

**ALCHEMY LABORATORIES  
LIMITED**

**Report and Financial Statements**

**31 March 2008**

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COMPANIES HOUSE

**REPORT AND FINANCIAL STATEMENTS 2008**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J Baines  
R Lamotte

**SECRETARY**

C Anderson

**REGISTERED OFFICE**

8 Tom McDonald Avenue  
Medi Park  
Dundee  
DD2 1NH

**BANKERS**

Bank of Scotland Plc

**SOLICITORS**

Berry Smith Solicitors

**AUDITORS**

Deloitte LLP  
Cardiff

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

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 financial year 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 its position at the end of the financial year 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.

## **GOING CONCERN**

The company is financed through cash held at bank and intercompany balances and the directors consider that the company is an integral part of BBI Holdings plc's structure and strategy, forming a major part of the BBI group's Diagnostic division, which is ultimately owned by Inverness Medical Innovations Inc.

Since the year end, the BBI Holdings plc group has been profitable and cash generative. The Group's forecasts also show that it is expected to continue to be profitable and cash generative at an operating level over the foreseeable future. However, the group is committed to a significant capital expenditure programme to develop its operations in South Africa which is expected to enhance the business going forward. As a result the group will need to carefully manage its cash flow and the impact on its cash flow related banking covenant (see below) for at least the next 12 months.

The company has given guarantees covering banking facilities made available to the immediate parent and fellow subsidiary undertakings (see note 18). Further details of group loan facilities in place at 31 March 2008 are given in note 18 of BBI Holdings Plc financial statements. All external bank borrowings are secured by a fixed and floating charge over the assets of the group, headed by BBI Holdings Plc. At the year end the group had breached a covenant test and the bank loans are disclosed as payable on demand. On 26 May 2009 the group agreed revised covenants with its bank and are not forecasted to breach these covenants over the foreseeable future, although the cash flow covenant has limited available headroom, due to the capital expenditure programme at the group's South African subsidiary. Management will carefully manage this covenant over the foreseeable future and have received communication from its bank to acknowledge that the bank is aware of the limited headroom on this covenant and that the bank supports the capital investment, and its associated benefits.

After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **DIVIDENDS**

No dividends were paid during the financial year (2007 - £1,900,000).

## **DIRECTORS**

The current directors of the company, who served throughout the financial year, are as shown on page 1. S Young resigned as a director 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 £261,865 were incurred during the financial year (2007 - £153,656)

## DIRECTORS' REPORT

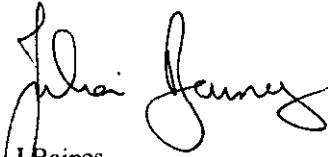
### AUDITORS

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.

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



J Baines  
Director

9 June 2009

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 year ended 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. 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 2008 and of its profit for the year 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 LLP*

**Deloitte LLP**

Chartered Accountants and Registered Auditors  
Cardiff, United Kingdom

Date *12 June 2009*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2008**

	Note	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
<b>TURNOVER</b>	2	2,277,296	1,807,282
Cost of sales		(1,014,745)	(659,805)
Gross profit		1,262,551	1,147,477
Administrative expenses		(937,177)	(695,081)
<b>OPERATING PROFIT</b>	4	325,374	452,396
Interest receivable and similar income	5	1,616	25,990
Interest payable and similar charges		(91)	-
Income from other fixed asset investments		-	376
Loss on disposal of investments		-	(24,350)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		326,899	454,412
Tax on profit on ordinary activities	6	(99,964)	(248,972)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	14	226,935	205,440

All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial year or the prior financial period other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.




**ALCHEMY LABORATORIES LIMITED**

**BALANCE SHEET**  
**31 March 2008**

	Note	2008 £	2007 £
<b>FIXED ASSETS</b>			
Tangible assets	8	245,700	62,937
<b>CURRENT ASSETS</b>			
Stocks	9	619,248	98,999
Debtors	10	679,854	566,967
Cash at bank and in hand		134,785	115,717
		1,433,887	781,673
<b>CREDITORS: amounts falling due within one year</b>	11	(1,098,115)	(493,957)
<b>NET CURRENT ASSETS</b>		335,772	287,721
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		581,472	350,658
<b>PROVISIONS FOR LIABILITIES</b>	12	(9,563)	(5,684)
<b>NET ASSETS</b>		571,909	344,974
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	100	100
Share premium account	14	1,816	1,816
Profit and loss account	14	569,993	343,058
<b>SHAREHOLDERS' FUNDS</b>	14	571,909	344,974

These financial statements were approved by the Board of Directors on 9 June 2009  
Signed on behalf of the Board of Directors

  
 J Baines  
 Director

## NOTES TO THE FINANCIAL STATEMENTS

### 31 March 2008

#### 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 year and the prior financial period, are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention.

