

Inverness Medical UK Limited
(formerly Bio-Stat Limited)

Report and Financial Statements

Year Ended

31 December 2007

Company No. 1716581

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BDO Stoy Hayward
Chartered Accountants

Inverness Medical UK Limited

**Annual report and financial statements
for the year ended 31 December 2007**

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Directors

D N Horne
E V Chiniara
P G Welch

Secretary and registered office

G Couling
Pepper Road
Hazel Grove
Stockport
SK7 5BW

Company number

1716581

Auditors

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road, Hatfield, Herts, AL9 5BS

Bankers

Barclays Bank Plc, Barclays Business Centre, Macclesfield Branch, 10 Market Place, Macclesfield, Cheshire SK10 1HA

Solicitors

Heatons LLP, 5th Floor, Free Trade Exchange, 37 Peter Street, Manchester M2 5GB

Inverness Medical UK Limited

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Principal activity

The company's principal activity, which has remained unchanged from the previous year, is the distribution of medical diagnostic products

Results and dividends

The profit for the year after taxation amounted to £1,092,108 (2006 - £490,735) The directors do not recommend the payment of a dividend leaving the amount of £1,092,108 (2006 - £490,735) to be transferred to reserves

Business review

The directors are satisfied with the result for the period and the year end balance sheet position To date, current year results are in line with budget

The company was acquired by Inverness Medical (UK) Holdings Limited on 02 October 2007, part of the Inverness Medical Innovations Inc group

Strategy

The strategy adopted during the year has been to continue with organic growth of the business with the collaboration of the top ten IVD companies and the acquisition of new agencies

Financial performance

Turnover for 2007 was 14% ahead of 2006 due to product focus and the addition of new agencies, despite further agency losses, the transition from old to new technologies within the market place and the ongoing position of NHS funding

Gross profit margins reduced to 45% due to continuing NHS price pressures and cost price inflation

Overheads were reduced by 5% on a like for like basis, due to a restructuring programme at the beginning of 2007

Net profit increased significantly due to the impact of increased sales and reduced overheads

The net current assets position on the balance sheet has increased significantly due to an increase in debtors and the cash position of the company

Cash has improved dramatically, as the change in ownership was on a cash free debt free basis

Corporate commitments

Bio-Stat Limited continues to operate under the quality system ISO 9001 and achieved ISO 14001 accreditation, the environmental standard during 2007 The company is committed to Health & Safety and also Investor in People with ongoing training programmes and continued education and improvement

Bio-Stat Limited also supports the Full Stop NSPCC campaign and is on target to raise £100k in 10 years

Inverness Medical UK Limited

Report of the directors for the year ended 31 December 2007 (Continued)

Financial risk management objectives and policies

The company uses various financial instruments. These include cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

As part of the condition of sale of the company to Inverness Medical (UK) Holdings Limited, all debts and loans were repaid by the previous shareholders as at 02 October 2007. This amounted to £1,235,666 in Inverness Medical UK Limited.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to translation and transactions foreign exchange risk. Transactions expenses are hedged primarily using forward currency contracts (note 22) which minimise the exchange rate risk on US\$ and Euro purchases. Whilst the aim is to achieve an economic hedge, the company does not adopt a policy of hedge accounting for these financial statements.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in note 12 to the financial statements.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of a fixed rate.

Credit risk

The company's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Employment of disabled persons

It is the company's policy to provide equal opportunities for all staff, including disabled persons. Applications for employment and promotions from disabled persons are treated on the same basis as those from other applicants having regard to ability, requirements of the job and experience. In the event of employees becoming disabled, the company will use its best endeavours to ensure continuity of employment through rehabilitation and retraining.

Inverness Medical UK Limited

Report of the directors for the year ended 31 December 2007 *(Continued)*

Employee involvement

It is company policy to involve employees in the business and to ensure that matters of concern to them, including the company's aims and objectives and its financial performance, are communicated in an open and regular way. This is achieved through an employee committee, management briefings and other informal communications.

Supplier payment policy

The company does not follow a specific policy on the payment of suppliers. It agrees payment terms with its suppliers when it enters into purchase contracts and adheres to these arrangements providing it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 December 2007 the number of days purchases within creditors was 55 days (2006: 54 days).

Post balance sheet event

On 01 April 2008, by special resolution, the company changed its name to Inverness Medical UK Limited.

