

**ALCHEMY LABORATORIES
LIMITED**

Report and Financial Statements

31 December 2008

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REPORT AND FINANCIAL STATEMENTS 2008

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

L Rees (appointed 4 December 2009)
R Lamotte

SECRETARY

C Anderson

REGISTERED OFFICE

8 Tom McDonald Avenue
Medi Park
Dundee
DD2 1NH

BANKERS

Clydesdale Bank
7/8 High Street
Dundee
DD1 1SS

SOLICITORS

Berry Smith LLP
Haywood House
Dumfries Place
Cardiff
CF10 3GA

AUDITORS

BDO LLP
Chartered Accountants & registered auditors
Prospect Place
85 Great North Road
Hatfield
AL9 5BS

DIRECTORS' REPORT

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

This directors' report has been prepared in accordance with the special provisions relating to small companies under Part VII of the Companies Act 1985.

On 12 February 2008, the entire share capital of BBI Holdings Plc, the parent company of the group of which the company is a member, was acquired by Inverness Medical Innovations Inc, a company incorporated in the United States of America. The company's accounting reference date has been changed to 31 December to align itself with the Inverness Medical Innovations group.

ACTIVITIES

The principal activity of the company during the financial 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 its position 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.

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 Diagnostics division, which is ultimately owned by Inverness Medical Innovations Inc.

Since the period 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 parent and fellow subsidiary undertakings (see note 18). Further details of group loan facilities in place at 31 December 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 period 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 committed 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 period (March 2008 - Nil).

DIRECTORS

The directors, who served throughout the financial period unless stated, are:

R Lamotte

L Rees (appointed 4 December 2009)

J Baines (resigned 4 December 2009)

DIRECTORS' REPORT

RESEARCH AND DEVELOPMENT

The company invests in research and development of products that will sustain its competitive advantage. Research and development costs of £232,420 were incurred during the financial period (2008 - £261,865)

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. BDO LLP were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

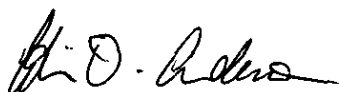
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The directors are responsible for keeping proper accounting records which 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.

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



C Anderson
Company Secretary

Date 11/02/2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALCHEMY LABORATORIES LIMITED

We have audited the financial statements of Alchemy Laboratories Limited for the 9 month period ended 31 December 2008 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 20. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgments 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 December 2008 and of its profit for the nine 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.

BDO LLP
BDO LLP

*Chartered Accountants
and Registered Auditors*
Hatfield
United Kingdom

Date *11 February 2010*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ALCHEMY LABORATORIES LIMITED

PROFIT AND LOSS ACCOUNT
9 months ended 31 December 2008

	Note	9 Months ended 31 December 2008	Year ended 31 March 2008 £
TURNOVER	2	2,028,605	2,277,296
Cost of sales		(1,084,581)	(1,014,745)
Gross profit		944,024	1,262,551
Administrative expenses		(715,693)	(937,177)
OPERATING PROFIT	4	228,331	325,374
Interest receivable and similar income	5	1,085	1,616
Interest payable and similar charges		(19)	(91)
Non-operating expenses		(23,513)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		205,884	326,899
Tax on profit on ordinary activities	6	111,724	(99,964)
PROFIT FOR THE FINANCIAL PERIOD	15	317,608	226,935

All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial period or the prior financial year 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

Company number: SC178704

BALANCE SHEET**31 December 2008**

	Note	31 December 2008 £	31 March 2008 £
FIXED ASSETS			
Tangible assets	7	202,391	245,700
CURRENT ASSETS			
Stocks	8	503,992	619,248
Debtors	9	845,636	679,854
Cash at bank and in hand		237,978	134,785
		1,587,606	1,433,887
CREDITORS: amounts falling due within one year	11	(495,480)	(1,098,115)
NET CURRENT ASSETS		1,092,126	335,772
TOTAL ASSETS LESS CURRENT LIABILITIES		1,294,517	581,472
CREDITORS: amounts falling due after more than one year	12	(405,000)	-
PROVISIONS FOR LIABILITIES	13	-	(9,563)
NET ASSETS		889,517	571,909
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Share premium account	15	1,816	1,816
Profit and loss account	15	887,601	569,993
SHAREHOLDERS' FUNDS	15	889,517	571,909

The notes on pages 7 to 15 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 11 February 2010
Signed on behalf of the Board of Directors



L Rees
Director

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 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 Diagnostics division, which is ultimately owned by Inverness Medical Innovations Inc.