##### Going concern

The company is financed through cash held at bank and intercompany balances and the directors consider that the company is an integral part of BBI Holdings plc's structure and strategy, forming a major part of the BBI group's Diagnostic division, which is ultimately owned by Inverness Medical Innovations Inc.

Since the year end, the BBI Holdings plc group has been profitable and cash generative. The Group's forecasts also show that it is expected to continue to be profitable and cash generative at an operating level over the foreseeable future. However, the group is committed to a significant capital expenditure programme to develop its operations in South Africa which is expected to enhance the business going forward. As a result the group will need to carefully manage its cash flow and the impact on its cash flow related banking covenant (see below) for at least the next 12 months.

The company has given guarantees covering banking facilities made available to the immediate parent and fellow subsidiary undertakings (see note 18). Further details of group loan facilities in place at 31 March 2008 are given in note 18 of BBI Holdings Plc financial statements. All external bank borrowings are secured by a fixed and floating charge over the assets of the group, headed by BBI Holdings Plc. At the year end the group had breached a covenant test and the bank loans are disclosed as payable on demand. On 26 May 2009 the group agreed revised covenants with its bank and are not forecasted to breach these covenants over the foreseeable future, although the cash flow covenant has limited available headroom, due to the capital expenditure programme at the group's South African subsidiary. Management will carefully manage this covenant over the foreseeable future and have received communication from its bank to acknowledge that the bank is aware of the limited headroom on this covenant and that the bank supports the capital investment, and its associated benefits.

After making enquiries and taking account of the factors noted above, the directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### 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.

##### Intangible assets

Intangible assets are stated at cost less provision for accumulated amortisation. Amortisation is charged over the estimated useful life of the asset. Intangible assets are regularly tested for impairment.

##### 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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##### Stocks

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2008**

**1. ACCOUNTING POLICIES (continued)**

**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.

**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.

**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**

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.

All of the company turnover relates to the BBI Holdings plc group's diagnostics division and represents one class of business in the current financial year and the prior financial period.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2008**

**2. TURNOVER (continued)**

	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
<b>Geographical analysis by destination</b>		
United Kingdom	1,015,467	845,326
Other European countries	589,364	746,349
North America	574,254	96,318
Rest of the world	98,211	119,289
	<u>2,277,296</u>	<u>1,807,282</u>

All turnover originates within the United Kingdom.

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

J Baines is remunerated by BBI Holdings Plc 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 services as a director between group companies.

	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
<b>Directors' emoluments</b>		
Salaries	105,400	100,000
Pension contributions	5,000	3,750
	<u>110,400</u>	<u>103,750</u>

One director was a member of a defined contribution pension scheme (2007 – one).

	No.	No.
<b>Average number of persons employed</b>		
Directors	2	2
Development and manufacture	30	14
Administration	2	3
	<u>34</u>	<u>19</u>
	£	£
<b>Staff costs during the period (including directors)</b>		
Wages and salaries	778,624	511,501
Social security costs	77,769	51,196
Pension costs	26,608	12,450
Benefits in kind	11,309	-
	<u>894,310</u>	<u>575,147</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2008**

**4. OPERATING PROFIT**

	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
<b>Operating profit is after charging/(crediting)</b>		
Depreciation		
Owned assets	56,094	25,260
Foreign currency losses/(gains)	912	(4,896)
Research and development	261,865	153,656
Operating lease rentals	82,656	84,060
Revenue grants receivable	(37,000)	(850)
	<u>          </u>	<u>          </u>

The audit fee of £4,000 for the current financial year (2007 - £4,000) has been borne by the parent company, BBI Holdings Plc.

