

INVERNESS MEDICAL INNOVATIONS INC

Form S-4

February 14, 2008

Table of Contents

As filed with the Securities and Exchange Commission on February 14, 2008

Registration No.

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

INVERNESS MEDICAL INNOVATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

2835

*(Primary Standard Industrial
Classification Code Number)*

04-3565120

*(I.R.S. Employer
Identification No.)*

**51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Ron Zwanziger
Chairman, Chief Executive Officer and President
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Scott F. Duggan, Esq.
Goodwin Procter LLP
53 State Street
Boston, Massachusetts 02109**

**Matria Healthcare, Inc.
1850 Parkway Place, Suite 1200
Marietta, Georgia 30067
Attn: Roberta L. McCaw**

**James L. Smith III
David W. Ghegan
Troutman Sanders LLP
600 Peachtree Street, N.E.**

(617) 570-1000

General Counsel
(770) 767-4500Atlanta, Georgia 30308
(404) 885-3000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the merger agreement described herein.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered(2)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee
Series B Convertible Perpetual Preferred Stock \$0.001 par value per share	1,973,973 (4)	N/A	\$543,237,519.24	\$21,349.23

(1) This Registration Statement relates to shares of Series B convertible perpetual preferred stock, par value \$0.001 per share (Series B preferred stock), of the registrant issuable to holders of shares of common stock, par value \$0.01 per share (Matria common stock), of Matria Healthcare, Inc., a Delaware corporation, in the proposed merger of Milano MH Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of the registrant, with and into Matria.

(2) Based on the maximum number of shares to be issued in connection with the merger, calculated as the product of (a) 24,295,059, the aggregate number of shares of Matria common stock outstanding as of February 12, 2008,

assuming the exercise of all outstanding options to acquire Matria common stock, and (b) an exchange ratio of 0.08125 shares of the registrant's Series B preferred stock for each share of Matria common stock.

- (3) Estimated solely for purposes of calculation of the registration fee in accordance with Rules 457(c) and (f) of the Securities Act of 1933, as amended, based upon (A) the product of: (i) 24,295,059, the maximum number of shares of Matria common stock that may be exchanged in the merger (the sum of (a) 22,081,810 shares of Matria common stock outstanding as of February 12, 2008, and (b) 2,213,249 shares of Matria common stock issuable assuming the exercise of all outstanding options as of February 12, 2008) and (ii) \$28.86 the average of the high and low sale prices for shares of Matria common stock as reported on The NASDAQ Global Select Market on February 12, 2008; less (B) \$157,917,883.50, the aggregate amount of cash expected to be payable to holders of Matria common stock in the merger.
- (4) Together with such indeterminate number of shares of registrant's common stock, par value \$0.001 per share, as may from time to time be issued upon conversion of the registrant's Series B preferred stock registered hereunder. Pursuant to Rule 457(i) under the Securities Act of 1933, as amended (the Securities Act), no separate fee is required in respect of such shares of registrant's common stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. Inverness may not sell these securities until the registration statement filed with the Securities and Exchange Commission, of which this document is a part, is declared effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Any representation to the contrary is a criminal offense.

SUBJECT TO COMPLETION, DATED FEBRUARY 14, 2008

Dear Matria Stockholder:

You are cordially invited to attend a special meeting of Matria Healthcare, Inc. stockholders to be held on _____, 2008 at 1850 Parkway Place, Suite 600A, Marietta, Georgia 30067. Only Matria stockholders who hold shares of Matria common stock at the close of business on _____, 2008, the record date for the special meeting, are entitled to vote at the special meeting. At the special meeting, Matria stockholders will be asked to adopt the Agreement and Plan of Merger dated January 27, 2008 by and among Matria, Inverness Medical Innovations, Inc., Milano MH Acquisition Corp., a wholly owned subsidiary of Inverness, and Milano MH Acquisition LLC, a wholly owned subsidiary of Inverness, and approve the merger of Milano MH Acquisition Corp. with and into Matria such that Matria will become a wholly owned subsidiary of Inverness. If the merger is completed, each outstanding share of Matria common stock, other than those shares for which appraisal rights are properly exercised, will be converted into the right to receive \$6.50 in cash and a portion of a share of Inverness convertible preferred stock having a stated value of \$32.50.

Matria stockholders will also be asked to give management the discretionary authority to adjourn the meeting to a later date, if necessary, in order to solicit additional proxies in favor of the approval of the merger and adoption of the merger agreement.

Inverness has applied to have the Inverness convertible preferred stock listed on the American Stock Exchange. If approval of this application is granted, the convertible preferred stock will be listed on the American Stock Exchange at the time of such approval. Inverness common stock is listed on the American Stock Exchange under the trading symbol IMA. On February 12, 2008, the closing sale price of Inverness common stock was \$45.46.

Matria's board of directors has reviewed and considered the terms and conditions of the merger agreement. Based on its review, Matria's board of directors has determined that the merger is advisable, fair to and in the best interests of Matria and its stockholders and has approved the merger agreement and recommends that you vote for the approval of the merger and adoption of the merger agreement and for the adjournment proposal.

Your vote is very important. Matria cannot complete the merger unless the merger is approved and the merger agreement is adopted by the affirmative vote of the holders of at least a majority of the shares of Matria common stock outstanding on the record date. **Whether or not you plan to attend the special meeting, please complete, sign, date and return the enclosed proxy card as soon as possible.** If you hold your shares in street name, you should instruct your broker how to vote in accordance with your voting instruction card. If you do not submit your proxy, instruct your broker how to vote your shares or vote in person at the special meeting, it will have the same effect as a vote against the approval of the merger and adoption of the merger agreement.

The accompanying proxy statement/prospectus contains detailed information about the merger agreement, the proposed merger and the adjournment proposal and provides specific information concerning the special meeting.

Please review this document carefully. In particular, you should carefully consider the matters discussed under Risk Factors beginning on page 26.

Sincerely,

Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the merger described in this proxy statement/prospectus or the Inverness securities to be issued in connection with the merger, or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated _____, 2008 and is first being mailed to Matria stockholders on or about _____, 2008.

Table of Contents

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On , 2008

NOTICE IS HEREBY GIVEN THAT a special meeting of stockholders of Matria Healthcare, Inc. (Matria), will be held on , , 2008, at .m. local time at 1850 Parkway Place, Suite 600A, Marietta, Georgia 30067, for the following purposes:

- (1) To consider and vote upon a proposal to adopt the Agreement and Plan of Merger (referred to as the merger agreement), dated as of January 27, 2008, by and among Matria, Inverness Medical Innovations, Inc., Milano MH Acquisition Corp., a wholly owned subsidiary of Inverness, and Milano MH Acquisition LLC, a wholly owned subsidiary of Inverness, and approve the merger of Milano MH Acquisition Corp. with and into Matria, as a result of which Matria will become a wholly owned subsidiary of Inverness, which we refer to as the merger proposal.
- (2) To consider and vote upon a proposal to grant management the discretionary authority to adjourn the special meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal, which we refer to as the adjournment proposal.
- (3) To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The merger proposal and the adjournment proposal are more fully described in the accompanying proxy statement/prospectus, which you should read carefully in its entirety before voting.

Only holders of record of Matria common stock at the close of business on , 2008 are entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof. A majority of the shares of Matria common stock outstanding on the record date must be voted in favor of the merger proposal in order for the merger to be completed. Therefore, your vote is very important regardless of the number of shares you own. Your failure to vote your shares is the same as voting against the merger proposal.

Each stockholder, even those who plan to attend the special meeting, is requested to sign, date and return the enclosed proxy card without delay in the enclosed postage-paid envelope. You may revoke your proxy at any time prior to its exercise. Any stockholder present at the special meeting or any adjournment or postponement thereof may revoke his or her proxy and vote personally on each matter brought before the meeting.

The board of directors of Matria recommends that you vote **FOR** the approval of the merger proposal and **FOR** the adjournment proposal.

I look forward to welcoming you at the meeting.

Roberta L. McCaw
Secretary

Marietta, Georgia
 , 2008

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE VOTE BY COMPLETING AND PROMPTLY RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED.

Table of Contents

Table of Contents

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING</u>	v
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>The Transaction</u>	2
<u>Risk Factors</u>	3
<u>Matria Stockholders Meeting: Vote Required</u>	3
<u>Recommendation of Matria's Board of Directors</u>	4
<u>Opinion of Matria's Financial Advisor</u>	4
<u>Ownership of Inverness Following the Merger</u>	4
<u>Share Ownership of Matria Directors and Executive Officers</u>	5
<u>Listing of Inverness Series B Preferred Stock and Delisting and Deregistration of Matria Common Stock</u>	5
<u>Conditions to Completion of the Merger</u>	5
<u>Regulatory Matters</u>	6
<u>Matria Is Prohibited From Soliciting Other Offers</u>	6
<u>Termination of the Merger Agreement and Termination Fee</u>	7
<u>Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger</u>	7
<u>Accounting Treatment</u>	8
<u>Comparison of Rights of Inverness Stockholders and Matria Stockholders</u>	8
<u>Appraisal Rights</u>	8
<u>SUMMARY TERMS OF THE INVERNESS SERIES B PREFERRED STOCK</u>	9
<u>SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF INVERNESS</u>	17
<u>SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA</u>	19
<u>SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF MATRIA</u>	21
<u>COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA</u>	22
<u>COMPARATIVE PER SHARE MARKET PRICE DATA</u>	24
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	25
<u>RISK FACTORS</u>	26
<u>Risk Factors Relating to the Transaction</u>	26
<u>Risks Relating to Inverness Series B Preferred Stock</u>	30
<u>Risks Relating to Inverness</u>	35
<u>Risks Relating to Matria</u>	51
<u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u>	55
<u>THE MATRIA SPECIAL MEETING</u>	56
<u>Date, Time and Place</u>	56
<u>Purpose of the Meeting; Other Matters</u>	56
<u>Matria's Board of Directors Recommendation</u>	56
<u>Record Date, Outstanding Shares and Voting Rights</u>	56
<u>Quorum and Vote Required</u>	56
<u>Voting by Matria's Chairman and Chief Executive Officer</u>	57
<u>Voting by Proxies</u>	57
<u>Revocability of Proxies</u>	58