Since the period 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 parent and fellow subsidiary undertakings (see note 18). Further details of group loan facilities in place at 31 December 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 period 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 committed 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.

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% straight line
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Stocks

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

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 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.

Leases

Operating lease rentals are charged to income in equal amounts over the term of the lease.

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.

Turnover and revenue recognition

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.

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

2. TURNOVER

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

	9 Months ended 31 December 2008 £	Year ended 31 March 2008 £
Geographical analysis by destination		
United Kingdom	567,306	1,015,467
Other European countries	655,404	589,364
North America	670,651	574,254
Rest of the world	135,244	98,211
	<u>2,028,605</u>	<u>2,277,296</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.

	9 Months ended 31 December 2008 £	Year ended 31 March 2008 £
Directors' emoluments		
Salaries	94,050	105,400
Pension contributions	4,500	5,000
	<u>98,550</u>	<u>110,400</u>

One director was a member of a defined contribution pension scheme (March 2008 – one).

	No.	No.
Average number of persons employed		
Directors	1	2
Sales and distribution	1	-
Development and manufacture	39	30
Administration	4	2
	<u>45</u>	<u>34</u>

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

	£	£
Staff costs during the period (including directors)		
Wages and salaries	795,315	778,624
Social security costs	79,056	77,769
Pension costs	30,447	26,608
Benefits in kind	14,727	11,309
	<u>919,545</u>	<u>894,310</u>

4. OPERATING PROFIT

	9 Months ended 31 December 2008 £	Year ended 31 March 2008 £
Operating profit is after charging/(crediting)		
Depreciation		
Owned assets	42,170	56,094
Foreign currency losses/(gains)	(9,951)	912
Research and development	232,420	261,865
Operating lease rentals	68,719	82,656
Revenue grants receivable	-	(37,000)
	<u> </u>	<u> </u>

The audit fee of £10,740 for the current financial period (March 2008 - £4,000) has been borne by the parent company, BBI Holdings Plc.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	9 Months ended 31 December 2008 £	Year ended 31 March 2008 £
Bank interest receivable	1,085	1,616
	<u>1,085</u>	<u>1,616</u>

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	9 Months ended 31 December 2008 £	Year ended 31 March 2008 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the period at 28% (March 2008 – 30%)	-	(98,699)
Adjustment in respect of prior periods	99,948	(1,249)
Total current tax	<u>99,948</u>	<u>(99,948)</u>
Deferred tax		
Timing differences, origination and reversal	11,776	(395)
Adjustments in respect of prior periods	-	379
Total deferred tax	<u>11,776</u>	<u>(16)</u>
Total tax credit/(charge)	<u>111,724</u>	<u>(99,964)</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>205,884</u>	<u>326,899</u>
Tax on profit on ordinary activities before tax at 28% (March 2008 – 30%)	(57,648)	(98,070)
Factors affecting charge for the period		
Expenses not deductible for tax purposes	(31)	(2,179)
Group tax relief claimed not paid	69,455	-
Depreciation (less than)/in excess of capital allowances	(11,776)	1,550
Prior period adjustments – group relief	99,948	(1,249)
Current tax charge for the period	<u>99,948</u>	<u>(99,948)</u>

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

7. TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £
Cost	
At 31 March 2008	379,327
Additions	3,555
Disposals	(4,694)
	<hr/>
At 31 December 2008	378,188
Depreciation	
At 31 March 2008	133,627
Charge for the year	42,170
Disposals	
	<hr/>
At 31 December 2008	175,797
Net book value	
At 31 December 2008	202,391
	<hr/> <hr/>
At 31 March 2008	245,700
	<hr/> <hr/>

8. STOCKS

	31 December 2008 £	31 March 2008 £
Raw materials and consumables	474,461	578,070
Finished goods and goods for resale	29,531	41,178
	<hr/>	<hr/>
	503,992	619,248
	<hr/> <hr/>	<hr/> <hr/>

9. DEBTORS

	31 December 2008 £	31 March 2008 £
Trade debtors	571,400	663,589
Amounts owed by group undertakings	246,845	-
Prepayments and accrued income	25,178	16,265
Deferred tax	2,213	-
	<hr/>	<hr/>
	845,636	679,854
	<hr/> <hr/>	<hr/> <hr/>

All amounts are due within one year.