Key performance indicators

KPI	2007	2006
Current ratio	2.32	1.34
Sales/net working capital	3.49	10.92
Creditor days	55	54
Debtor days	57	50
Return on capital employed	40.5	44.4
Stock turnover ratio	4.8	3.9

Inverness Medical UK Limited

Report of the directors for the year ended 31 December 2007 (*Continued*)

Directors

The directors of the company during the year are listed below, all served on the board throughout the year, unless otherwise stated

R A Isaacs	Resigned 02 October 2007
J Y Isaacs	Resigned 02 October 2007
Professor V Marks	Resigned 02 October 2007
C P Price	Resigned 02 October 2007
N Burrows	Resigned 02 October 2007
B Almond	Resigned 02 October 2007
D N Horne	
T Fellows	Appointed 01 January 2007, Resigned 02 October 2007
E V Chiniara	Appointed 02 October 2007
P G Welch	Appointed 02 October 2007

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 those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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

Auditors

Grant Thornton LLP resigned as auditors on 02 October 2007 and BDO Stoy Hayward LLP were subsequently appointed by the directors as auditors. They have expressed a willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting

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 purpose of their audit and to establish that the auditors are aware of the information. The directors are not aware of any relevant audit information of which the auditors are unaware

By order of the Board



D Horne
Director

Date 29.10.08

Inverness Medical UK Limited

Report of the independent auditors

To the shareholders of Inverness Medical UK Limited

We have audited the financial statements of Inverness Medical UK Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under 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. We also report to you if, in our opinion, the directors' report is not consistent with those financial statements, if 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 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.

Inverness Medical UK Limited

Report of the independent auditors (*Continued*)

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 2007 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



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*

Prospect Place
85 Great North Road
Hatfield
Herts
AL9 5BS

Date 30 October 2008

Inverness Medical UK Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover – continuing operations	2	10,364,500	9,006,999
Cost of sales		(5,636,132)	(4,876,599)
		<u> </u>	<u> </u>
Gross profit		4,728,368	4,130,400
Other operating expenses		(3,135,524)	(3,335,423)
Other operating income	4	-	31,200
		<u> </u>	<u> </u>
Operating profit – continuing operations		1,592,844	826,177
Net interest	5	(39,447)	(48,162)
		<u> </u>	<u> </u>
Profit on ordinary activities before taxation	2	1,553,397	778,015
Taxation on profit from ordinary activities	6	(461,289)	(287,280)
		<u> </u>	<u> </u>
Profit for financial year transferred to reserves	15	1,092,108	490,735
		<u> </u>	<u> </u>

All amounts relate to continuing activities

There were no recognised gains or losses other than the result for the financial year

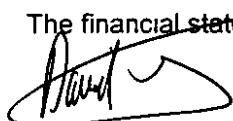
The notes on pages 10 to 21 form part of these financial statements

Inverness Medical UK Limited

Balance sheet at 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	7	866,720	915,266
Current asset investments	8	-	13,705
		<u>866,720</u>	<u>928,971</u>
Current assets			
Stocks	9	1,181,790	1,248,499
Debtors	10	3,267,756	1,968,307
Cash at bank and in hand		771,641	-
		<u>5,221,187</u>	<u>3,216,806</u>
Creditors' amounts falling due within one year	11	(2,255,220)	(2,391,768)
		<u>2,965,967</u>	<u>825,038</u>
Net current assets			
		<u>3,832,687</u>	<u>1,754,009</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	12	-	(226,108)
Provisions for liabilities and charges	13	(27,012)	(50,000)
		<u>3,805,675</u>	<u>1,477,901</u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Profit and loss account	15	2,560,009	1,467,901
Capital contribution	16	1,235,666	-
Shareholders' funds		<u>3,805,675</u>	<u>1,477,901</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29.10.08