Table of Contents

	Page
<u>Solicitation of Proxies: Expenses</u>	58
<u>Assistance</u>	58
PROPOSAL ONE THE MERGER	59
<u>Background of the Merger</u>	59
<u>Recommendation of Matria’s Board of Directors and Matria’s Reasons for the Merger</u>	64
<u>Opinion of Matria’s Financial Advisor</u>	66
<u>Inverness Reasons for the Transaction</u>	73
<u>Interests of Executive Officers and Directors of Matria in the Merger</u>	74
<u>Indemnification: Directors and Officers Insurance</u>	77
<u>Management Arrangements</u>	77
<u>Financing of the Merger</u>	77
<u>Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger</u>	77
<u>Regulatory Matters</u>	88
<u>Accounting Treatment</u>	88
<u>Matria Board of Directors Following the Merger</u>	88
<u>Listing of Inverness Common Stock</u>	89
<u>Delisting and Deregistration of Matria Common Stock after the Merger</u>	89
THE MERGER AGREEMENT	90
<u>The Transaction</u>	90
<u>Completion and Effectiveness of the Transaction</u>	90
<u>Conversion of Securities</u>	90
<u>Inverness Right to Pay the Merger Consideration Entirely in Cash</u>	91
<u>Treatment of Matria Stock Options and Assumption of Matria Stock Option Plans</u>	91
<u>Treatment of Matria Restricted Stock</u>	92
<u>Fractional Shares</u>	92
<u>Exchange Procedures</u>	92
<u>Distributions with Respect to Unexchanged Shares</u>	93
<u>Lost, Stolen and Destroyed Certificates</u>	93
<u>Representations and Warranties</u>	93
<u>Matria’s Conduct of Business Before Completion of the Merger</u>	95
<u>Obligation of Matria’s Board of Directors with Respect to Its Recommendation and Holding of a Stockholders Meeting</u>	97
<u>No Solicitation of Other Offers</u>	97
<u>Reasonable Best Efforts</u>	99
<u>Director and Officer Indemnification and Insurance</u>	100
<u>Employee Benefits: 401(k) Plan</u>	100
<u>Upstream Merger: Qualification as Reorganization</u>	101
<u>Conditions to Obligations to Complete the Merger</u>	101
<u>Definition of Material Adverse Effect</u>	102
<u>Termination</u>	103
<u>Termination Fee</u>	104
<u>Miscellaneous</u>	105
THE VOTING AGREEMENT	106
<u>Agreement to Vote and Irrevocable Proxy</u>	106

Table of Contents

	Page
<u>Transfer Restrictions</u>	106
<u>Termination</u>	107
<u>SECURITY OWNERSHIP OF MATRIA S DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL STOCKHOLDERS</u>	108
<u>DESCRIPTION OF INVERNESS SERIES B PREFERRED STOCK</u>	110
<u>General</u>	110
<u>Ranking</u>	110
<u>Dividends</u>	111
<u>Method of Payment of Dividends</u>	112
<u>Liquidation Preference</u>	113
<u>Voting Rights</u>	114
<u>Conversion Rights</u>	114
<u>Forced Conversion</u>	115
<u>Optional Settlement of Conversion</u>	117
<u>Fractional Shares</u>	117
<u>Conversion Rate Adjustment</u>	118
<u>Recapitalizations, Reclassifications and Changes in Inverness Common Stock</u>	119
<u>Additional Conversion Right Upon a Fundamental Change</u>	120
<u>Adjustment to Conversion Rate Upon a Make-Whole Fundamental Change</u>	121
<u>Consolidation, Merger and Sale of Assets</u>	123
<u>SEC Reports</u>	123
<u>Notices</u>	123
<u>Share Approval Matters: Reserved Common Stock: Miscellaneous</u>	123
<u>Book-Entry, Delivery and Form</u>	124
<u>Certificated Series B Preferred Stock</u>	127
<u>COMPARISON OF STOCKHOLDER RIGHTS</u>	128
<u>PROPOSAL TWO ADJOURNMENT OF THE SPECIAL MEETING</u>	136
<u>APPRAISAL RIGHTS</u>	137
<u>FUTURE MATRIA STOCKHOLDER PROPOSALS</u>	140
<u>LEGAL MATTERS</u>	140
<u>EXPERTS</u>	140
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	141
<u>Annex A The Merger Agreement</u>	A-1
<u>Annex B Form of Certificate of Designations, Preferences and Rights of Series B Convertible Perpetual Preferred Stock of Inverness Medical Innovations, Inc.</u>	B-1
<u>Annex C The Voting Agreement</u>	C-1
<u>Annex D Fairness Opinion of SunTrust Robinson Humphrey</u>	D-1
<u>Annex E Section 262 of the Delaware General Corporation Law</u>	E-1
<u>Ex-8.1 Form of Opinion of Goodwin Procter LLP relating to tax matters</u>	
<u>Ex-8.2 Form of Opinion of Troutman Sanders LLP</u>	
<u>Ex-12 Statement re computation of ratios of earnings to fixed charges</u>	
<u>Ex-23.1 Consent of BDO Seidman, LLP</u>	
<u>Ex-23.2 Consent of KPMG LLP</u>	
<u>Ex-23.3 Consent of PricewaterhouseCoopers LLP</u>	
<u>Ex-23.4 Consent of Ernst & Young LLP</u>	
<u>Ex-23.5 Consent of Colby & Company, PLC</u>	
<u>Ex-99.3 Consent of SunTrust Robinson Humphrey</u>	
<u>Ex-99.4 Form of Proxy of Matria</u>	

Table of Contents

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Inverness and Matria from documents that each company has filed with the Securities and Exchange Commission but that have not been included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see **Where You Can Find More Information beginning on page 141 of this proxy statement/prospectus.**

Inverness will provide you with copies of such documents relating to Inverness (excluding all exhibits unless Inverness has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

**Inverness Medical Innovations, Inc.
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900
Attention: Investor Relations**

Matria will provide you with copies of such documents relating to Matria (excluding all exhibits unless Matria has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

**Matria Healthcare, Inc.
1850 Parkway Place, Suite 1200
Marietta, Georgia 30067
(770) 767-4500
Attention: Secretary**

In order for you to receive timely delivery of the documents in advance of the Matria special meeting, Inverness or Matria should receive your request no later than _____, 2008.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are some questions that you, as a stockholder of Matria, may have regarding the merger and the special meeting of Matria stockholders and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section may not provide all the information that might be important to you with respect to the merger being considered at the special meeting. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this proxy statement/prospectus.

Q: Why am I receiving this proxy statement/prospectus?

A: Inverness has agreed to acquire Matria under the terms of a merger agreement that is described in this proxy statement/prospectus. Please see *The Merger Agreement* beginning on page 90 of this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

In order to complete the merger, Matria stockholders must approve the merger and adopt the merger agreement, and all other conditions to the merger must be satisfied or waived. Matria will hold a special meeting of its stockholders to obtain this approval.

This proxy statement/prospectus contains important information about the merger, the merger agreement and the special meeting of the stockholders of Matria, and you should read this proxy statement/prospectus carefully.

Your vote is very important. We encourage you to vote as soon as possible. The enclosed proxy materials allow you to vote your Matria shares without attending the special meeting. For more specific information on how to vote, please see the questions and answers below.

Q: Why are Inverness and Matria proposing this transaction?

A: The boards of directors of Inverness and Matria believe that the transaction is in the best interests of each company and its stockholders and will provide strategic and financial benefits to the stockholders of both companies. Inverness and Matria expect to realize benefits including operating synergies and broader market opportunities from combining Inverness' emerging disease and health management businesses with Matria's established disease management and wellness businesses. Inverness views the acquisition of Matria as an important part of its overall health management growth strategy that will also complement its rapid diagnostics efforts. To review the parties' reasons for the merger in greater detail, see *The Merger Recommendation of Matria's Board of Directors and Matria's Reasons for the Merger* beginning on page 64 and *The Merger - Inverness Reasons for the Transaction* beginning on page 73 of this proxy statement/prospectus.

Q: How does Matria's board of directors recommend that Matria stockholders vote?

A: The Matria board of directors recommends that Matria stockholders vote **FOR** the proposal to approve the merger and adopt the merger agreement. The Matria board of directors has determined that the merger agreement and the merger are advisable, fair to and in the best interests of Matria and its stockholders. Accordingly, the Matria board of directors has approved the merger agreement and the merger contemplated by the merger agreement. For a more complete description of the recommendation of the Matria board of directors, see *The Matria Special Meeting* beginning on page 56 of this proxy statement/prospectus and *The Merger Recommendation of Matria's Board of Directors and Matria's Reasons for the Merger* beginning on page 64 of this

proxy statement/prospectus.

Q: Am I being asked to vote on anything else?

A: Yes. The Matria board of directors is asking you to authorize Matria management to adjourn the special meeting to a date not later than _____, 2008 if the number of shares of Matria common stock represented and voting in favor of approval of the merger and adoption of the merger agreement is insufficient

v

Table of Contents

to approve the merger and adopt the merger agreement under Delaware law. Adjourning the special meeting to a later date will give Matria additional time to solicit proxies to vote in favor of the approval of the merger and adoption of the merger agreement. The Matria board of directors recommends that you vote **FOR** the adjournment proposal.

Q: What will happen in the proposed transaction?

A: Pursuant to the terms of the merger agreement, Milano MH Acquisition Corp., a wholly owned subsidiary of Inverness, which we refer to as Merger Sub, will merge with and into Matria, and Matria will survive and continue as the interim surviving corporation. The merger will be followed, as soon as reasonably practicable, by a second merger, which we refer to as the upstream merger. In the upstream merger, the interim surviving corporation will merge with and into Milano MH Acquisition LLC, a wholly owned subsidiary of Inverness, which we refer to as Merger LLC, and Merger LLC will survive and continue to exist as a wholly owned subsidiary of Inverness. We refer to the merger and the upstream merger, together, as the transaction.

Q: What consideration will Matria stockholders receive in the merger?

A: For each share of Matria common stock they own, each Matria stockholder who does not properly exercise appraisal rights will receive a combination of (i) \$6.50 in cash, and (ii) a portion of a share of newly created convertible perpetual preferred stock of Inverness, which we refer to as Inverness Series B preferred stock, having a stated value of \$32.50 (the \$400 liquidation value of a share of Inverness Series B preferred stock multiplied by 0.08125, which is the exchange ratio for the issuance of Inverness Series B preferred stock in the merger). Each Matria stockholder who does not properly exercise appraisal rights will receive cash for any fractional share of Inverness Series B preferred stock that such stockholder would be entitled to receive in the merger after aggregating all fractional shares to be received by such stockholder. However, under the merger agreement, at any time prior to the completion of the merger, Inverness may elect, in its sole discretion, to pay cash for each share of Matria common stock, in which case no Inverness Series B preferred stock will be issued in exchange for shares of Matria common stock and there will be no obligation among the parties to complete the upstream merger.

Q: What are the terms of the Inverness Series B preferred stock?

A: We have included a summary of the Inverness Series B preferred stock, as well as a more complete description of the Series B preferred stock, beginning on pages 9 and 110, respectively. In addition, the form of certificate of designations for the Series B preferred stock is attached as Annex B to this proxy statement/prospectus. Matria stockholders are encouraged to read these descriptions and any other documents referred to or incorporated by reference therein.

Generally, the Inverness Series B preferred stock is convertible into shares of Inverness common stock in certain limited circumstances and subject to an increase in Inverness authorized common stock that must be approved by Inverness stockholders, is senior to Inverness common stock, accumulates a dividend of 3% per annum, is not redeemable or payable and has certain limited voting rights but does not vote with the Inverness common stock. In addition, Inverness may settle any conversion by a holder of its Series B preferred stock in cash or a combination of cash and its common stock in lieu of settling entirely in shares of its common stock.

Q: Will the Series B Preferred Stock be listed for trading on a stock exchange?

