Company Registration No. 5623945

REGISTRAR OF COMPANIES

BBI HEALTHCARE LIMITED

Report and Financial Statements

From incorporation on 15 November 2005 to 31 March 2007

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REPORT AND FINANCIAL STATEMENTS 2007

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Julian Baines (appointed 15 November 2005)
Lyn Rees (appointed 15 November 2005)

SECRETARY

Colin Anderson (appointed 30 September 2007)

REGISTERED OFFICE

Golden Gate
Ty Glas Avenue
Llanishen
Cardiff
CF14 5DX

BANKERS

Barclays Bank Plc

SOLICITORS

Berry Smith Solicitors

AUDITORS

Deloitte & Touche LLP
Cardiff, United Kingdom

DIRECTORS' REPORT

The directors present their first report and the audited financial statements for the 71 weeks from the date of incorporation to 31 March 2007

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company was incorporated on 15 November 2005 under the name of Diabetec Limited On 16 January 2006, the company changed its name to Diabetech Limited and subsequently, on 16 February 2006, to BBI Healthcare Limited

BBI Healthcare Limited commenced trade on 1 April 2006 Its primary activity is the sale, marketing and distribution of diabetes products The product line includes GlucoGel (formerly known as HypoStop), GlucoTabs and SensoCard *Plus*

The primary product of BBI Healthcare Limited is GlucoGel, this is a dextrose gel used by diabetes patients when they experience hypoglycaemia In order to expand this brand, GlucoTabs were launched in October 2006 as a practical glucose tablet for people with diabetes

In July 2006, through the acquisition of CDx Limited and Audiometrics Limited (see note 8 for further details) BBI Healthcare Limited acquired the rights for the UK's only talking blood glucose meter, SensoCard *Plus*, which should help patients suffering from the common diabetes side-effect of diabetic retinopathy Following acquisition the trade and assets were hived up into this company

During the coming year, BBI Healthcare Limited is looking to increase its presence in the European market

See note 22 for details of post balance sheet events

DIRECTORS

The directors of the company, with dates of appointment, are as set out on page 1

DIVIDENDS

The directors do not recommend the payment of a dividend

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 26/1/07

LYN REES

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 BBI HEALTHCARE LIMITED

We have audited the financial statements of BBI Healthcare Limited for the 71 weeks ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22 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 71 weeks 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 LLP

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

Date 31 January 2008

PROFIT AND LOSS ACCOUNT
71 weeks ended 31 March 2007

	Note	2007 £
TURNOVER	2	2,753,077
Cost of sales		(706,610)
Gross profit		2,046,467
Administrative expenses		
Goodwill amortisation		(122,592)
Other administrative expenses		(726,103)
Other operating income		5,000
		(843,695)
OPERATING PROFIT	4	1,202,772
Interest payable and similar charges	5	(48,173)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,154,599
Tax on profit on ordinary activities	6	(350,252)
PROFIT FOR THE FINANCIAL YEAR	17	804,347

All activities derive from continuing operations

There have been no recognised gains and losses for the current 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

BALANCE SHEET
31 March 2007

	Note	2007 £
FIXED ASSETS		
Intangible assets	7	2,236,710
Tangible assets	9	12,736
		2,249,446
CURRENT ASSETS		
Stocks	10	134,868
Debtors	11	524,215
Cash at bank and in hand		618,808
		1,277,891
CREDITORS: amounts falling due within one year	12	(723,467)
NET CURRENT ASSETS		554,424
TOTAL ASSETS LESS CURRENT LIABILITIES		2,803,870
CREDITORS: amounts falling due after more than one year	13	(1,898,057)
PROVISIONS FOR LIABILITIES	15	(101,465)
NET ASSETS		804,348
CAPITAL AND RESERVES		
Called up share capital	16	1
Profit and loss account		804,347
TOTAL SHAREHOLDERS' FUNDS	17	804,348

These financial statements were approved by the Board of Directors on 28 JANUARY 2008
Signed on behalf of the Board of Directors

Director LYN REES

NOTES TO THE FINANCIAL STATEMENTS
71 weeks 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 financial period , are described below

