

BBI HEALTHCARE LIMITED

Report and Financial Statements

31 March 2008

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REPORT AND FINANCIAL STATEMENTS 2008

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Baines
L Rees

SECRETARY

C Anderson

REGISTERED OFFICE

Golden Gate
Ty Glas Avenue
Llanishen
Cardiff
CF14 5DX

BANKERS

Barclays Bank 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.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company's primary activity is the sale, marketing and distribution of healthcare 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. The directors are confident regarding the future prospects of the company.

On 1 January 2009 BBI Healthcare Limited acquired the business and assets of Cedar Health, the consumer healthcare distribution arm of Inverness Medical UK Limited, for a consideration of £2.4m. See note 21 for further details.

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 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 19). 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'.

DIRECTORS

The directors of the company, who served throughout the financial year, are as shown on page 1.

DIVIDENDS

The directors do not recommend the payment of a dividend (2007 - £nil).

DIRECTORS' REPORT (continued)

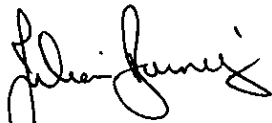
AUDITORS

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

28 May 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 BBI HEALTHCARE LIMITED

We have audited the financial statements of BBI Healthcare Limited for the year ended 31 March 2008 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 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

Deloitte LLP

Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date *19 May 2009*...

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

	Note	Year ended 31 March 2008 £	71 weeks ended 31 March 2007 £
TURNOVER	2	3,157,446	2,753,077
Cost of sales		(902,229)	(706,610)
Gross profit		<u>2,255,217</u>	<u>2,046,467</u>
Administrative expenses:			
Goodwill amortisation		(131,351)	(122,592)
Other administrative expenses		(860,866)	(726,103)
Other operating income		-	5,000
		<u>(992,217)</u>	<u>(843,695)</u>
OPERATING PROFIT	4	1,263,000	1,202,772
Interest payable and similar charges	5	(31,800)	(48,173)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,231,200	1,154,599
Tax on profit on ordinary activities	6	(284,050)	(350,252)
PROFIT FOR THE FINANCIAL PERIOD	16	<u>947,150</u>	<u>804,347</u>

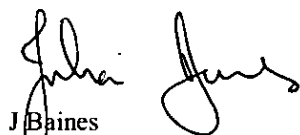
All activities derive from continuing operations.

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 March 2008**

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	7	2,105,359	2,236,710
Tangible assets	8	9,700	12,736
		<u>2,115,059</u>	<u>2,249,446</u>
CURRENT ASSETS			
Stocks	9	163,793	134,868
Debtors	10	1,620,727	524,215
Cash at bank and in hand		73,434	618,808
		<u>1,857,954</u>	<u>1,277,891</u>
CREDITORS: amounts falling due within one year	11	<u>(954,015)</u>	<u>(723,467)</u>
NET CURRENT ASSETS		<u>903,939</u>	<u>554,424</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,018,998	2,803,870
CREDITORS: amounts falling due after more than one year	12	(1,167,408)	(1,898,057)
PROVISIONS FOR LIABILITIES	14	<u>(100,092)</u>	<u>(101,465)</u>
NET ASSETS		<u>1,751,498</u>	<u>804,348</u>
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Profit and loss account	16	1,751,497	804,347
SHAREHOLDERS' FUNDS	16	<u>1,751,498</u>	<u>804,348</u>

These financial statements were approved by the Board of Directors on 28 May 2009
Signed on behalf of the Board of Directors


J Baines
Director

NOTES TO THE FINANCIAL STATEMENTS**Year ended 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, 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 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 19). 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 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

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2008****1. ACCOUNTING POLICIES (continued)****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.

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 the profit and loss account 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. Revenue is recognised on despatch of goods.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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.

	Year ended 31 March 2008 £	71 weeks ended 31 March 2007 £
Director's emoluments		
Salaries	36,875	62,559
Social security costs	4,464	7,491
Benefits in kind	3,362	294
Pensions costs	1,875	2,662
	<u>46,576</u>	<u>73,006</u>
	No.	No.
Average number of persons employed (including directors)		
Sales and distribution	9	7
Administration	3	1
	<u>12</u>	<u>8</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	319,326	224,340
Social security costs	36,595	23,811
Pension costs	8,097	8,061
Benefits in kind	4,343	3,253
	<u>368,361</u>	<u>259,465</u>

4. OPERATING PROFIT

	Year ended 31 March 2008 £	71 weeks ended 31 March 2007 £
Operating profit is after charging/(crediting)		
Depreciation		
Owned assets	3,036	2,736
Amortisation of goodwill	131,351	122,592
Rentals under operating leases		
Other operating leases	30,416	28,310
Auditors' remuneration – audit fee	-	4,000
Foreign currency gain	(3,400)	(1,150)
Revenue grants receivable	-	(5,000)
	<u></u>	<u></u>