A: Inverness will file an application to have the shares of Inverness Series B preferred stock issued in the merger and the shares of Inverness common stock issuable upon conversion thereof approved for listing on the American

Stock Exchange LLC, which we refer to as AMEX throughout this proxy statement/prospectus. In addition, the merger agreement provides that Matria is not obligated to consummate the merger unless UBS Securities LLC or another financial institution reasonably acceptable to Matria shall have confirmed that it is qualified and intends to serve as a market maker for the Series B preferred stock on AMEX and that such market maker shall have conducted a road show or similar marketing efforts with

Table of Contents

respect to the Series B preferred stock prior to the effective time of the merger. However, as described more fully in the risk factors relating to the Series B preferred stock beginning on page 30 of this proxy statement/prospectus, even if the Series B preferred stock is listed on AMEX and one or more market makers exist for the Series B preferred stock, an established trading market might not develop in the future.

Q: When do Inverness and Matria expect the transaction to be completed?

A: Inverness and Matria are working to complete the merger as quickly as practicable and currently expect that the merger could be completed promptly after the special meeting. However, Inverness and Matria cannot predict the exact timing of the completion of the merger because it is subject to regulatory approvals and other conditions.

Q: What are the material United States federal income tax consequences of the transaction?

A: If Inverness does not exercise its right to pay the aggregate merger consideration solely in cash pursuant to the terms of the merger agreement, Inverness expects the merger and the upstream merger, considered together as a single integrated transaction, to qualify as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended, which we refer to throughout this proxy statement/prospectus as the Internal Revenue Code. In that case, Matria stockholders who do not perfect their appraisal rights generally will recognize gain (but not loss) equal to the lesser of the amount of cash received in the merger and the amount of gain realized in the merger. If Inverness exercises its right to pay the aggregate merger consideration solely in cash pursuant to the terms of the merger agreement, a holder of Matria common stock who receives cash in exchange for its shares generally will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder's adjusted tax basis in the shares surrendered.

Matria stockholders should read the discussion in the section entitled "The Merger - Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger" beginning on page 77 of this proxy statement/prospectus and should consult their own tax advisors as to the United States federal income tax consequences of the merger, as well as the effects of state, local and foreign tax laws.

Q: What vote of Matria stockholders is required to approve the merger and adopt the merger agreement?

A: Approval of the of the merger and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of Matria common stock outstanding on the record date. Only holders of record of Matria common stock at the close of business on _____, 2008, which we refer to as the record date, are entitled to notice of and to vote at the special meeting. As of the record date, there were _____ shares of Matria common stock outstanding and entitled to vote at the special meeting.

Q: What vote of Matria stockholders is required to approve the adjournment proposal?

A: Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Matria common stock present, either in person or by proxy, and entitled to vote at the special meeting.

Q: Are there any risks related to the merger or any risks related to owning Matria common stock or Inverness Series B preferred stock?

A: Yes. You should carefully review the section entitled "Risk Factors" beginning on page 26 of this proxy statement/prospectus.

Q: Are any stockholders already committed to vote in favor of the merger?

A: Yes. Pursuant to a voting agreement with Inverness, Matria's Chief Executive Officer, Parker H. Petit, and certain other parties affiliated with Mr. Petit have agreed to vote all of the shares of Matria common stock that they directly, indirectly or beneficially own or control at the special meeting in favor of the merger

vii

Table of Contents

proposal. These shares represented approximately 4.7% (or 8% if Mr. Petit exercises all of his vested and outstanding options to purchase Matria common stock prior to the record date) of the outstanding shares of Matria common stock as of the date of the voting agreement. For a more complete description of the voting agreement, see *The Voting Agreement* beginning on page 106 of this proxy statement/prospectus. The voting agreement is also attached to this proxy statement/prospectus as Annex C.

Q: Am I entitled to appraisal rights?

A: Under the Delaware General Corporation Law, holders of Matria common stock who do not vote for the adoption of the merger agreement have the right to seek appraisal and receive cash for the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement/prospectus. This appraisal amount could be more than, the same as, or less than the amount a Matria stockholder would be entitled to receive under the terms of the merger agreement. Any holder of Matria common stock intending to exercise its appraisal rights, among other things, must submit a written demand for appraisal to Matria prior to the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights. Because of the complexity of the Delaware law relating to appraisal rights, if you are considering exercising your appraisal right, we encourage you to seek the advice of your own legal counsel. For a full description of appraisal rights, see *Appraisal Rights* beginning on page 137 of this proxy statement/prospectus.

Q: What will happen to Matria's outstanding options in the merger?

A: Matria's outstanding options will be assumed by Inverness in the merger. Each option so assumed will thereafter represent an option to purchase a number of shares of Inverness common stock equal to the number of shares of Matria common stock subject to the option immediately prior to the merger (whether or not vested) multiplied by the option exchange ratio, rounded down to the nearest whole share. The Matria options to be assumed by Inverness will have fully vested prior to the effective time of the merger in accordance with their terms and any holder may exercise his or her Matria options prior to the merger, in which case the holder will receive the merger consideration for the shares of Matria common stock so acquired. The exercise price per share for each assumed Matria option will be equal to the exercise price per share of the original Matria option divided by the option exchange ratio, rounded up to the nearest whole cent.

The *option exchange ratio* means the quotient obtained by dividing the closing price of a share of Matria common stock on the last trading day immediately prior to the effective time of the merger, as reported on The NASDAQ Global Select Market, by the average closing price of a share of Inverness common stock for the five most recent days that Inverness common stock has traded ending on the trading day immediately prior to the effective time of the merger, as reported on AMEX. For a full description of the treatment of Matria options see *The Merger Agreement Treatment of Matria Stock Options and Assumption of Matria Stock Option Plans* on page 91 of this proxy statement/prospectus.

Q: How will Inverness pay for the cash portion of the merger consideration?

A: Inverness intends to pay the cash portion of the merger consideration with cash on hand and/or borrowings under existing revolving credit facilities. For a more detailed description of the sources of cash for the payment of the cash portion of the merger consideration, see *The Merger Financing of the Merger* beginning on page 77 of this proxy statement/prospectus.

Q: When and where will the special meeting of Matria stockholders be held?

A: The special meeting will be held at 1850 Parkway Place, Suite 600A, Marietta, Georgia 30067 on _____, 2008,
at _____ local time.

Q: Who can attend and vote at the special meeting?

viii

Table of Contents

A: All Matria stockholders of record as of the close of business on the record date are entitled to receive notice of and to vote at the special meeting.

Q: What should I do now in order to vote on the proposals being considered at the special meeting?

A: Matria stockholders as of the record date may vote by proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope. If you hold Matria common stock in street name, which means that your shares are held of record by a broker, bank or other nominee, you must complete, sign, date and return the enclosed voting instruction form to the record holder of your shares with instructions on how to vote your shares. Please refer to the voting instruction form used by your broker, bank or other nominee to see if you may submit voting instructions using the Internet or telephone.

Additionally, you may also vote in person by attending the special meeting. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, and you wish to vote at the special meeting, you must bring a proxy from the record holder of the shares authorizing you to vote at the special meeting. Whether or not you plan to attend the special meeting, you should submit your proxy card or voting instruction form as described in this proxy statement/prospectus.

Q: Do I need to send in my Matria stock certificates now?

A: No. You should not send in your Matria stock certificates now. Following the merger, a letter of transmittal will be sent to Matria stockholders informing them where to deliver their Matria stock certificates in order to receive the cash consideration payable in the merger, the shares of Inverness Series B preferred stock issuable in the merger and any cash in lieu of a fractional share of Inverness Series B preferred stock. You should not send in your Matria common stock certificates prior to receiving this letter of transmittal.

Q: What will happen if I abstain from voting or fail to vote?

A: Your abstention or failure to vote or to instruct your broker, bank or other nominee to vote if your shares are held in street name (referred to as a broker non-vote) will have the same effect as a vote against the proposal to approve the merger and adopt the merger agreement. Your abstention will have the same effect as a vote against the adjournment proposal. Broker non-votes will have no effect on the outcome of the vote on the adjournment proposal. If you submit a signed proxy without specifying the manner in which you would like your shares to be voted, your shares will be voted **FOR** the merger proposal and the adjournment proposal.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. If you are a holder of record, you can change your vote at any time before your proxy is voted at the special meeting by:

delivering a signed written notice of revocation to the Corporate Secretary of Matria;

signing and delivering a new, valid proxy bearing a later date; or

attending the special meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares are held in street name, you must contact your broker, bank or other nominee to change your vote.

Q: What should I do if I receive more than one set of voting materials for the special meeting?

A: You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction forms. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. For each and every proxy card and voting

Table of Contents

instruction form that you receive, please vote as soon as possible by completing, signing, dating and returning the enclosed proxy card in the postage-prepaid envelope enclosed for that purpose.

Q: Who can help answer my questions?

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instructions, you should contact:

**Matria Healthcare, Inc.
1850 Parkway Place, Suite 1200
Marietta, Georgia 30067
(770) 767-4500
Attention: Secretary**

**D.F. King & Co., Inc.
48 Wall Street
22nd Floor
New York, New York, 10005
(212) 269-5550**

x

Table of Contents

SUMMARY

The following is a summary that highlights information contained in this proxy statement/prospectus. This summary may not contain all of the information that may be important to you. For a more complete description of the merger agreement and the merger contemplated by the merger agreement, we encourage you to read carefully this entire proxy statement/prospectus, including the attached annexes. In addition, we encourage you to read the information incorporated by reference into this proxy statement/prospectus, which includes important business and financial information about Inverness and Matria that has been filed with the Securities and Exchange Commission, referred to as the SEC. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 141 of this proxy statement/prospectus.

The Companies

Inverness Medical Innovations, Inc.
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900

Inverness is a global leader in rapid point-of-care diagnostics and the development of near-patient diagnosis, monitoring and health management, that enables individuals to take charge of improving their health and quality of life. Its business is presently organized into three reportable segments: professional diagnostic products, consumer diagnostic products, and vitamins and nutritional supplements. Through its professional diagnostics segment, Inverness develops, manufactures and markets an extensive array of innovative rapid diagnostic test products and other in vitro diagnostic tests to medical professionals, hospitals and laboratories for detection of infectious diseases, cardiac conditions, drugs of abuse and pregnancy. Inverness' consumer diagnostic segment consists primarily of manufacturing operations related to its role as the exclusive manufacturer of products for SPD Swiss Precision Diagnostics, or Swiss Precision, Inverness' 50/50 joint venture with The Procter & Gamble Company, or P&G. Swiss Precision holds a leadership position in the worldwide over-the-counter pregnancy and fertility/ovulation test market. Inverness also manufactures and markets a variety of vitamins and nutritional supplements under its other brands and those of private label retailers primarily in the U.S. consumer market. Inverness has grown its businesses by leveraging its strong intellectual property portfolio and making selected strategic acquisitions. Its products are sold in approximately 90 countries through its direct sales force and an extensive network of independent global distributors.