D N Horne
Director

The notes on pages 10 to 21 form part of these financial statements

Inverness Medical UK Limited

Cash flow statement for the year ended 31 December 2007

	Note	2007 £	2006 £
Net cash inflow / (outflow) from operating activities	18	993,172	(140,629)
Returns on investments and servicing of finance			
Interest received		3,769	1,513
Finance lease interest paid		(14,427)	(6,191)
Interest paid		(28,789)	(43,484)
Net cash outflow from returns on investments and servicing of finance		(39,447)	(48,162)
Taxation		(254,098)	(22,280)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(320,487)	(359,339)
Sale of tangible fixed assets		64,314	56,956
Financial investment proceeds		13,705	-
Net cash outflow from capital expenditure and financial investment		(242,468)	(302,383)
Financing			
Loan from the Bio-Stat Funded Unapproved Retirement Benefit Scheme		-	50,000
Repayments to the Bio-Stat Funded Unapproved Retirement Benefit Scheme		(152,439)	-
Repayments to the Bio-Stat Limited Retirement Benefit Scheme		(205,213)	(36,640)
Capital element of finance lease rentals		-	(46,039)
Repayment of finance leases		(58,312)	-
Capital contribution		1,235,666	-
Net cash inflow (outflow) from financing		819,702	(32,679)
Increase / (decrease) in cash	19	1,276,861	(546,133)

The notes on pages 10 to 21 form part of these financial statements

Inverness Medical UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates

Leasehold improvements	-	10% per annum
Plant, machinery and motor vehicles	-	15% - 33% per annum
Fixtures, fittings and equipment	-	20% - 25% per annum

Gains and losses on disposal of fixed assets

The profit or loss on the disposal of a tangible fixed asset is accounted for in the profit and loss account of the period in which the disposal occurs as the difference between the net sale proceeds and the carrying amount, whether carried at historical cost (less any provisions made) or at a valuation

Stocks

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

In determining the cost of goods held for resale, average purchase price is used

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Inverness Medical UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

1 Accounting policies (*Continued*)

Taxation

The charge for taxation is based on the profit for the year and having taken into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

Inverness Medical UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

1 Accounting policies (Continued)

Foreign Currency

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange rates subsequent to the date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit or loss account.

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

2 Turnover

The turnover and profit on ordinary activities before taxation is attributable to the principal activity of the company.

The profit on ordinary activities before taxation is stated after charging/(crediting)

	2007 £	2006 £
Depreciation		
- owned	281,320	259,415
- held under finance leases and hire purchase contracts	23,399	24,419
Auditors' remuneration		
- audit services	12,000	9,200
- non audit services	-	10,250
Exchange (gains)/losses	(3,306)	(75,833)
Hire of plant and machinery under operating leases	276,119	164,607
Loss/(profit) on disposal of tangible fixed assets	-	6,287
	<hr/>	<hr/>

3 Directors and employees

Staff costs during the year were as follows

	2007 £	2006 £
Wages and salaries	1,630,988	1,706,748
Social security costs	176,140	181,838
Pension costs	66,988	70,629
	<hr/>	<hr/>
	1,874,116	1,959,215

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

3 Directors and employees (*continued*)

	2007 Number	2006 Number
The average number of employees during the year was		
Directors	6	7
Administration and marketing	57	55
	<u>63</u>	<u>62</u>

The total amounts for directors' remuneration and other benefits was as follows

	2007 £	2006 £
Emoluments	253,227	252,081
Contributions to money purchase pension schemes	18,335	23,604
	<u>271,562</u>	<u>275,685</u>

Directors' remuneration shown above included the following amounts payable in respect of the highest paid director

	2007 £	2006 £
Emoluments	76,356	75,750
Contributions to money purchase pension schemes	7,500	6,790
	<u>83,856</u>	<u>82,540</u>

4 Other operating income

	2007 £	2006 £
Dividends received from group undertakings	-	31,200
	<u>-</u>	<u>31,200</u>

5 Net interest

	2007 £	2006 £
<i>Interest payable and similar charges</i>		
On all other loans	37,039	43,484
Hire purchase interest	6,177	6,191
	<u>43,216</u>	<u>49,675</u>
<i>Interest receivable and similar income</i>		
Bank interest	(3,769)	(1,513)
	<u>39,447</u>	<u>48,162</u>

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

6 Tax on profit on ordinary activities

	2007 £	2006 £
The taxation charge is based on the profit for the year and represents		
Corporation tax at 30% (2006 – 30%)	488,577	255,000
Adjustments in respect of prior years	(4,300)	14,280
	<u>484,277</u>	<u>269,280</u>
Deferred tax	(22,988)	18,000
	<u>461,289</u>	<u>287,280</u>

Factors affecting the tax charge for the year

The tax assessed for the year is different from the stand rate of corporation tax in the United Kingdom of 30% (2006 – 30%) The differences are explained as follows

