Company Registration No. SC178704

ALCHEMY LABORATORIES LIMITED

Report and Financial Statements

Year ended 31 December 2009

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REPORT AND FINANCIAL STATEMENTS 2009

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

L Rees (appointed 4 December 2009)
R Lamotte

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 year ended 31 December 2009.

ACTIVITIES

The prinicipal 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 year has been satisfactory and the directors are confident regarding its future prospects.

GOING CONCERN

The company is financed through cash held at bank, bank borrowings 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.

The group is financed through cash held at bank and bank loans together with additional funding from the ultimate parent Inverness Medical Innovations Inc (IMI). 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 17). Further details of group loan facilities in place at 31 December 2009 are given in note 19 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 three covenants in place with the bank, one of which was not satisfied therefore the bank loans are disclosed as repayable on demand. Although the cash flow covenant has limited available headroom due to the committed capital expenditure programme at the group's South African subsidiary the bank have confirmed that they are willing to continue with their support. As ultimate parent, IMI have provided a letter of support to the group confirming that sufficient funding resources will be made available to enable the group to meet its obligations for the foreseeable future. Management will carefully manage this covenant over the foreseeable future and have received communication from the group's bank to acknowledge that the bank is aware of the limited headroom on this covenant and that it 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 group 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 (December 2008 - Nil). The directors do not recommend the payment of a dividend.

DIRECTORS

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

R Lamotte
L Rees (appointed 4 December 2009)
J Baines (resigned 4 December 2009)

RESEARCH AND DEVELOPMENT

The company invests in research and development of products that will sustain its competitive advantage. Research and development costs of £485,889 were incurred during the financial year (2008 - £232,420).

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

AUDITORS

Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 419(2) of the Companies Act 2006.

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

L Rees
Director

Date 25/6/10

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 December 2009 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

George Brooks (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Hatfield
United Kingdom
Date 25/6/10

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

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2009

	Note	Year ended 31 December 2009 £	9 Months ended 31 December 2008 £
TURNOVER	2	**5,234,028**	2,028,605
Cost of sales		**(2,365,032)**	(1,084,581)
Gross profit		**2,868,996**	944,024
Administrative expenses		**955,849**	(715,693)
OPERATING PROFIT	4	**1.913,147**	228,331
Interest receivable and similar income	5	**329**	1,085
Interest payable and similar charges		**(14)**	(19)
Non-operating expenses		-	(23,513)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,913,462**	205,884
Tax on profit on ordinary activities	6	**(1,016)**	111,724
PROFIT FOR THE FINANCIAL YEAR	14	**1,912,446**	317,608

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.

BALANCE SHEET
31 December 2009

	Note	31 December 2009 £	31 December 2008 £
FIXED ASSETS			
Tangible assets	7	**233,133**	202,391
CURRENT ASSETS			
Stocks	8	**419,446**	503,992
Debtors	9	**2,430,493**	845,636
Cash at bank and in hand		**491,029**	237,978
		3,340,968	1,587,606
CREDITORS: amounts falling due within one year	11	**772,138**	(495,480)
NET CURRENT ASSETS		**2,568,829**	1,092,126
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,801,963**	1,294,517
CREDITORS: amounts falling due after more than one year	12	**-**	(405,000)
NET ASSETS		**2,801,963**	889,517
CAPITAL AND RESERVES			
Called up share capital	13	**100**	100
Share premium account	14	**1,816**	1,816
Profit and loss account	14	**2,800,047**	887,601
SHAREHOLDERS' FUNDS	14	**2,801,963**	889,517

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 25 June 2010
Signed on behalf of the Board of Directors

L Rees
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

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, bank borrowings 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.

The group is financed through cash held at bank and bank loans together with additional funding from the ultimate parent Inverness Medical Innovations Inc (IMI). 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 17). Further details of group loan facilities in place at 31 December 2009 are given in note 19 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 three covenants in place with the bank, one of which was not satisfied therefore the bank loans are disclosed as repayable on demand. Although the cash flow covenant has limited available headroom due to the committed capital expenditure programme at the group's South African subsidiary the bank have confirmed that they are willing to continue with their support. As ultimate parent, IMI have provided a letter of support to the group confirming that sufficient funding resources will be made available to enable the group to meet its obligations for the foreseeable future. Management will carefully manage this covenant over the foreseeable future and have received communication from the group's bank to acknowledge that the bank is aware of the limited headroom on this covenant and that it 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 group 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	-	20% straight line
Machinery and equipment	-	20% straight line

Stocks

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

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 years 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 years 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
Year ended 31 December 2009

2. TURNOVER

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

	Year ended 31 December 2009 £	9 Months ended 31 December 2008 £
Geographical analysis by destination		
United Kingdom	**1,805,747**	567,306
Other European countries	**622,509**	655,404
North America	**2,039,722**	670,651
Rest of the world	**766,050**	135,244
	5,234,028	2,028,605

All turnover originates within the United Kingdom.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

J Baines and L Rees are remunerated by BBI Holdings Plc and by British Biocell International Limited respectively for their services to the group as a whole. Details of their remuneration can be found in the financial statements of those companies. It is not practicable to allocate their remuneration for their services as a director between group companies.