Matria Healthcare, Inc.
1850 Parkway Place, Suite 1200
Marietta, Georgia 30067
(770) 767-4500

Matria Healthcare, Inc. provides comprehensive, integrated programs and services focused on wellness, disease and condition management, productivity enhancement and informatics. This suite of services, which Matria calls "Health Enhancement," is designed to reduce health-related costs and enhance the health and quality of life of the individuals Matria serves. Matria provides services to self-insured employers, private and government sponsored health plans, pharmaceutical companies and patients. Matria's employer clients are primarily Fortune 1000 companies that self-insure the medical benefits provided to their employees, dependents and retirees. Matria's health plan customers are regional and national health plans, as well as government-sponsored health plans, such as state Medicaid programs.

Matria's online, interactive wellness programs address issues such as: smoking cessation, weight loss, exercise, healthier diet, stress relief, healthy aging, and productivity enhancement. These programs are designed to help employees and health plan members live healthier and longer lives while reducing their healthcare costs and increasing their productivity.

Table of Contents

Matria's disease and condition management programs focus on the most costly medical conditions including, without limitation, diabetes, cardiovascular diseases, respiratory disorders, depression, chronic pain, hepatitis C, cancer and high-risk pregnancies. Matria assists individuals to better manage their conditions by increasing their knowledge about their illnesses or conditions, potential complications and the importance of medication and treatment plan compliance. Depending on acuity, Matria's specialized nurses proactively contact patients to monitor their progress and ensure that they are following the plan of care set by their physicians.

The Transaction

(see page 90)

Inverness and Matria agreed to the acquisition of Matria by Inverness under the terms of the merger agreement that is described in this proxy statement/prospectus. The parties to the merger agreement are Matria, Inverness and two newly formed wholly owned subsidiaries of Inverness created for the purpose of the transaction, Milano MH Acquisition Corp. and Milano Acquisition LLC. Throughout this proxy statement/prospectus, we refer to Milano MH Acquisition Corp. as Merger Sub and Milano MH Acquisition LLC as Merger LLC. Pursuant to the merger agreement, Merger Sub will merge with and into Matria, with Matria as the interim surviving corporation, which activity we refer to as the merger. Following the effectiveness of the merger, as soon as reasonably practicable, the interim surviving corporation will be merged with and into Merger LLC, with Merger LLC surviving and continuing as a wholly owned subsidiary of Inverness, which activity we refer to as the upstream merger. Throughout this proxy statement/prospectus, we refer to the merger and the upstream merger, together, as the transaction. It is intended that the upstream merger shall, through the binding commitment of the parties to the merger agreement, be effected as soon as reasonably practicable following the effective time of the merger without further approval, authorization or direction from or by any of the parties to the merger agreement. We sometimes use the term surviving entity in this proxy statement/prospectus to refer to Merger LLC as the surviving entity following the upstream merger.

We have attached the merger agreement as Annex A to this proxy statement/prospectus. We encourage you to read carefully the merger agreement in its entirety because it is the legal document that governs the transaction.

Merger Consideration

Matria stockholders will receive a combination of (i) \$6.50 in cash, and (ii) a portion of a share of Inverness Series B preferred stock having a stated value of \$32.50 (the \$400 liquidation preference of a share of Inverness Series B preferred stock multiplied by 0.08125, which is the exchange ratio for the issuance of Inverness Series B preferred stock in the merger), for each share of Matria common stock they own, subject to the exercise of appraisal rights. As a result, Inverness expects to issue approximately 1.97 million shares of Inverness Series B preferred stock in the merger based on the number of shares of Matria common stock outstanding on February 12, 2008 (and assuming the exercise of all outstanding options). The combination of cash and stock to be issued to Matria stockholders by Inverness is referred to as the merger consideration. At any time prior to the closing of the merger, Inverness may elect, in its sole discretion, to pay the merger consideration in cash. Inverness is under no obligation to pay the merger consideration in cash. In the event that Inverness elects to pay the aggregate merger consideration in cash, the holders of Matria common stock will not receive any shares of Inverness Series B preferred stock and the parties to the merger agreement will be under no obligation to consummate the upstream merger.

For a full description of the merger consideration and Inverness' right to pay the merger consideration entirely in cash, see *The Merger Agreement - Conversion of Securities* and *The Merger Agreement - Inverness' Right to Pay the Merger Consideration Entirely in Cash* beginning on pages 90 and 91, respectively, of this proxy statement/prospectus.

Treatment of Matria Stock Options

Each outstanding option to purchase Matria common stock will be assumed by Inverness and will be converted at the effective time of the merger into an option to acquire Inverness common stock. Each option

Table of Contents

so assumed will thereafter represent an option to purchase a number of shares of Inverness common stock equal to the number of shares of Matria common stock subject to the option immediately prior to the merger, multiplied by the option exchange ratio, rounded down to the nearest whole share. All Matria options will have fully vested prior to the effective time of the merger in accordance with their terms and any holder may exercise his or her Matria options prior to the merger, in which case the holder will receive the merger consideration for the shares of Matria common stock so acquired. The exercise price per share for each assumed Matria option will be equal to the exercise price per share of the original Matria option divided by the option exchange ratio, rounded up to the nearest whole cent.

The option exchange ratio means the quotient obtained by dividing the closing price of a share of Matria common stock on the last trading day immediately prior to the merger effective time, as reported on The NASDAQ Global Select Market, by the average closing price of a share of Inverness common stock for the five most recent days that Inverness common stock has traded ending on the trading day immediately prior to the merger effective time, as reported on AMEX.

For a full description of the treatment of Matria stock options, see The Merger Agreement Treatment of Matria Stock Options and Assumption of Matria Stock Option Plans beginning on page 91 of this proxy statement/prospectus and The Merger Interests of Executive Officers and Directors of Matria in the Merger beginning on page 74 of this proxy statement/prospectus.

Fractional Shares

Inverness will not issue fractional shares of Inverness Series B preferred stock in the merger. As a result, Matria stockholders will receive cash for any fractional share of Inverness Series B preferred stock that they would otherwise be entitled to receive in the merger.

For a full description of the treatment of fractional shares, see The Merger Agreement Fractional Shares beginning on page 92 of this proxy statement/prospectus.

Risk Factors

(see page 26)

In evaluating the merger, you should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled Risk Factors beginning on page 26 of this proxy statement/prospectus.

Matria Stockholders Meeting; Vote Required

(see page 56)

The special meeting of Matria stockholders will be held on _____, 2008 at _____, local time, at 1850 Parkway Place, Suite 600A, Marietta, Georgia 30067. At the special meeting, Matria stockholders will be asked to approve the merger and adopt the merger agreement and to grant discretionary authority to Matria management to vote your shares to adjourn the special meeting to a date not later than _____, 2008 to solicit additional proxies if there are not sufficient votes for approval of the merger and adoption of the merger agreement.

Only holders of record of Matria common stock at the close of business on _____, 2008, the record date, are entitled to notice of and to vote at the special meeting. As of the record date, there were _____ shares of Matria's common stock outstanding and entitled to vote at the special meeting.

Approval of the merger and adoption of the merger agreement require the affirmative vote of the holders of a majority of the shares of Matria common stock outstanding on the record date. Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Matria common stock present, either in person or by proxy, and entitled to vote at the special meeting.

Table of Contents

Recommendation of Matria s Board of Directors

(see page 56)

Matria s board of directors has determined that the merger is advisable, and fair to and in the best interests of, Matria and its stockholders, and recommends that you vote **FOR** approval of the of the merger and adoption of the merger agreement and **FOR** the proposal to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the merger and adopt the merger agreement.

In considering the recommendation of the Matria board of directors with respect to the merger, Matria stockholders should be aware that certain executive officers and directors of Matria have interests in the merger that may be different from, or in addition to, the interests of Matria stockholders generally. These interests include:

severance and change of control benefits that will be owed to certain executive officers of Matria if they are terminated or leave for good reason after the transaction;

the vesting of options and shares of restricted stock held by certain directors and executive officers of Matria by their terms prior to the effective time of the merger;

Matria s supplemental executive retirement plans, in which certain executive officers are participants, that fully vest upon completion of the merger; and

the continued indemnification and directors and officers insurance coverage of current Matria directors and officers following the merger.

The Matria board of directors was aware of these interests and considered them, among other matters, in making its recommendation.

Opinion of Matria s Financial Advisor

(see page 66 and Annex D)

Matria s financial advisor, SunTrust Robinson Humphrey, Inc., which is referred to as SunTrust Robinson Humphrey throughout this proxy statement/prospectus, delivered an opinion to the Matria board of directors that, as of the date of the fairness opinion and based upon and subject to various qualifications and assumptions described with respect to its opinion, the merger consideration to be received by the stockholders of Matria pursuant to the merger agreement is fair, from a financial point of view, to the holders of Matria s outstanding common stock.

The full text of the written opinion of SunTrust Robinson Humphrey, dated January 27, 2008, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with its opinion, is attached to this proxy statement/prospectus as Annex D. SunTrust Robinson Humphrey, provided its opinion for the information and assistance of the Matria board of directors in connection with its consideration of the transaction. The SunTrust Robinson Humphrey opinion is not a recommendation as to how any holder of Matria common stock should vote at any meeting to be held in connection with, or take any action with respect to, the merger. We encourage you to read the opinion, which is attached as Annex D, and the Section The Merger Opinion of Matria s Financial Advisor beginning on page 66 carefully and in their entirety.

Ownership of Inverness Following the Merger

Based on the number of shares of Matria common stock outstanding as of the record date, Inverness expects to issue approximately 1.97 million shares of Inverness Series B preferred stock in the merger (assuming the exercise of all outstanding options to purchase Matria common stock) and after completion of the merger, former Matria stockholders are expected to own 100% of the then-outstanding shares of Inverness Series B preferred stock. If Inverness elects, in its sole discretion, to pay the merger consideration in the form

Table of Contents

of \$39.00 cash per share of Matria common stock, Matria's stockholders will receive no shares of Inverness Series B preferred stock in connection with the merger.

Share Ownership of Matria Directors and Executive Officers

(see page 74)

As of the record date, the directors and executive officers of Matria and their affiliates beneficially owned and were entitled to vote _____ shares of Matria common stock, which represents approximately % of the Matria common stock outstanding on that date. Concurrently with the execution and delivery of the merger agreement, on January 27, 2008, Inverness entered into a voting agreement with Matria's Chief Executive Officer, Parker H. Petit, and certain other parties affiliated with Mr. Petit with respect to approximately 4.7% (or 8% if Mr. Petit exercises all of his vested and outstanding options to purchase Matria common stock prior to the record date) of the Matria common stock outstanding on that date. For more information regarding the voting agreements, see "The Voting Agreement" beginning on page 106 of this proxy statement/prospectus. The form of voting agreement is attached to this proxy statement/prospectus as Annex C.

Matria's stock option plans provide for the acceleration in full of all unvested options in connection with, but prior to the consummation of, a change of control of Matria. These plans also provide that holders may exercise the accelerated options before the change of control. Since the merger constitutes a change of control, all unvested options held by the executive officers and directors of Matria will become fully vested, and the executive officers and directors of Matria may exercise such options immediately prior to the consummation of the merger. In the event that the executive officers and/or directors elect to exercise such options immediately prior to the consummation of the merger, then the executive officers and/or directors would be entitled to receive the merger consideration for the shares of Matria common stock so acquired. For more information regarding the acceleration of such options, see "The Merger - Interests of Executive Officers and Directors of Matria in the Merger" beginning on page 74 of this proxy statement/prospectus.