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>1,553,397</u>	<u>778,015</u>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 – 30%)	466,019	233,045
Effect of		
Expenses non deductible for tax purposes	24,493	20,919
Other short term timing differences	-	(4,328)
Group relief	(20,990)	-
Difference between depreciation and capital allowances for the period	19,055	5,004
Adjustment in respect of prior years	(4,300)	14,280
	<u>484,277</u>	<u>269,280</u>

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

7	Tangible assets	Leasehold improvements £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Computer and analysing equipment £	Total £
	<i>Cost</i>						
	At 31 December 2006	95,559	19,197	298,428	162,387	1,705,604	2,281,175
	Additions	-	-	82	110	320,295	320,487
	Disposals	-	(4,702)	-	-	(100,750)	(105,452)
	At 31 December 2007	95,559	14,495	298,510	162,497	1,925,149	2,496,210
	<i>Depreciation</i>						
	At 31 December 2006	38,165	11,290	235,080	62,159	1,019,215	1,365,909
	Provided for the year	9,556	3,205	12,489	23,080	256,389	304,719
	Disposals	-	-	-	-	(41,138)	(41,138)
	At 31 December 2007	47,721	14,495	247,569	85,239	1,234,466	1,629,490
	<i>Net book value</i>						
	At 31 December 2007	47,838	-	50,941	77,258	690,683	866,720
	At 31 December 2006	57,394	7,907	63,348	100,228	686,389	915,266
	Depreciation included above, relating to finance leases was £23,399 (2006 £24,419)						

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

8 Current asset investments

	Bio-Stat Limited Employee Benefit Trust £
Cost and net book value	
At 31 December 2006	13,705
Redemption of investments in the year	(13,705)
At 31 December 2007	-

9 Stocks

	2007 £	2006 £
Finished goods and goods for resale	1,181,790	1,248,499

The directors consider that there is no material difference between replacement cost of stock and the values above

10 Debtors

	2007 £	2006 £
Trade debtors	1,525,742	987,618
Amounts owed by related undertakings	1,240,813	752,910
Other debtors	340,265	89,200
Prepayments and accrued income	160,936	138,579
	<u>3,267,756</u>	<u>1,968,307</u>

Included within other debtors is the following

A loan to D N Horne in 2006 for £14,999 was repaid in full in 2007

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

11 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	-	505,220
Loans (see note 23)	-	140,725
Trade creditors	795,603	709,760
Directors' loan	-	220,314
Corporation tax	484,277	255,000
Other taxation and social security	311,058	219,678
Pension contributions	6,618	7,484
Accruals and deferred income	454,531	284,456
Obligations under finance leases and hire purchase contracts	-	49,131
Amounts due to related undertakings	203,133	-
	<u>2,255,220</u>	<u>2,391,768</u>

12 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Loans (see note 23)	-	216,927
Amounts due under finance leases	-	9,181
	<u>-</u>	<u>226,108</u>

The maturity of obligations under finance leases are as follows

	2007 £	2006 £
Within one year	-	49,131
Between one and two years	-	9,181
Between two and five years	-	-
	<u>-</u>	<u>58,132</u>

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

13 Provisions for liabilities and charges

Deferred taxation

	2007 £	2006 £
At 31 December 2006	50,000	32,000
Released/provided during the year	(22,988)	18,000
At 31 December 2007	<u>27,012</u>	<u>50,000</u>

Deferred taxation provided for in the financial statements is as follows

Accelerated capital allowances	62,012	85,000
Other timing differences	(35,000)	(35,000)
	<u>27,012</u>	<u>50,000</u>

14 Share capital

	2007 £	2006 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

15 Profit and loss account

	£
At 31 December 2006	1,467,901
Profit for the year	1,092,108
At 31 December 2007	<u>2,560,009</u>

16 Capital Contribution

As part of the condition of sale of the company to Inverness Medical (UK) Holdings Limited, all debts and loans were repaid by the previous shareholders as at 02 October 2007. This amounted to £1,235,666 in Bio-Stat Limited.