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

10. DEFERRED TAX ASSET

	31 December 2008 £'000	31 March 2008 £'000
Deferred tax is provided at 28% (31 March 2008 – 28%) in respect of:		
Accelerated capital allowances	2,213	-
	<u>2,213</u>	<u>-</u>
		£'000
At 1 April 2008		-
Transfer from liability		2,213
		<u>2,213</u>
Asset at 31 December 2008		<u>2,213</u>
The asset is expected to unwind at 28% (31 March 2008: 28%).		

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2008 £	31 March 2008 £
Trade creditors	74,175	101,470
Amounts owed to group undertakings	277,607	824,701
Corporation tax	-	99,948
Other taxes and social security	33,906	33,621
Other creditors	-	16,614
Accruals and deferred income	109,792	21,761
	<u>495,480</u>	<u>1,098,115</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2008 £	31 March 2008 £
Amounts owed to group undertakings	405,000	-
	<u>405,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

13. PROVISIONS FOR LIABILITIES

Deferred tax is provided at 28% (March 2008 – 28%) in respect of:

	31 December 2008 £	31 March 2008 £
Capital allowances in excess of depreciation	-	9,563
		£
At 1 April 2008		9,563
Charge to the profit and loss account		(11,776)
Transfer to asset		2,213
At 31 December 2008		-

14. CALLED UP SHARE CAPITAL

	31 December 2008 £	31 March 2008 £
Authorised		
1,000 ordinary shares of £1 each	1000	1,000
Called up, allotted and fully paid		
100 ordinary shares of £1 each	100	100

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

	Share capital £	Share premium account £	Profit and loss account £	Total 31 December 2008 £	Total 31 March 2008 £
At beginning of period	100	1,816	569,993	571,909	344,974
Profit for financial period	-	-	317,608	317,608	226,935
At end of period	100	1,816	887,601	889,517	571,909

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 £30,447 (March 2008 - £22,194). There were no accrued or prepaid pension expenses at the year-end.

NOTES TO THE FINANCIAL STATEMENTS
9 months ended 31 December 2008

17. OPERATING LEASE COMMITMENTS

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

	31 December 2008 £	31 March 2008 £
Leases which expire:		
Between two and five years	15,625	15,625
More than five years	76,000	76,000
	<u>91,625</u>	<u>91,625</u>

18. CONTINGENT LIABILITIES

The company has given guarantees covering banking facilities made available to BBI Holdings plc and fellow subsidiary undertakings. At 31 December 2008 these amounted to £4,427,521 (31 March 2008: £5,117,000)

19. RELATED PARTY TRANSACTIONS

During the period ended 31 December 2008, the company was invoiced by Hornbuckle Mitchell Trustees for £57,000 (March 2008 - £71,828) in relation to the annual rent of its facility; the pension fund of Richard Lamotte is the direct beneficiary of this trust. £nil remained outstanding at 31 December 2008 (March 2008 - £nil).

In accordance with Financial Reporting Standard 8, transactions with group companies that are at least 90% owned are not reported as the consolidated financial statements of the parent company are publicly available.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of BBI Holdings Plc, a company registered in England and Wales. BBI Holdings Plc is owned and controlled by Inverness Medical Innovations Inc, a company incorporated in the United States of America which is the ultimate controlling party.

At the balance sheet date, BBI Holdings Plc is the smallest company which prepares consolidated financial statements. Copies of the financial statements of BBI Holdings Plc are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Inverness Medical Innovations Inc. is the largest company in the group which prepares consolidated financial statements.