Listing of Inverness Series B Preferred Stock and Delisting and Deregistration of Matria Common Stock

(see page 89)

Inverness will file an application to have the shares of Inverness Series B preferred stock issued in the merger and the shares of Inverness common stock issuable upon conversion thereof and pursuant to exercise of Matria stock options assumed by Inverness approved for listing on AMEX; however, Inverness cannot assure you that such shares will be approved for listing. If the merger is completed, Matria common stock will no longer be listed on The NASDAQ Global Select Market and will be deregistered under the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, and Matria will no longer file periodic reports with the SEC.

Conditions to Completion of the Merger

(see page 101)

A number of conditions must be satisfied before the merger will be completed. These include, among others:

the approval of the merger and adoption of the merger agreement by Matria stockholders;

the effectiveness of a registration statement on Form S-4 and there being no pending or threatened stop order relating thereto;

the absence of any law or order that makes the consummation of the merger illegal;

the termination or expiration of all necessary waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, referred to as the HSR Act;

the absence of any instituted or pending action or proceeding by any governmental entity seeking (a) to interfere with the ownership or operation by Inverness of the business of Matria or Inverness or any of

Table of Contents

their subsidiaries, (b) to compel Inverness to dispose of or hold separate any portion of the business or assets of Matria or Inverness or any of their subsidiaries, (c) to impose limitations on the ability of Inverness to exercise full rights of ownership of the shares of Matria common stock, or (d) to require divestiture by Inverness or any of its subsidiaries of any shares of Matria common stock;

the continued accuracy, in all material respects, of the representations and warranties of the parties regarding their capital structures and the due authorization of the merger agreement and, in the case of Matria, representations and warranties regarding its board approval, absence of certain changes, and brokers;

the continued accuracy of all other representations and warranties of the parties, except to the extent that breaches of such representations and warranties would not result in a material adverse effect on the party making the representation or warranty;

the performance or compliance in all material respects of each party with all agreements and covenants contained in the merger agreement and required to be performed or complied with at or before the closing;

the delivery of tax opinions of legal counsel to the effect that the transaction will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, unless Inverness exercises its right to pay the merger consideration entirely in cash;

the absence of material adverse effects with respect to either party since January 27, 2008;

the authorization for listing on AMEX of the shares of Inverness Series B preferred stock to be issued in the merger and the shares of Inverness common stock issuable upon conversion thereof; and

UBS Securities LLC or another financial institution reasonably acceptable to Matria shall have confirmed that it is qualified and intends to serve as a market maker for the Series B preferred stock on AMEX and such market maker shall have conducted a road show or similar marketing efforts with respect to the Series B preferred stock prior to the effective time of the merger.

Each of Inverness, Merger Sub, Merger LLC and Matria may waive the conditions to the performance of its respective obligations under the merger agreement (other than the approval by Matria stockholders) and complete the merger even though one or more of these conditions has not been met. Neither Inverness nor Matria can give any assurance that all of the conditions to the merger will be either satisfied or waived or that the merger will occur.

Regulatory Matters

(see page 88)

The merger is subject to antitrust laws. Inverness and Matria expect to make all required filings under applicable U.S. antitrust laws with the Antitrust Division of the United States Department of Justice, referred to as the Antitrust Division, and the United States Federal Trade Commission, referred to as the FTC, on or prior to February 22, 2008.

Matria Is Prohibited From Soliciting Other Offers

(see page 97)

The merger agreement contains detailed provisions that prohibit Matria, its subsidiaries and their respective officers, directors and representatives from taking any action to solicit or engage in discussions or negotiations with any person

or group with respect to an acquisition proposal, as defined in the merger agreement, including an acquisition that would result in the person or group acquiring more than a 15% interest in Matria's total outstanding securities, a sale of assets of Matria that generate or constitute more than 10% of Matria's net revenue, net income or assets, or a merger or other business combination. The merger agreement does not, however, prohibit Matria's board of directors from considering and recommending to Matria's stockholders an unsolicited acquisition proposal from a third party if specified conditions are met.

Table of Contents

Termination of the Merger Agreement and Termination Fee

(see page 103)

Under circumstances specified in the merger agreement, either Inverness or Matria may terminate the merger agreement. Subject to the limitations set forth in the merger agreement, the circumstances generally include if:

Inverness and Matria mutually agree to terminate the merger agreement;

the merger is not consummated by July 31, 2008, unless the sole reason for the failure to consummate the merger is that the waiting period (or an extension thereof) under the HSR Act has not expired, in which case the date will be extended to October 31, 2008;

a final, non-appealable order is issued or granted by a governmental entity in the United States or any foreign jurisdiction that enjoins or otherwise prohibits the merger from proceeding; or

the Matria stockholders do not approve the merger and adopt the merger agreement at the special meeting.

Inverness may also terminate the merger agreement if certain triggering events identified in the merger agreement occur. These triggering events generally relate to the obligations of Matria's board of directors to maintain its recommendation of the approval of the merger and adoption of the merger agreement and the obligations of Matria regarding the solicitation or acceptance of competing proposals.

Under circumstances specified in the merger agreement, Matria may terminate the merger agreement to enter into a definitive agreement for a superior proposal, but only if it has complied with its obligations regarding the solicitation of competing proposals and has paid Inverness the termination fee described below.

Matria has agreed to pay Inverness \$27.0 million as a termination fee if:

the merger agreement is terminated following the occurrence of any of the triggering events identified in the merger agreement;

either party terminates the merger agreement because the merger is not consummated by July 31, 2008, unless the sole reason for the failure to consummate the merger is that the waiting period (or an extension thereof) under the HSR Act has not expired, in which case the date will be extended to October 31, 2008, or because the Matria stockholders do not approve the merger and adopt the merger agreement, in either case if, prior to the termination of the merger agreement, an acquisition proposal is publicly announced and, within twelve months following the termination, Matria enters into a definitive agreement providing for the acquisition of Matria; or

Matria terminates the merger agreement upon a change of recommendation by its board of directors in connection with a superior offer.

Either party may also terminate the merger agreement if the other party breaches any of its covenants, agreements, representations or warranties set forth in the merger agreement such that the conditions to the terminating party's obligation to effect the merger would not be satisfied at the time of termination and the breach is not cured, or curable, within 30 days after the terminating party delivers written notice of the breach to the other party.

Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger

(see page 77)

If Inverness does not exercise its right to pay the aggregate merger consideration solely in cash pursuant to the terms of the merger agreement, Inverness expects the merger and the upstream merger, considered together as a single integrated transaction, to qualify as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code. In that case, Matria stockholders who do not perfect their appraisal rights generally will recognize gain (but not loss) equal to the lesser of the amount of cash received

Table of Contents

in the merger and the amount of gain realized in the merger. If Inverness exercises its right to pay the aggregate merger consideration solely in cash pursuant to the terms of the merger agreement, a holder of Matria common stock who receives cash in exchange for its shares generally will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder's adjusted tax basis in the shares surrendered.

Matria stockholders should read the discussion in the section entitled "The Merger – Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger" beginning on page 77 of this proxy statement/prospectus and should consult their own tax advisors as to the United States federal income tax consequences of the merger, as well as the effects of state, local and foreign tax laws.

Accounting Treatment

(see page 88)

In accordance with accounting principles generally accepted in the United States, which we refer to as GAAP, Inverness will account for the merger using the purchase method of accounting for business combinations.

Comparison of Rights of Inverness Stockholders and Matria Stockholders

(see page 128)

Matria stockholders, whose rights are currently governed by Matria's certificate of incorporation, its bylaws and Delaware law, will, upon completion of the merger, become Inverness stockholders, and their rights will be governed by Inverness' certificate of incorporation (including the certificate of designations for the Series B preferred stock), its bylaws and Delaware law.

Appraisal Rights

(see page 137)

Under the Delaware General Corporation Law, holders of Matria common stock who do not vote for the adoption of the merger agreement have the right to seek appraisal and receive cash for the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement/prospectus, and if at least one stockholder who properly exercised appraisal rights litigates an appraisal proceeding in the Court of Chancery to obtain the appraisal. This appraisal amount could be more than, the same as, or less than the amount a Matria stockholder would otherwise be entitled to receive under the terms of the merger agreement. Any holder of Matria common stock intending to exercise his appraisal rights, among other things, must submit a written demand for appraisal to Matria prior to the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights. Because of the complexity of the Delaware law relating to appraisal rights, if you are considering exercising your appraisal right, we encourage you to seek the advice of your own legal counsel.

Table of Contents

SUMMARY TERMS OF THE INVERNESS SERIES B PREFERRED STOCK

The following is a brief summary of selected terms of the Inverness Series B preferred stock issuable upon the merger. For a more complete description see Description of Inverness Series B Preferred Stock beginning on page 110 of this proxy statement/prospectus.

Title	Series B Convertible Perpetual Preferred Stock (the Series B preferred stock).
Liquidation preference	\$400 per share, plus accumulated but unpaid dividends.
Dividend	<p>\$12.00, or 3%, for each share of Series B preferred stock per year. Dividends will be cumulative from the date of issuance and, to the extent (a) permitted under Inverness credit facility, (b) assets are legally available under Delaware law to pay dividends and (c) Inverness board of directors or an authorized committee of its board declares a dividend payable, Inverness will pay dividends in (i) cash, (ii) shares of its common stock, (iii) if the dividend is paid on or before June 4, 2015, shares of Series B preferred stock (or convertible preferred stock having substantially the same terms as the Series B preferred stock) or (iv) any combination thereof at Inverness discretion, every quarter.</p> <p>If Inverness elects to make any dividend payment, or portion thereof, in shares of its common stock, such shares shall be valued for such purpose at 97% of the average of the daily volume-weighted average price per share of its common stock for each of the five consecutive trading days ending on the second trading day immediately prior to the record date for such dividend.</p> <p>If Inverness elects to make any dividend payment, or portion thereof, in shares of Series B preferred stock such shares shall be valued for such purpose at 97% of the average of the daily volume-weighted average price per share of the Series B preferred stock for each of the five consecutive trading days ending on the second trading day immediately prior to the record date of such dividend.</p> <p>If Inverness elects to make any dividend payment, or portion thereof, in shares of convertible preferred stock having substantially the same terms as the Series B preferred stock, such shares shall be valued for such purpose at 97% of the price per share of such convertible preferred stock determined by a nationally recognized investment banking firm (unaffiliated with Inverness) retained for this purpose to be such shares fair market value.</p> <p>If Inverness fails to pay dividends on the shares of its Series B preferred stock for six quarterly dividend periods (whether consecutive or not), then holders of shares of Inverness Series B preferred stock will be entitled to</p>

receive, when, as and if declared by Inverness board of directors, out of funds legally available therefor, dividends at the rate per annum equal to 3.0% plus 1.0% until it has paid all dividends on the shares of its Series B preferred stock for all dividend periods up to and including the dividend payment date on which the accumulated and unpaid dividends are paid in full. Any further failure to pay dividends would cause the dividend rate to increase again by 1.0% to 5.0% per annum until Inverness has again paid all dividends for all dividend periods up to and

Table of Contents

including the dividend payment date on which the accumulated and unpaid dividends are paid in full.