17 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	1,092,108	490,735
Capital contribution	1,235,666	-
Opening shareholders' funds	1,477,901	987,166
Closing shareholders' funds	<u>3,805,675</u>	<u>1,477,901</u>

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

18 Net cash inflow (outflow) from operating activities

	2007 £	2006 £
Operating profit	1,592,844	826,177
Depreciation	304,719	283,834
Write down of investments	-	53,059
Loss / (profit) on sale of tangible fixed assets	-	6,287
(Increase) / decrease in stocks	66,709	(389,268)
(Increase) / decrease in debtors	(1,299,449)	(139,500)
(Decrease) / increase in creditors	328,349	(781,218)
Net cash inflow (outflow) from operating activities	<u>993,172</u>	<u>(140,629)</u>

19 Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase / (decrease) in cash in the year	1,276,861	(546,133)
Cash outflow from changes in debt	415,964	32,679
Movement in net debt in the year	<u>1,692,825</u>	<u>(513,454)</u>
Net debt at 1 January 2007	(921,184)	(407,730)
Net funds / (debt) at 31 December 2007	<u>771,641</u>	<u>(921,184)</u>

20 Analysis of changes in net debt

	At 1 January 2007 £	Cashflow £	At 31 December 2007 £
Cash in hand and at bank	-	771,641	771,641
Bank overdraft	(505,220)	505,220	-
	<u>(505,220)</u>	<u>1,276,861</u>	<u>771,641</u>
Other loans	(357,652)	357,652	-
Finance leases	(58,312)	58,312	-
	<u>(921,184)</u>	<u>1,692,825</u>	<u>771,641</u>

Inverness Medical UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

21 Guarantees and other financial commitments

Leasing commitments

	Land and buildings		Plant and machinery	
	2007	2006	2007	2006
	£	£	£	£
Plant and machinery				
Operating leases which expire				
- within one year	4,250	-	18,538	32,989
- within two to five years	95,200	17,000	100,990	148,883
- after five years	-	78,500	-	5,744
	<u>99,450</u>	<u>95,000</u>	<u>119,528</u>	<u>187,616</u>

Capital commitments

The company has capital commitments of £nil at 31 December 2007 (2006 - £nil)

22 Financial instruments

The company incurs foreign currency risk on sales and purchases that are denominated in currencies other than sterling. The currency principally giving rise to this risk is US dollars.

The company uses forward exchange contracts to hedge its foreign currency risk. All of the forward exchange contracts have maturity of less than one year from the balance sheet date.

At 31 December 2007, the company had no forward contracts.

	Fair value of contracts as a liability 2007 £	Fair value of contract as an asset 2006 £
Buy US \$ and sell £	-	(19,237)

23 Related party transactions

The company paid rent of £86,850 (2006 - £78,500) to the Bio-Stat Limited Retirement Benefit Scheme, which owns the freehold of the business premises and in which Mr R A Isaacs and Mrs Y J Isaacs (former directors and shareholders) are materially interested, as both trustees and members. The rental payments are paid on a normal commercial basis.

The company repaid all outstanding loans and interest due (2006 - capital £152,439 and interest of £84,950) to the Bio-Stat Funded Unapproved Retirement Benefit Scheme during 2007 in which the former directors and shareholders R A Isaacs and J Y Isaacs are materially interested, as both trustees and members.

Inverness Medical UK Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

23 Related party transactions (*continued*)

The company repaid all outstanding loans and interest due (2006 – capital £205,213 and interest £11,460) to the Bio-Stat Limited Retirement Benefit Scheme during 2007 in which the former directors R A Isaacs and J Y Isaacs are materially interested in as both trustees and members

During the year purchases of £157,115 (2006 - £52,586) and sales of £19,421 (2006 – £13,707) were made from and to Cedar Health Limited, a company under common ownership

The company has taken advantage of the exemption conferred by FRS8 “Related party exposures”, not to disclose transactions with members of the group Inverness Medical (UK) Holdings Limited on the grounds that at least 90% of the voting rights are controlled within that group and the company is included on consolidated financial statements

24 Pension costs

Stakeholder contribution schemes

The company operates a defined contribution schemes for the benefit of certain employees. The assets of the schemes are administered by trustees in a fund independent from those of the company

25 Ultimate parent undertaking

The company is a subsidiary of Bio-Stat Holdings Limited which is a subsidiary of Inverness Medical (UK) Holdings Limited. The ultimate parent undertaking is Inverness Medical Innovations Inc, a company incorporated in the USA

Copies of the financial statements can be obtained from their registered office

26 Post balance sheet events

On 01 April 2008, by special resolution, the company changed its name to Inverness Medical UK Limited

On 1 April 2008 the trade, assets and liabilities of Cedar Health Limited, Biosite Limited and a trading division of Unipath Limited were transferred to Inverness Medical UK Limited