

Registered number: 2572693

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



NICHOLS INSTITUTE DIAGNOSTICS LIMITED

COMPANY INFORMATION

DIRECTORS	G. D'Alpaos H.J.Nouri
SECRETARY	G. D'Alpaos
COMPANY NUMBER	2572693
REGISTERED OFFICE	38 Station Road Cambridge CB1 2JH
AUDITORS	Ashcroft Anthony Limited Chartered Accountants & Registered Auditors The Cottages Grange Road Duxford Cambridge CB2 4QF

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

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NICHOLS INSTITUTE DIAGNOSTICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and the financial statements for the year ended 31 December 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity during 2005 was that of the import and distribution of medical diagnostics and allied goods.

Subsequent to the year end the company ceased to trade, as set out on page 6.

RESULTS

The loss for the year, after taxation, amounted to £578,014 (2004 - Profit £179,323).

DIRECTORS

The directors who served during the year were:

G. D'Alpaos
H.J.Nouri

None of the directors have any interest in the shares of the company.

AUDITORS

The auditors, Ashcroft Anthony Limited, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on

Aug 10

and signed on its behalf.

G. D'Alpaos
G. D'Alpaos
Secretary

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NICHOLS INSTITUTE DIAGNOSTICS LIMITED

We have audited the financial statements of Nichols Institute Diagnostics Limited for the year ended 31 December 2005 set out on pages 4 to 11. These financial statements have been prepared in accordance with 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the 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.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Cessation of Trade

In forming our opinion, we have considered the adequacy of the disclosures made on page 6 of the financial statements under the heading "Cessation of trading" concerning the company ceasing to trade after the year end. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NICHOLS INSTITUTE DIAGNOSTICS
LIMITED

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 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Ashcroft Anthony Ltd .
ASHCROFT ANTHONY LIMITED

Chartered Accountants
Registered Auditors

The Cottages
Grange Road
Duxford
Cambridge
CB2 4QF

Date: *23 August 2006 .*

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
TURNOVER	1,2	1,316,859	1,578,209
Cost of sales		<u>(887,686)</u>	<u>(967,473)</u>
GROSS PROFIT		429,173	610,736
Administrative expenses		<u>(563,432)</u>	<u>(398,154)</u>
OPERATING (LOSS)/PROFIT	3	(134,259)	212,582
EXCEPTIONAL ITEMS			
Other exceptional items	6	<u>(467,209)</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(601,468)	212,582
Interest receivable		2,812	1,535
Interest payable	5	<u>(6,057)</u>	<u>(6,095)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(604,713)	208,022
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	7	<u>26,699</u>	<u>(28,699)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>(578,014)</u></u>	<u><u>179,323</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements.

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible Fixed Assets	8	-	313,594
CURRENT ASSETS			
Stocks	9	20,634	16,282
Debtors	10	270,567	257,715
Cash at bank		144,614	159,616
		<u>435,815</u>	<u>433,613</u>
CREDITORS: amounts falling due within one year	11	<u>(942,599)</u>	<u>(675,977)</u>
NET CURRENT LIABILITIES		<u>(506,784)</u>	<u>(242,364)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(506,784)</u>	<u>71,230</u>
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Profit and loss account	13	(606,784)	(28,770)
SHAREHOLDERS' FUNDS - All equity	14	<u>(506,784)</u>	<u>71,230</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

20/08/06

G. D'Alpaos
Director

The notes on pages 6 to 11 form part of these financial statements.

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Cessation of Trading

During the latter half of 2005, as a result of quality issues, the parent company, Quest Diagnostics Inc. ("Quest") stopped the Nichols Institute Diagnostics ("NID") group of subsidiary companies from shipping products to their customers. The company is a member of the NID group.

As a result of these issues, Quest evaluated a number of strategic options for NID and, on the 19 April 2006, decided to discontinue NID's operations. Accordingly, the company's operations were terminated.