	Year ended 31 December 2009 £	9 Months ended 31 December 2008 £
Directors emoluments		
Salaries	**125,742**	94,050
Pension contributions	**6,000**	4,500
	131,742	98,550

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

	No.	No.
Average number of persons employed		
Directors	**1**	1
Sales and distribution	**1**	1
Development and manufacture	**47**	39
Administration	**2**	4
	51	45

	£	£
Staff costs during the year (including directors)		
Wages and salaries	**1,025,598**	810,042
Social security costs	**444,895**	79,056
Pension costs	**79,259**	30,447
	1,549,752	919,545

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

4. OPERATING PROFIT

	Year ended 31 December 2009 £	9 Months ended 31 December 2008 £
Operating profit is after charging/(crediting)		
Depreciation		
Owned assets	**77,286**	42,170
Foreign currency losses/(gains)	**(137,044)**	(9,951)
Research and development	**485,889**	232,420
Operating lease rentals (plant and machinery)	**91,626**	68,719

The audit fee of £20,767 for the current financial year (December 2008 - £10,740) has been borne by the parent company, BBI Holdings Plc.

No profit or loss was made on disposal of assets during the current or prior year.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2009 £	9 Months ended 31 December 2008 £
Bank interest receivable	**329**	1,085

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2009 £	9 Months ended 31 December 2008 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 28% (December 2008 – 28%)	-	-
Adjustment in respect of prior years	-	99,948
Total current tax	-	99,948
Deferred tax		
Timing differences, origination and reversal	(1,016)	11,776
Adjustments in respect of prior years	-	-
Total deferred tax	(1,016)	11,776
Total tax credit/(charge)	(1,016)	111,724

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	1,913,462	205,884
Tax on profit on ordinary activities before tax at 28% (December 2008 – 28%)	(535,769)	(57,648)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(335)	(31)
Research and development credits	36,163	-
Group tax relief claimed not paid	474,958	69,455
Depreciation (less than)/in excess of capital allowances	1,016	(11,776)
Prior year adjustments – group relief	-	99,948
Other timing differences	(23,967)	-
Current tax charge for the year	-	99,948

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

7. TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £	Machinery & equipment £	Total £
Cost			
At 31 December 2008	378,188	-	378,188
Additions	-	108,028	108,028
Transfers	(334,596)	334,596	-
Disposals	-	(314)	(314)
At 31 December 2009	**43,592**	**442,310**	**485,902**
Depreciation			
At 31 December 2008	175,797	-	175,797
Charge for the year	44,816	32,470	77,286
Transfers	(188,404)	188,404	-
Disposals	-	(314)	(314)
At 31 December 2009	**32,209**	**220,560**	**252,769**
Net book value			
At 31 December 2009	**11,383**	**221,750**	**233,133**
At 31 December 2008	202,391	-	202,391

8. STOCKS

	31 December 2009 £	31 December 2008 £
Raw materials and consumables	**365,213**	474,461
Finished goods and goods for resale	**54,233**	29,531
	419,446	503,992

9. DEBTORS

	31 December 2009 £	31 December 2008 £
Trade debtors	**899,048**	571,400
Amounts owed by group undertakings	**1,511,791**	246,845
Prepayments and accrued income	**18,457**	25,178
Deferred tax	**1,197**	2,213
	2,430,493	845,636

All amounts are due within one year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

10. DEFERRED TAX ASSET

	31 December 2009 £	31 December 2008 £
Deferred tax is provided at 28% (31 December 2008 – 28%) in respect of:		
Accelerated capital allowances	**1,197**	2,213

	£
At 1 January 2009	2,213
Transfer from liability	-
Asset at 31 December 2009	**1,197**

The asset is expected to unwind at 28% (31 December 2008: 28%).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2009 £	31 December 2008 £
Trade creditors	**85,938**	74,175
Amounts owed to group undertakings	**495,412**	277,607
Corporation tax	-	-
Other taxes and social security	**53,328**	33,906
Accruals and deferred income	**137,460**	109,792
	772,138	495,480

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

	31 December 2009 £	31 December 2008 £
Amounts owed to group undertakings	-	405,000

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

13. CALLED UP SHARE CAPITAL

	31 December 2009 £	31 December 2008 £
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Called up, allotted and fully paid		
100 ordinary shares of £1 each	**100**	100

14. 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 2009 £	Total 31 December 2008 £
At beginning of year	100	1,816	887,601	**889,517**	571,909
Profit for financial year	-	-	1,912,446	**1,912,446**	317,608
At end of year	100	1,816	2,800,047	**2,801,963**	889,517

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 £79,259 (December 2008 - £30,447). There were no accrued or prepaid pension expenses at the year-end.

16. OPERATING LEASE COMMITMENTS

At 31 December 2009 and 31 December 2008, the company was committed to making the following payments during the next year in respect of operating leases:

	Plant and machery	
	31 December 2009 £	31 December 2008 £
Leases which expire:		
Between two and five years	**91,625**	15,625
More than five years	-	76,000
	91,625	91,625

17. CONTINGENT LIABILITIES

The company has given guarantees covering banking facilities made available to BBI Holdings plc and fellow subsidiary undertakings. At 31 December 2009 these amounted to £3,362,055 (31 December 2008: £4,427,521)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

18. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2009, the company was invoiced by Hornbuckle Mitchell Trustees for £76,000 (December 2008 - £57,000) 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 2009 (December 2008 - £nil).

In accordance with Financial Reporting Standard 8, transactions with group companies that are 100% owned are not reported as the consolidated financial statements of the parent company are publicly available.

19. 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.