of depreciation	<u>5,684</u>	<u>9,606</u>
		£
At 1 January 2006		9,606
Charge to the profit and loss account		<u>(3,922)</u>
At 31 March 2007		<u>5,684</u>

14. CALLED UP SHARE CAPITAL

	31 March 2007 £	31 December 2005 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

15. COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total 31 March 2007 £	Total 31 December 2005 £
At beginning of period	100	1,816	418,071	1,619,547	2,039,534	1,241,442
Realised revaluation surplus			(418,071)	418,071		384,664
Profit for financial period				205,440	205,440	413,428
Dividends paid				(1,900,000)	(1,900,000)	
At end of period	<u>100</u>	<u>1,816</u>	<u></u>	<u>343,058</u>	<u>344,974</u>	<u>2,039,534</u>

NOTES TO THE FINANCIAL STATEMENTS
15 months ended 31 March 2007

16. PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents pension contributions payable to the scheme and amounted to £12,450 (31 December 2005: £nil). There were no accrued or prepaid pension expenses at the period end.

17. OPERATING LEASE COMMITMENTS

At 31 March 2007 and 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases:

	31 March 2007 £	31 December 2005 £
Leases which expire		
Between two and five years	76,000	

18. RELATED PARTY TRANSACTIONS

During the period ended 31 March 2007, the company was invoiced by Hornbuckle Mitchell Trustees for £84,060 (31 December 2005: £22,360) in relation to the annual rent of its new facility, the pension fund of Richard Lamotte is the direct beneficiary of this trust. £84,606 remained outstanding at 31 March 2007 (31 December 2005: £nil).

In accordance with Financial Reporting Standard 8, transactions with group companies are not reported as the consolidated financial statements of the parent company are publicly available.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

As from 16 May 2006, the company's ultimate parent undertaking is BBI Holdings Plc, a company registered in England and Wales. This is the smallest and largest group in which the results of the company are included.

Copies of the financial statements of BBI Holdings Plc are available from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.

20. POST BALANCE SHEET EVENTS

On 15 May 2007, the BBI Holdings Plc group acquired Theratase Plc for the total consideration of £24 million via a Scheme Arrangement. Theratase is an enzyme manufacturing company with its head office in London, operations in South Wales and South Africa and a sales office in San Diego.

On 16 January 2008 the shareholders of BBI Holdings Plc, Alchemy Laboratories Limited's ultimate parent company and controlling party, voted in favour of a scheme of arrangement which, if implemented, will result in the acquisition of the BBI Holdings Plc group by Inverness Medical Innovations, Inc.