As a result, these financial statements have been prepared on the basis that the company has ceased to trade, as opposed to being on a going concern basis. Accordingly all fixed assets have been reduced to their recoverable amounts, and provisions have been made for all costs and liabilities of closing the company, including estimates where necessary.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Other fixed assets	-	20% straight line
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1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.9 Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Quest Inc, and, as such, its financial statements are included in the consolidated financial statements of Quest Inc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of "Financial Reporting Standard 8" from disclosing related party transactions with entities that are part of Quest Inc group or investees of the Quest Inc group.

Input

2. TURNOVER

All turnover arose within the United Kingdom.

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the company	99,469	93,742
Auditors' remuneration	9,063	8,750
Operating lease rentals:		
- plant and machinery	36,868	30,192
Difference on foreign exchange	51,937	(35,411)
	<u> </u>	<u> </u>

During the year, no director received any emoluments (2004 - £NIL).

4. STAFF COSTS

Staff costs were as follows:

	2005 £	2004 £
Wages and salaries	237,471	193,541
	<u> </u>	<u> </u>

The average monthly number of employees, including the directors, during the year was as follows:

	2005 No.	2004 No.
	5	3
	<u> </u>	<u> </u>

5. INTEREST PAYABLE

	2005 £	2004 £
On loans from group undertakings	6,057	6,095
	<u> </u>	<u> </u>

6. EXCEPTIONAL ITEMS

	2005 £	2004 £
Provisions and amounts written off as a result of the company ceasing to trade	467,209	-
	<u> </u>	<u> </u>

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

7. TAXATION

	2005 £	2004 £
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax (credit)/charge on (loss)/profit of the year	(30,000)	32,000
Deferred tax		
Origination and reversal of timing differences	3,301	(3,301)
Tax on (loss)/profit on ordinary activities	<u>(26,699)</u>	<u>28,699</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £	2004 £
(Loss)/profit on ordinary activities before tax	<u>(604,713)</u>	<u>208,022</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%%)	-	62,407
Effects of:		
Expenses not deductible for tax purposes	-	592
Capital allowances for year in excess of depreciation	-	(4,337)
Utilisation of tax losses	(30,000)	(26,662)
Current tax (credit)/charge for the year (see note above)	<u>(30,000)</u>	<u>32,000</u>

Factors that may affect future tax charges

Following the company ceasing to trade in 2006 (see note), the tax losses generated by the loss for the year will be unavailable for offset.

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

8. TANGIBLE FIXED ASSETS

	Other fixed assets £
Cost or valuation	
At 1 January 2005	814,149
Additions	45,040
Disposals	(63,334)
Write off	(795,855)
At 31 December 2005	-
Depreciation	
At 1 January 2005	500,555
Charge for the year	99,469
On disposals	(43,387)
Write off	(556,637)
At 31 December 2005	-
Net book value	
At 31 December 2005	-
At 31 December 2004	313,594

9. STOCKS

	2005 £	2004 £
Spare parts	20,634	16,282

10. DEBTORS

	2005 £	2004 £
Due after more than one year		
Other debtors	-	3,301
Due within one year		
Trade debtors	234,342	250,700
Other debtors	31,500	-
Prepayments and accrued income	4,725	3,714
	270,567	257,715

NICHOLS INSTITUTE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

11. CREDITORS:
Amounts falling due within one year

	2005 £	2004 £
Trade creditors	227	86
Amounts owed to group undertakings	608,305	534,862
Corporation tax	-	32,000
Social security and other taxes	60,190	61,784
Other creditors	5,973	-
Accruals and deferred income	267,904	47,245
	<u>942,599</u>	<u>675,977</u>

12. SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

13. RESERVES

	Profit and loss account £
At 1 January 2005	(28,770)
Loss retained for the year	(578,014)
At 31 December 2005	<u>(606,784)</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Opening shareholders' funds	71,230	(108,093)
(Loss)/profit for the year	(578,014)	179,323
Closing shareholders' funds	<u>(506,784)</u>	<u>71,230</u>

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate holding company is Quest Diagnostics Inc, of Delaware, USA.