Accounting convention

The financial statements are prepared under the historical cost convention

Consolidation

As permitted by Financial Reporting Standard No 2, the company has not prepared consolidated financial statements as its parent company, incorporated in England and Wales, prepares consolidated financial statements which include the results of all group companies These financial statements therefore include information relating to BBI Healthcare Limited only

Cash flow statement

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

Intangible assets – goodwill

Goodwill arising on the acquisition of businesses represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired It is written off on a straight-line basis over its useful economic life of 20 years Provision is made for any impairment

Tangible fixed assets

Tangible fixed assets are stated at cost less provision for accumulated depreciation Depreciation is calculated so as to write off the cost of the assets over their estimated useful economic lives The annual rates of depreciation are as follows

Fixtures, fittings, tools and equipment - 20% - 33% straight-line

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
71 weeks ended 31 March 2007

1. ACCOUNTING POLICIES (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of 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

Leases

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

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

Grants

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

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 and value added tax The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the resale of diabetes products

The acquisition of CDx Limited and Audiometrics Limited (see note 8) contributed £97,514 to revenue in the period

NOTES TO THE FINANCIAL STATEMENTS
71 weeks 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 services as a director between group companies The remuneration of the other director is given below

	2007 £
Director's emoluments	
Salaries	62,559
Social security costs	7,491
Benefits in kind	294
Pensions	2,662
	73,006

Average number of persons employed (including directors)	**No.**
Sales and distribution	7
Administration	1
	8

	£
Staff costs during the year (including directors)	
Wages and salaries	224,340
Social security costs	23,811
Pension costs	8,061
	256,212

4. OPERATING PROFIT

	2007 £
Operating profit is after charging/(crediting)	
Depreciation	
Owned assets	2,736
Amortisation of goodwill	122,592
Rentals under operating leases	
Other operating leases	28,310
Auditors' remuneration – audit fee	4,000
Foreign currency gain	(1,150)
Revenue grants receivable	(5,000)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £
Bank loan interest	48,173

NOTES TO THE FINANCIAL STATEMENTS
71 weeks ended 31 March 2007

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £
Current taxation	
United Kingdom corporation tax	
Current tax on income for the financial year at 30%	(348,787)
Deferred tax	
Timing differences, origination and reversal	(1,465)
	(350,252)

The difference between the current taxation 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	1,154,599
Tax on profit on ordinary activities before tax at 30%	(346,380)
Factors affecting charge for the financial year	
Expenses not deductible for tax purposes	(3,872)
Capital allowances in excess of depreciation	(35)
Other	1,500
Current tax charge for the financial year	(348,787)

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

7. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
Additions – in respect of Bio-diagnostics	2,043,969
Additions – in respect of CDx Limited and Audiometrics Limited	315,333
At 31 March 2007	2,359,302
Accumulated amortisation	
Charge for the financial year and at 31 March 2007	122,592
Net book value	
At 31 March 2007	2,236,710

Additions during the financial year relate to the net goodwill in relation to the Bio-Diagnostics acquisition made by the BBI group of companies in October 2004, which was transferred to BBI Healthcare on the commencement of trade on 1 April 2007, and the consideration payable in respect of the entire share capital of CDx Limited and Audiometrics Limited (see note 8 for further detail of the assets acquired) On acquisition the trade and assets acquired were immediately hived up into BBI Healthcare Limited

NOTES TO THE FINANCIAL STATEMENTS
71 weeks ended 31 March 2007

8. ACQUISITIONS

On 4 July 2006, the company acquired 100% of the share capital of CDx Limited and Audiometrics Limited (a non-trading company) Deferred contingent consideration in respect of CDx Limited is based on achieving two milestones – each milestone triggers a payment of £50,000

The following table sets out the book and fair value of the identifiable assets and liabilities acquired

	CDx Limited £
Net assets acquired	
Stocks	1,800
Debtors	13,115
Creditors	(14,387)
Net assets	528
Goodwill	315,333
Purchase consideration	315,861
Satisfied by:	
Cash consideration	215,861
Deferred consideration	100,000
	315,861