The audit fee of £4,000 in the current year is borne by BBI Holdings plc, the company's immediate parent company.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2008 £	71 weeks ended 31 March 2007 £
Bank loan interest	31,800	48,173

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2008 £	71 weeks ended 31 March 2007 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the period at 30% (2007 – 30%)	(284,244)	(348,787)
Adjustments in respect of prior period	(1,179)	-
Total current tax	(285,423)	(348,787)
Deferred tax		
Timing differences, origination and reversal	1,275	(1,465)
Adjustments in respect of prior period	98	-
	1,373	(1,465)
	(284,050)	(350,252)

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	1,231,200	1,154,599
Tax on profit on ordinary activities before tax at 30% (2007 – 30%)	(369,360)	(346,380)
Factors affecting charge for the period		
Expenses not deductible for tax purposes	(6,251)	(3,872)
Adjustments in respect of prior period	(1,179)	-
Group relief claimed not paid	92,734	-
Capital allowances in excess of depreciation	(321)	(35)
Other timing differences	(1,046)	1,500
Current tax charge for the period	(285,423)	(348,787)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

7. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 April 2007 and 31 March 2008	2,359,302
Accumulated amortisation	
At 1 April 2007	122,592
Charge for the year	131,351
At 31 March 2008	253,943
Net book value	
At 31 March 2008	2,105,359
At 31 March 2007	2,236,710

8. TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £
Cost	
At 1 April 2007 and at 31 March 2008	15,472
Accumulated depreciation	
At 1 April 2007	2,736
Charge for the year	3,036
At 31 March 2008	5,772
Net book value	
At 31 March 2008	9,700
At 31 March 2007	12,736

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

9. STOCKS

	2008 £	2007 £
Finished goods and goods for resale	163,793	134,868

10. DEBTORS

	2008 £	2007 £
Trade debtors	484,812	392,523
Amounts owed by group undertakings	1,020,000	-
Other debtors	74,905	87,913
Prepayments and accrued income	41,010	43,779
	1,620,727	524,215

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Bank loan	360,000	231,747
Trade creditors	168,584	74,189
Corporation tax	310,210	348,787
Accruals and deferred income	115,221	68,744
	954,015	723,467

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

	2008 £	2007 £
Bank loan	-	351,060
Amounts owed to group undertakings	1,167,408	1,546,997
	1,167,408	1,898,057

The amounts owed to group undertakings will not be called on within one year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

13. BORROWINGS

	2008 £	2007 £
Bank loan	360,000	582,807
Analysis of maturity of borrowings:		
Within one year or on demand	360,000	231,747
Between one and two years	-	231,747
Between two and five years	-	119,313
	360,000	582,807

The bank loan is repayable by 12 equal six-monthly instalments and bears interest at 2% above LIBOR. The loan was originally taken out by British Biocell International Limited, another 100% subsidiary 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.

14. PROVISIONS FOR LIABILITIES

	Contingent consideration £	Deferred tax £	Total £
At beginning of financial period	100,000	1,465	101,465
Charge for the year	-	(1,373)	(1,373)
At end of financial year	100,000	92	100,092

The deferred contingent consideration is in respect of the acquisition of CDx Limited and 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:

	2008 £	2007 £
Difference between accumulated depreciation and capital allowances	1,067	1,465
Other timing differences	(975)	-
	92	1,465

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

15. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
1 ordinary share of £1	1	1

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

	Share capital £	Profit and loss account £	Total 2008 £	Total 2007 £
At beginning of financial period	1	804,347	804,348	-
Issue of share capital	-	-	-	1
Profit for the financial period	-	947,150	947,150	804,347
At end of financial period	1	1,751,497	1,751,498	804,348

17. 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 2008 £	Land and buildings 2007 £
Leases which expire:		
Within two to five years	26,000	33,000

18. 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 £8,097 (2007 - £8,061). There were no accrued or prepaid pension expenses outstanding at the current or prior financial year-end.

19. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

20. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8, transactions with group companies where 90% of the voting rights are controlled within the group are not reported as the consolidated financial statements of the parent company are publicly available.

21. POST BALANCE SHEET EVENT

On 1 January 2009 BBI Healthcare Limited acquired the business and assets of Cedar Health, the consumer healthcare distribution arm of Inverness Medical UK Limited, for a consideration of £2.4m.

22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of BBI Holdings Plc, a company registered in England and Wales. On 12 February 2008, BBI Holdings Plc and its subsidiaries were acquired by Inverness Medical Innovations Inc, a company incorporated in the United States of America.

At the balance sheet date, BBI Holdings Plc is the smallest and largest 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.

BBI Holdings Plc was the ultimate controlling party up until 12 February 2008. Following the acquisition, the ultimate controlling party is Inverness Medical Innovations Inc.