No dividends or other distributions (other than a dividend payable solely in shares of a like or junior ranking) may be paid or set apart for payment upon any parity shares or junior shares, nor may any parity shares or junior shares be redeemed or acquired for any consideration by Inverness or any liquidation amount with respect to any such parity or junior shares (except by conversion into or exchange for shares of a like or junior ranking) unless all accumulated and unpaid dividends have been paid or funds or shares of common stock or Series B preferred stock (if permitted) therefor have been set apart on the Series B preferred stock and any parity shares.

Dividend payment dates

The 15th calendar day (or the following business day if the 15th is not a business day) of each January, April, July, and October, commencing following the first full calendar quarter after the issuance date.

Ranking

Inverness Series B preferred stock will rank:

senior to all of the shares of its common stock and to all of its other capital stock issued in the future unless the terms of such capital stock expressly provide that it ranks senior to, or on a parity with, shares of its Series B preferred stock;

on a parity with all of its other capital stock issued in the future the terms of which expressly provide that it will rank on a parity with the shares of Inverness Series B preferred stock; and

junior to all shares of its capital stock issued in the future the terms of which expressly provide that such shares will rank senior to the shares of Inverness Series B preferred stock.

The issuance of any class or series of capital stock having rights on liquidation or as to distributions (including dividends) senior to the Series B preferred stock is subject to the requirements set forth below under Voting Rights.

Redemption

Shares of Inverness Series B preferred stock will not be redeemable by Inverness.

Put rights

Holder will not have a right to require Inverness to repurchase shares of the Series B preferred stock, which we refer to as a put right.

Conversion at election of holder

Each share of Series B preferred stock will be convertible, at the option of the holder, into 5.7703 shares of Inverness common stock (the conversion rate) (which is equivalent to an initial conversion price of approximately \$69.32 per share, as calculated by dividing the \$400 per share liquidation preference by the 5.7703 conversion rate), plus cash in lieu of fractional

shares, in the following circumstances, to the following extent and, until the Authorized Share Increase described below is obtained, Inverness ability to deliver shares of its common stock to satisfy its obligations upon conversion will be subject to a sufficient number of shares of Inverness common stock being available for issuance:

Table of Contents

During any calendar quarter beginning with the second calendar quarter after the issuance date of the Series B preferred stock, if the closing sale price of Inverness common stock on AMEX for each of 20 or more trading days within any period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price per share of common stock in effect on the last trading day of the immediately preceding calendar quarter. For example, if the conversion price per share of Inverness common stock in effect on the last trading of the immediately preceding calendar quarter was \$69.32, the Series B preferred stock would not be convertible unless the Inverness common stock closing sale price exceeded \$90.11 for each of 20 or more trading days within any period of 30 consecutive trading days ending on the last trading day of such immediately preceding calendar quarter.

If during the 5 consecutive business days immediately after any 5 consecutive trading day period (the preferred measurement period) in which the average trading price per share of Series B preferred stock was equal to or less than 97% of the average conversion value of the Series B preferred stock during the preferred measurement period.

Upon the occurrence of a fundamental change, as described below under Additional conversion right upon a fundamental change.

Inverness is party to a consolidation, amalgamation, statutory arrangement, merger or binding share exchange pursuant to which its common stock would be converted into or exchanged for, or would constitute, solely the right to receive, cash, securities or other property.

At Inverness option, the settlement of a conversion may also be made in cash or a combination of cash and shares as described below under Optional Settlement of Conversions.

Upon conversion, holders will not receive any cash payment representing accumulated dividends, if any.

The conversion rate will be subject to adjustments as described below under Anti-dilution adjustments.

Forced Conversion

Inverness may, at its option and, until the Authorized Share Increase described below is obtained, subject to a sufficient number of shares of Inverness common stock being available for issuance upon conversion, cause the Series B preferred stock to be automatically converted into that number of shares of common stock that are issuable at the then prevailing conversion rate under the circumstances described below. Inverness may exercise its right to force conversion on or prior to the third anniversary of the issuance date if, for 20 trading days within any period of 30 consecutive trading days (including the last trading day of such period),

the closing price of Inverness common stock on AMEX exceeds 150% of the then prevailing conversion price of the Series B preferred stock. Inverness may exercise its right to force conversion after the third

Table of Contents

anniversary of the issuance date if, for 20 trading days within any period of 30 consecutive trading days (including the last trading day of such period), the closing price of Inverness common stock on AMEX exceeds 130% of the then prevailing conversion price of the Series B preferred stock.

If Inverness exercises its right to force conversion on or prior to the third anniversary of the issuance date, Inverness will also pay to each holder of Series B preferred stock the following payments: (1) a payment equal to the aggregate amount of any unpaid dividends such holder was entitled to with respect to any dividend periods terminating on or prior to the date of such forced conversion and (2) a redemption premium equal to the amount of dividends such holder would have received after the date of such forced conversion through the three-year anniversary of the issuance date of the Series B preferred stock, which is referred to as the Series B Issue Date, if such holder's shares had not otherwise been converted. At Inverness option, these payments may be made in the form of Inverness common stock based upon 97% of the daily volume-weighted average price of Inverness common stock on that trading day.

At Inverness option, the settlement of an automatic conversion may also be made in cash or a combination of cash and shares as described below under Optional Settlement of Conversion.

Optional Settlement of Conversion

Upon a conversion of shares of Series B preferred stock as described above, Inverness may, at its option, satisfy the entire conversion obligation in cash, or through a combination of cash and common stock, to the extent permitted under its credit facility and under Delaware law and, until the Authorized Share Increase described below is obtained, subject to a sufficient number of shares of Inverness common stock being available for issuance upon conversion.

Cash Settlement. If Inverness elects to satisfy the entire conversion obligation in cash, then it will deliver to each holder of Series B preferred stock, for each of the 20 trading days in the applicable conversion measurement period, a cash settlement amount equal to the daily conversion value per share of Series B preferred stock, as described below.

Combined Settlement. If Inverness elects to satisfy a portion of the conversion obligation in cash (expressed either as a dollar amount or as a percentage of the daily conversion value) and a portion of the conversion obligation in shares of common stock, then Inverness will deliver for each share of Series B preferred stock, for each of the 20 trading days in the applicable conversion measurement period, (1) such partial cash settlement amount divided by 20 (or, if expressed as a percentage of the conversion obligation, such partial cash settlement amount calculated as a percentage of the daily conversion value), plus (2) a number of shares equal to (a) the daily conversion value minus such daily partial cash

settlement amount divided by (b) the daily volume-weighted average price of Inverness common stock on that trading day.

Table of Contents

As used above, the term **conversion measurement period** means the 20 consecutive trading days beginning on the third trading day following the date on which the shares of Series B preferred stock are tendered for conversion.

As used above, the **daily conversion value** means, for each of the 20 trading days during the applicable conversion measurement period, one-twentieth (1/20) of the product of (1) the then applicable conversion rate and (2) the daily volume-weighted average price of a share of Inverness common stock on that trading day.

Anti-dilution adjustments

The conversion rate of the Series B preferred stock is subject to adjustment upon the occurrence of certain events (including payment of cash distributions to holders of Inverness common stock, stock splits, combinations, reclassifications, distribution of certain rights and warrants, certain distributions of non-cash property, certain tender and exchange offers and certain business combinations in which Inverness is not the surviving entity), but will not be adjusted for accumulated and unpaid dividends.

If, however, application of the above would result in a decrease in the conversion rate (other than a share split or share combination), no adjustment to the conversion rate shall be made.

Inverness share increase and issuance

Inverness will use its best efforts to obtain such stockholder approvals at its next annual meeting of stockholders as are necessary to increase the number of shares of authorized common stock and to otherwise allow for conversion of all shares of Series B preferred stock into shares of Inverness common stock, including, as Inverness may determine is necessary, in connection with adjustment to the conversion rate above a certain amount in a fundamental change (in the case of the increase in authorized shares of common stock, the **Authorized Share Increase**, and in the case of any approval necessary to issue shares of common stock as a result of certain increases in the conversion rate, the **Share Issuance Approval**).

Additional conversion right upon a fundamental change

Upon the occurrence of a fundamental change (as described below), if the market value per share of Inverness common stock multiplied by the conversion rate then in effect is less than the liquidation preference, each holder will have the option to convert all or a portion of its Series B preferred stock into Inverness common stock, at an adjusted conversion rate equal to the lesser of (1) the liquidation preference divided by the market value per share of Inverness common stock and (2) 11.5406 shares (two times the initial conversion rate). In lieu of issuing common stock pursuant to this alternative conversion right in the event of a fundamental change, Inverness may make a cash payment to converting holders equal to the liquidation preference of such Series B preferred stock, plus accrued but unpaid dividends. Inverness ability to deliver shares of its common

stock to satisfy its obligations upon conversion will be subject to a sufficient number of shares of Inverness common stock being available for issuance until the Authorized Share Increase and, as applicable, the Share Issuance Approval.

Table of Contents

A fundamental change will be deemed to have occurred upon the occurrence of any of the following:

the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of Inverness assets (determined on a consolidated basis) to any person or group (as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act));

the adoption of a plan the consummation of which would result in Inverness liquidation or dissolution;

the acquisition, directly or indirectly, by any person or group (as such term is used in Section 13(d)(3) of the Exchange Act), of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the aggregate voting power of Inverness voting stock;

any share exchange, consolidation or merger of Inverness (excluding a merger solely for the purpose of changing its jurisdiction of incorporation) pursuant to which Inverness common stock will be converted into cash, securities or other property, to or with any person other than one of its subsidiaries; provided that any such transaction where the holders of more than 50% of all classes of Inverness common equity immediately prior to such transaction continue to own, directly or indirectly, more than 50% of all classes of common equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such event shall not be a fundamental change;

during any period of two consecutive years, individuals who at the beginning of such period comprised Inverness board of directors (together with any new directors whose election by such board of directors or whose nomination for election by Inverness stockholders was approved by a vote of a majority of Inverness directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of Inverness board of directors then in office; or

Inverness common stock ceases to be listed on a national securities exchange including AMEX, or quoted on an over-the-counter market in the United States.

However, a fundamental change will not be deemed to have occurred in the case of a merger or consolidation, if (i) at least 90% of the consideration (excluding cash payments for fractional shares and cash payments pursuant to dissenters appraisal rights) in the merger or consolidation consists of common stock of a United States company traded on a national securities exchange including AMEX (or which will be so traded when issued or exchanged in connection with such transaction) and (ii) as a result of such transaction or transactions the

shares of Series B preferred stock become convertible solely into such common stock. This type of transaction is referred to as an Excluded Transaction.