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
Bank interest receivable	1,616	14,716
Other interest receivable	-	7,405
Loan interest receivable	-	3,865
	<u>          </u>	<u>          </u>
	<u>1,616</u>	<u>25,990</u>

NOTES TO THE FINANCIAL STATEMENTS  
31 March 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
<b>Current taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the period at 30% (2007 – 30%)	(98,699)	(249,620)
Adjustment in respect of prior periods	(1,249)	(3,274)
<b>Total current tax</b>	<u>(99,948)</u>	<u>(252,894)</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	(395)	3,922
Adjustments in respect of prior periods	379	..
	<u>(16)</u>	<u>3,922</u>
	<u>(99,964)</u>	<u>(248,972)</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>326,899</u>	<u>454,412</u>
Tax on profit on ordinary activities before tax at 30% (2007 – 30%)	(98,070)	(136,324)
<b>Factors affecting charge for the period</b>		
Expenses not deductible for tax purposes	(2,179)	(2,862)
Tax loss utilised	-	18,804
Depreciation in excess of/(less than) capital allowances	1,550	(3,922)
Other	-	105
Prior period adjustments	(1,249)	(3,274)
Capital gains	-	(125,421)
<b>Current tax charge for the period</b>	<u>(99,948)</u>	<u>(252,894)</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**  
**31 March 2008**

**7. DIVIDENDS**

	Year ended 31 March 2008 £	15 months ended 31 March 2007 £
Final - £nil (2007 - £19,000) per share	-	1,900,000

**8. TANGIBLE FIXED ASSETS**

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 April 2007	140,470
Additions	238,857
At 31 March 2008	379,327
<b>Depreciation</b>	
At 1 April 2007	77,533
Charge for the year	56,094
At 31 March 2008	133,627
<b>Net book value</b>	
At 31 March 2008	245,700
At 31 March 2007	62,937

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2008**

**9. STOCKS**

	2008	2007
	£	£
Raw materials and consumables	578,070	82,021
Finished goods and goods for resale	41,178	16,973
	<u>619,248</u>	<u>98,994</u>

**10. DEBTORS**

	2008	2007
	£	£
Trade debtors	663,589	553,994
Prepayments and accrued income	16,265	12,964
	<u>679,854</u>	<u>566,962</u>

All amounts are due within one year.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£	£
Trade creditors	101,470	158,095
Amounts owed to group undertakings	824,701	8,49
Corporation tax	99,948	249,626
Other taxes and social security	33,621	17,416
Other creditors	16,614	55,050
Accruals and deferred income	21,761	5,285
	<u>1,098,115</u>	<u>493,957</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2008**

**12. PROVISIONS FOR LIABILITIES**

Deferred tax is provided at 28% (2007 – 30%) in respect of:

	2008 £	2007 £
Capital allowances in excess of depreciation	<u>9,563</u>	<u>5,684</u>
		£
At 1 April 2007		5,684
Charge to the profit and loss account		16
Intercompany transfer		<u>3,863</u>
At 31 March 2008		<u>9,563</u>

**13. CALLED UP SHARE CAPITAL**

	2008 £	2007 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1000</u>	<u>1,000</u>
<b>Called up, allotted and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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

	Share capital £	Share premium account £	Profit and loss account £	Total 2008 £	Total 2007 £
At beginning of period	100	1,816	343,058	344,974	2,039,534
Profit for financial period	-	-	226,935	226,935	205,440
Dividends paid	-	-	-	-	(1,900,000)
At end of period	<u>100</u>	<u>1,816</u>	<u>569,993</u>	<u>571,909</u>	<u>344,974</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2008**

**15. 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 £22,194 (2007 - £12,450). There were no accrued or prepaid pension expenses at the year-end.

**16. OPERATING LEASE COMMITMENTS**

At 31 March 2008 and 31 March 2007, the company was committed to making the following payments during the next year in respect of rental operating leases:

	2008	2007
	£	£
Leases which expire:		
Between two and five years	15,625	-
More than five years	76,000	76,000
	<u>91,625</u>	<u>76,000</u>

**17. RELATED PARTY TRANSACTIONS**

During the year ended 31 March 2008, the company was invoiced by Hornbuckle Mitchell Trustees for £71,828 (2007 - £84,060) in relation to the annual rent of its new facility; the pension fund of Richard Lamotte is the direct beneficiary of this trust. £nil remained outstanding at 31 March 2008 (2007 - £84,060).

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.

**18. CONTINGENT LIABILITY**

The company has guaranteed the overdraft/loan facilities of other group companies. At 31 March 2008, the potential liability was £5,117,000 (2007 - £nil) for loans.

**19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's 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, Maindy, Cardiff, CF14 3UZ.

On 12 February 2008, the entire share capital of BBI Holdings Plc was acquired by Inverness Medical Innovations Inc, a company incorporated in the United States of America. From 12 February 2008, Inverness Medical Innovations Inc is the ultimate parent company for the group and the controlling party.