The consideration is recognised as goodwill as the trade and assets of CDx Limited were hived up into BBI Healthcare Limited at the date of acquisition

The table below sets out the summarised profit and loss account for CDx Limited for the period from 1 January 2006 to the date of acquisition

	£
Turnover	37,971
Cost of sales	(18,923)
Gross profit	19,048
Other operating expenses	(11,326)
Other operating income	1,500
Operating profit	9,222
Finance charges (net)	(5,389)
Profit for the financial year	3,833

NOTES TO THE FINANCIAL STATEMENTS
71 weeks ended 31 March 2007

9. TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £
Cost	
Additions and at 31 March 2007	15,472
Accumulated depreciation	
Charge for the financial year and at 31 March 2007	2,736
Net book value	
At 31 March 2007	12,736

10. STOCKS

	2007 £
Finished goods and goods for resale	134,868

11. DEBTORS

	2007 £
Trade debtors	392,523
Other debtors	87,913
Prepayments and accrued income	43,779
	524,215

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £
Bank loan	231,747
Trade creditors	74,189
Corporation tax	348,787
Accruals and deferred income	68,744
	723,467

NOTES TO THE FINANCIAL STATEMENTS
71 weeks ended 31 March 2007

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

	2007 £
Bank loan	351,060
Amounts owed to group undertakings	1,546,997
	1,898,057

Amounts owed to group undertakings is repayable on demand, but this will not be called on within one year

14. BORROWINGS

	2007 £
Bank loans	582,807
	582,807
Analysis of maturity profit of borrowings	
Within one year or on demand	231,747
Between one and two years	231,747
Between two and five years	119,313
	582,807

The bank loan is repayable by 12 equal six-monthly instalments amd bears interest at 2% above LIBOR The loan was originally taken out by British Biocell International Limited, another 100% subsisidary of BBI Holdings Plc, and repayments commenced in October 2004 The loan was transferred to BBI Healthcare Limited upon commencement of trade on 1 April 2006 The loan is secured by fixed and floating charges over the assets of the group

NOTES TO THE FINANCIAL STATEMENTS
71 weeks ended 31 March 2007

15. PROVISIONS FOR LIABILITIES

	Contingent consideration £	Deferred tax £	Total £
Provision in respect of CDx Limited	100,000	-	100,000
Charge for the financial year	-	1,465	1,465
Balance at 31 March 2007	100,000	1,465	101,465

The deferred contingent consideration is based on achieving two milestones – each milestone triggers a payment of £50,000 which is expected to be paid by 31 March 2009 The effect of discounting is not material for the financial statements

The amounts of deferred taxation provided in the financial statements are as follows

	2007 £
Capital allowances in excess of depreciation	1,465

16. CALLED UP SHARE CAPITAL

	2007 £
Authorised	
100 ordinary shares of £1 each	100
Called up, allotted and fully paid	
1 ordinary share of £1	1

1 ordinary share of £1 was issued at par during the financial period

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

	Share capital £	Profit and loss account £	Total £
Issued share capital	1	-	1
Profit for the financial year	-	804,347	804,347
At 31 March 2007	1	804,347	804,348

NOTES TO THE FINANCIAL STATEMENTS
71 weeks ended 31 March 2007

18. FINANCIAL COMMITMENTS

Operating lease commitments

The company was committed to making the following payments during the next year in relation to operating leases

	Land and buildings £
Leases which expire	
Within two to five years	33,000

19. 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 £8,061 There were no accrued or prepaid pension expenses outstanding at the financial year-end

20. RELATED PARTY TRANSACTIONS

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

21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

BBI Holdings Plc, a company registered in England and Wales, is regarded as the company's ultimate parent company and controlling party 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

22. POST BALANCE SHEET EVENTS

BBI Healthcare Limited has now incorporated the activities of its acquired companies, CDx Limited and Audiometrics Limited, into its own portfolio As such, an application has been made post year-end to Companies House to strike off both Audiometrics Trading Limited (formerly CDx Limited) and Audiometrics Limited

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, BBI Healthcare 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