Table of Contents

Adjustment to conversion rate upon the occurrence of a make-whole fundamental change

If a make-whole fundamental change (as described below) occurs, Inverness will increase the conversion rate applicable to the shares of Series B preferred stock that are surrendered at any time from, and including, the 30th day before the date Inverness originally announces as the anticipated effective date of the make-whole fundamental change to, and including, the 40th business day after the effective date of the make-whole fundamental change. Inverness' ability to deliver shares of its common stock to satisfy its obligations upon conversion will be subject to a sufficient number of shares of Inverness common stock being available for issuance until the Authorized Share Increase. The increase in the conversion rate upon a make-whole fundamental change is designed to provide some level of compensation for the lost option time value of the shares of Series B preferred stock as a result of the make-whole fundamental change. However, the increase is only an approximation of such lost value and may not adequately compensate for such loss.

A make-whole fundamental change will be deemed to have occurred upon the occurrence of any of the following:

the sale, transfer, lease conveyance or other disposition of all or substantially all of Inverness property or assets to any person or group (as such term is used in Section 13(d)(3) of the Exchange Act) (an asset sale make-whole fundamental change); or

a transaction or series of related transactions (other than an Excluded Transaction), in connection with which Inverness common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive other securities, other property, assets or cash.

In connection with the make-whole fundamental change, Inverness will increase the conversion rate by an amount equal to:

the excess, if any, of (1) the average trading price per share of Series B preferred stock for the five consecutive trading days immediately preceding the public announcement of the make-whole fundamental change, over (2) the product of (a) the market value (as defined in Description of the Series B Preferred Stock Adjustment to Conversion Rate Upon Make-Whole Fundamental Change) per share of Inverness common stock for the five consecutive trading days immediately preceding the public announcement of the make-whole fundamental change, and (b) the conversion rate then in effect; divided by

the applicable price (as defined in Description of the Series B Preferred Stock Adjustment to Conversion Rate Upon Make-Whole Fundamental Change).

If the make-whole fundamental change is an asset sale make-whole fundamental change and the consideration paid for Inverness property and

assets consists solely of cash, then the change in the conversion rate will be based on (i) the amount of cash paid for its property and assets (expressed as an amount per share of Inverness common stock outstanding on the effective date of the asset sale

Table of Contents

make-whole fundamental change) and (ii) the effective date of the make-whole fundamental change. If the make-whole fundamental change is of the type described in the second bullet-point above and the consideration paid for Inverness common stock consists solely of cash, then the change in the conversion rate will be based on (i) the cash amount paid per share of Inverness common stock in the make-whole fundamental change and (ii) the effective date of the make-whole fundamental change. In all other cases, the conversion rate will be based on the average of the closing sale prices per share of Inverness common stock on AMEX for the 5 consecutive trading days immediately preceding the effective date of the make-whole fundamental change.

A make-whole fundamental change will not be deemed to have occurred in the case of an Excluded Transaction.

Voting rights

The holders of Series B preferred stock will have no voting rights except as set forth below or as otherwise required by Delaware law from time to time. If dividends payable on the Series B preferred stock are in arrears for six or more quarterly periods (whether or not consecutive), the holders of the Series B preferred stock, voting as a single class with the shares of any other preferred stock or preference securities having similar voting rights, will be entitled at the next regular or special meeting of Inverness stockholders to elect two directors and the number of directors that comprise Inverness board of directors will be increased by the number of directors so elected. These voting rights and the terms of the directors so elected will continue until such time as the dividend arrearage on the preferred stock has been paid in full.

In addition, for so long as any shares of Series B preferred stock remain outstanding, Inverness shall not, without first obtaining the affirmative vote or written consent of the holders of at least a majority of the then outstanding shares of Series B preferred stock:

alter, amend or repeal any provision of, or add any provision to, its certificate of incorporation or bylaws that has an adverse change to the powers, preferences, rights, qualifications, limitations or restrictions of the Series B preferred stock or results in an increase or decrease in the total number of authorized or issued shares of Series B preferred stock;

authorize or designate any class or series of capital stock having rights on liquidation or as to distributions (including dividends) senior to the Series B preferred stock; or

increase or decrease the total number of authorized or issued Series B preferred stock except for the payment of dividends to holders of Series B preferred stock.

Trading

Inverness will apply to list the Series B preferred stock and the underlying shares of common stock on AMEX, on which Inverness common stock

currently trades.

Form and denomination

Inverness expects that the Series B preferred stock will be represented by one or more global securities, deposited with The Depository Trust Company, and registered in the name of Cede & Co., DTC's nominee.

Table of Contents**SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF INVERNESS**

The following selected financial data of Inverness as of and for each of the five fiscal years in the period ended December 31, 2006 have been derived from Inverness audited historical financial statements. The following selected financial data of Inverness as of and for the nine months ended September 30, 2006 and 2007 have been derived from Inverness unaudited historical financial statements. The data below is only a summary and should be read in conjunction with Inverness financial statements and accompanying notes, as well as management's discussion and analysis of financial condition and results of operations, all of which can be found in publicly available documents, including those incorporated by reference into this proxy statement/prospectus. For a complete list of the documents incorporated by reference into this proxy statement/prospectus, please see [Where You Can Find More Information](#) beginning on page 141 of this proxy statement/prospectus.

	2002(1)	Year Ended December 31,			2006	Nine Months Ended September 30,	
		2003	2004	2005		2006	2007
		(In thousands, except per share data)					
Statement of Operations Data:							
Net product sales	\$ 200,399	\$ 285,430	\$ 365,432	\$ 406,457	\$ 552,130	\$ 400,246	\$ 534,521
License and royalty revenue	6,405	9,728	8,559	15,393	17,324	12,200	17,059
Net revenue	206,804	295,158	373,991	421,850	569,454	412,446	551,580
Cost of sales	114,653	167,641	226,987	269,538	340,231	250,551	296,604
Gross profit	92,151	127,517	147,004	152,312	229,223	161,895	254,976
Operating expenses:							
Research and development	14,508	24,367	31,954	30,992	48,706	34,789	44,649
Purchase of in-process research and development					49,600	4,960	169,000
Sales and marketing	39,570	52,504	57,957	72,103	94,445	69,498	104,847
General and administrative	38,628	35,812	52,707	59,990	71,243	51,606	119,161
Loss on dispositions, net					3,498	3,191	
Charge related to asset impairment	12,682						
Operating income (loss)	(13,237)	14,834	4,386	(10,773)	6,371	(2,149)	(182,681)
Interest expense and other expenses, net	(5,955)	(3,270)	(18,707)	(1,617)	(17,986)	(17,106)	(47,416)

(Loss) income from continuing operations before provision for income taxes	(19,192)	11,564	(14,321)	(12,390)	(11,451)	(19,255)	(230,097)
Provision for income taxes	3,443	2,911	2,275	6,819	5,727	3,884	1,550
Equity earnings of unconsolidated entities, net of tax					336	270	2,666
(Loss) income from continuing operations	\$ (22,635)	\$ 8,653	\$ (16,596)	\$ (19,209)	\$ (16,842)	\$ (22,869)	\$ (228,981)
(Loss) income from continuing operations available to common stockholders basic and diluted(2)	\$ (34,583)	\$ 7,695	\$ (17,345)	\$ (19,209)	\$ (16,842)	\$ (22,869)	\$ (228,981)
(Loss) income per common share(2):							
Basic(2)	\$ (3.48)	\$ 0.49	\$ (0.87)	\$ (0.79)	\$ (0.49)	\$ (.70)	\$ (4.89)
Diluted(2)	\$ (3.48)	\$ 0.44	\$ (0.87)	\$ (0.79)	\$ (0.49)	\$ (.70)	\$ (4.89)

Table of Contents

	2002(1)	2003	December 31, 2004 (In thousands)	2005	2006	September 30, 2006 (In thousands)	2007
Balance Sheet Data:							
Cash and cash equivalents	\$ 30,668	\$ 24,622	\$ 16,756	\$ 34,270	\$ 71,104	\$ 74,572	\$ 153,345
Working capital	\$ 27,685	\$ 44,693	\$ 62,615	\$ 84,523	\$ 133,313	\$ 147,622	\$ 315,157
Total assets	\$ 356,495	\$ 540,529	\$ 568,269	\$ 791,166	\$ 1,085,771	\$ 1,068,066	\$ 3,491,541
Total debt	\$ 104,613	\$ 176,181	\$ 191,224	\$ 262,504	\$ 202,976	\$ 201,966	\$ 1,349,364
Redeemable convertible preferred stock	\$ 9,051	\$ 6,185	\$	\$	\$	\$	\$
Total stockholders equity	\$ 161,849	\$ 265,173	\$ 271,416	\$ 397,308	\$ 714,138	\$ 694,737	\$ 1,307,049

- (1) Upon the adoption of Statement of Financial Accounting Standards, or SFAS, No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002, Inverness recorded an impairment charge of \$12.1 million, or \$1.22 per basic and diluted share, and accounted for the charge as a cumulative effect of a change in accounting principle which was subtracted from loss before provision for income taxes to arrive at net loss. Consequently, net loss available to common stockholders in 2002 was \$46.7 million, or \$4.70 per basic and diluted share.
- (2) Basic and diluted (Loss) income from continuing operations available to common stockholders and basic and diluted (loss) income per common share are computed as described in Notes 2(m) and 13 of Inverness consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2006, and Note 6 of Inverness consolidated financial statements included in its Quarterly Report on Form 10-Q for the period ended September 30, 2007.

Table of Contents

SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following table presents summary unaudited pro forma condensed combined financial data that reflects the proposed acquisition of Matria by Inverness. This information also reflects the following significant acquisitions and dispositions that Inverness has completed since December 31, 2005:

Inverness issuance of 13.6 million shares of common stock in November 2007 for net proceeds of \$806.9 million;

Inverness acquisition of Cholestech in September 2007;

Inverness acquisition of Biosite in June 2007, including the related financing transactions;

the formation of Inverness 50/50 joint venture with P&G in May 2007 for the development, manufacturing, marketing and sale of certain consumer diagnostic products, pursuant to which Inverness contributed its consumer diagnostics net assets to the joint venture and received a cash payment of \$325 million;

Inverness acquisition of Instant Technologies in March 2007; and

Inverness acquisition of the Innovacon business, including the ABON facility, in March 2006.

This information is derived from and should be read in conjunction with the Selected Unaudited Pro Forma Condensed Combined Financial Data and the historical financial statements and notes thereto of Inverness and Matria that are incorporated by reference in this proxy statement/prospectus. This information does not reflect the pro forma effect of other acquisitions that Inverness has completed since December 31, 2005, none of which is significant enough to require the presentation of pro forma financial information. In addition, this information does not reflect the pro forma effect of the acquisitions of Alere Medical, Inc. and ParadigmHealth, Inc., each of which occurred in the fourth quarter of 2007. All acquisitions are reflected using the purchase method of accounting, and the actual operating results are included in Inverness historical financial results only from their respective dates of acquisition.

The unaudited pro forma condensed combined statements of operations data assume that the pending acquisition of Matria, the acquisitions of Cholestech, Biosite, Instant and Innovacon and the consummation of the 50/50 joint venture with P&G occurred on January 1, 2006. The unaudited pro forma condensed combined balance sheet data assume that the pending acquisition of Matria occurred on September 30, 2007. The historical Inverness balance sheet as of September 30, 2007 reflects the acquisitions of Cholestech, Biosite, Instant and Innovacon and the formation of the 50/50 joint venture with P&G.

The pro forma data in the table assume that the merger is accounted for using the purchase method of accounting and represent a current estimate based on available information of the combined company's results of operations for the periods presented. As of the date of this document, Inverness has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair market value of the Matria assets to be acquired and liabilities to be assumed and the related allocations of purchase price, nor has it identified all the adjustments necessary to conform Matria's data to Inverness accounting policies. However, Inverness has made certain adjustments to the historical book values of the assets and liabilities of Matria as of September 30, 2007 to reflect certain preliminary estimates of the fair values necessary to prepare the unaudited pro forma condensed combined financial data. The fair value adjustments included in the unaudited pro forma condensed combined financial data represent management's estimates of these adjustments based upon currently available information. The preliminary purchase price allocations

assigned value to certain identifiable intangible assets, including, among other things, customer relationships, core technology and trademarks. Actual results may differ from this unaudited pro forma combined data once Inverness has determined the final purchase price for Matria and has completed the detailed valuation studies necessary to finalize the required purchase price allocations and identified any necessary conforming accounting policy changes for Matria. Accordingly, the final purchase price allocations, which will or may be determined subsequent to the closing of the merger, and their effects on results of operations, may differ materially from the unaudited pro forma combined amounts included in this section.

Table of Contents

The unaudited pro forma condensed combined financial data are presented for illustrative purposes only and do not purport to be indicative of the results of operations or financial position for future periods or the results that actually would have been realized had the merger or the other transactions described above been consummated as of January 1, 2006 or September 30, 2007.

	Year Ended December 31, 2006	Nine Months Ended September 30, 2007
	(In thousands, except per share amounts)	
Pro Forma Condensed Combined Statement of Operations Data:		
Net product and services revenues	\$ 1,202,444	\$ 965,972
Research and license revenues	22,655	19,777
Net revenue	1,225,099	985,749
Cost of sales	602,053	447,005
Gross profit	623,046	538,744
Operating expenses:		
Research and development	103,176	68,523
Purchase of in-process research and development	173,960	
Sales and marketing	257,195	205,415
General and administrative	299,331	194,081
Loss on dispositions	3,498	
Operating (loss) income	(214,114)	70,725
Interest and other income (expense), net	(103,801)	(63,669)
(Loss) income before income taxes	(317,915)	7,056
Income tax provision	3,909	3,677
Net loss	\$ (321,824)	\$ 3,379
Preferred dividends	(21,463)	(16,097)
Net loss available to common stockholders	\$ (343,287)	\$ (12,718)
Net loss per common share:		
Basic and diluted	\$ (6.14)	\$ (0.19)
Weighted average shares basic and diluted	55,905	66,784

**As of
September 30,
2007
(in thousands)**

Pro Forma Condensed Combined Balance Sheet Data:

Cash and cash equivalents	\$ 535,436
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Working capital	\$	713,858
Total assets	\$	5,162,490
Total long-term liabilities, excluding current portion	\$	2,000,786
Total stockholders' equity	\$	2,879,993

Table of Contents**SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF MATRIA**

The following selected financial data of Matria Healthcare, Inc. as of and for each of the five fiscal years in the period ended December 31, 2006 have been derived from Matria's audited historical financial statements. The following selected financial data of Matria as of and for the nine months ended September 30, 2007 and 2006 have been derived from Matria's unaudited historical financial statements. The data below is only a summary and should be read in conjunction with Matria's financial statements and accompanying notes, as well as management's discussion and analysis of financial condition and results of operations, all of which can be found in publicly available documents, including those incorporated by reference into this proxy statement/prospectus. For a complete list of the documents incorporated by reference into this proxy statement/prospectus, please see "Where You Can Find More Information" beginning on page 141 of this proxy statement/prospectus.

	Years Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(In thousands, except per share data)					(In thousands, except per share data)	
Statement of Operations							
Data:							
Revenues	\$ 106,044	\$ 123,196	\$ 145,087	\$ 179,231	\$ 336,139	\$ 247,719	\$ 263,748
Cost of revenues	48,764	57,302	64,938	72,972	109,924	80,104	80,062
Selling and administrative expenses	73,757	64,297	79,309	94,291	159,021	118,845	131,551
Provision for doubtful accounts	5,542	3,382	2,412	3,493	4,093	2,785	3,866
Amortization of intangible assets				365	7,144	5,358	5,358
Total costs and operating expenses	128,063	124,981	146,659	171,121	280,182	207,092	220,837
Operating earnings (loss) from continuing operations	(22,019)	(1,785)	(1,572)	8,110	55,957	40,627	42,911
Interest income	250	222	498	829	1,548	1,165	1,368
Interest expense	(13,501)	(13,730)	(10,127)	(2,418)	(27,591)	(20,699)	(18,047)
Other income, net	(3,096)	1,350	681	226	1,329	879	331
Loss on retirement of 11% Senior Notes			(22,886)				

Earnings (loss) from continuing operations before income taxes	(38,366)	(13,943)	(33,406)	6,747	31,243	21,972	26,563
Income tax benefit (expense)	11,941	5,438	13,329	(2,733)	(12,768)	(9,190)	(10,793)

Earnings (loss) from continuing operations	\$ (26,425)	\$ (8,505)	\$ (20,077)	\$ 4,014	\$ 18,475	\$ 12,782	\$ 15,770
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Net earnings (loss) per common share:							
Basic	\$ (1.89)	\$ (0.56)	\$ (1.29)	\$ 0.21	\$ 0.88	\$ 0.61	\$ 0.74
Diluted	\$ (1.89)	\$ (0.56)	\$ (1.29)	\$ 0.20	\$ 0.85	\$ 0.59	\$ 0.72

Shares used to compute net earnings (loss) per common share::							
Basic	13,964	15,198	15,520	18,795	21,025	20,957	21,344
Diluted	13,964	15,198	15,520	19,874	21,665	21,664	21,828

	2002	2003	December 31, 2004 (In thousands)	2005	2006	September 30, 2006 (Unaudited) (In thousands)	2007
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Cash and cash equivalents	\$ 3,942	\$ 7,736	\$ 35,317	\$ 22,758	\$ 19,839	\$ 28,178	\$ 11,262
Working capital	\$ 153,826	\$ 62,161	\$ 159,297	\$ 141,594	\$ (14,903)	\$ 655	\$ 29,633
Total assets	\$ 291,407	\$ 333,482	\$ 307,392	\$ 323,207	\$ 711,373	\$ 723,438	\$ 692,261
Total long-term liabilities	\$ 122,826	\$ 126,816	\$ 91,068	\$ 7,887	\$ 283,977	\$ 285,332	\$ 281,767
Accumulated deficit	\$ (197,362)	\$ (190,057)	\$ (162,989)	\$ (149,026)	\$ (97,149)	\$ (106,841)	\$ (81,223)
Total stockholders equity	\$ 113,780	\$ 123,547	\$ 159,660	\$ 251,938	\$ 318,976	\$ 303,951	\$ 345,182

Table of Contents

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table presents for Inverness common stock and Matria common stock certain historical, pro forma, pro forma combined and pro forma combined equivalent per share financial information. The pro forma financial information for Inverness reflects the following significant acquisitions and dispositions that Inverness has completed since December 31, 2005:

Inverness issuance of 13.6 million shares of common stock in November 2007 for net proceeds of \$806.9 million;

Inverness acquisition of Cholestech in September 2007;

Inverness acquisition of Biosite in June 2007, including the related financing transactions;

the formation of Inverness 50/50 joint venture with P&G in May 2007 for the development, manufacturing, marketing and sale of certain consumer diagnostic products, pursuant to which Inverness contributed its consumer diagnostics net assets to the joint venture and received a cash payment of \$325.0 million;

Inverness acquisition of Instant Technologies in March 2007;

Inverness acquisition of the Innovacon business, including the ABON facility, in March 2006;

For more pro forma financial information regarding these transactions, including certain estimates and assumptions made by Inverness with respect to that information, see Summary Unaudited Pro Forma Condensed Combined Financial Data beginning on page 19. The pro forma financial information for Inverness does not reflect the pro forma effect of other acquisitions that Inverness has completed since December 31, 2005, none of which is significant enough to require the presentation of pro forma financial information. All acquisitions are reflected using the purchase method of accounting, and the actual operating results are included in Inverness historical financial results only from their respective dates of acquisitions.

For purposes of preparing the following pro forma per share data, the historical financial information for both Inverness and Matria is based on the year ended December 31, 2006 and the nine months ended September 30, 2007.

The pro forma, pro forma combined and pro forma combined equivalent income and dividend per share data assume that the pending acquisition of Matria and the other transactions described above occurred on January 1, 2006. The pro forma, pro forma combined and pro forma combined equivalent net book value per share data assume that the pending acquisition of Matria occurred on September 30, 2007. The pro forma combined equivalent data are calculated by multiplying the pro forma combined data by an amount equal to the pro forma equivalent price per share of \$39.00 divided by \$53.32, the average Inverness common stock closing stock price for the five trading days prior to January 27, 2008.

The pro forma, pro forma combined and pro forma combined equivalent data are presented for illustrative purposes only and do not purport to be indicative of the results of operations or financial position for future

Table of Contents

periods or the results that actually would have been realized had the merger or the other transactions described above been consummated as of January 1, 2006 or September 30, 2007.

	Year Ended/As of December 31, 2006	Nine Months Ended/As of September 30, 2007
Inverness historical data:		
Net loss per basic share	\$ (0.49)	\$ (4.89)
Net loss per diluted share	\$ (0.49)	\$ (4.89)
Cash dividends per share		
Book value per share		\$ 23.70
Inverness pro forma data(1):		
Net loss per basic share	\$ (8.45)	\$ (0.52)
Net loss per diluted share	\$ (8.45)	\$ (0.52)
Cash dividends per share		
Book value per share		\$ 23.70
Matria historical data:		
Net income per basic share	\$ 0.88	\$ 0.74
Net income per diluted share	\$ 0.85	\$ 0.72
Cash dividends per share		
Book value per share		\$ 15.68
Pro forma combined data(2):		
Net loss per basic share	\$ (6.14)	\$ (0.19)
Net loss per diluted share	\$ (6.14)	\$ (0.19)
Cash dividends per share		
Book value per share		\$ 31.48
Pro forma combined equivalent data:		
Net loss per basic share	\$ (4.49)	\$ (0.14)
Net loss per diluted share	\$ (4.49)	\$ (0.14)
Cash dividends per share		
Book value per share		\$ 23.03

(1) Reflects the pro forma effects of the acquisitions of Cholestech, Biosite, Instant Technologies and the Innovacon business and the formation of the 50/50 joint venture with P&G.

(2) Reflects the pro forma effects of both the transactions described in note (1) and the proposed acquisition of Matria.

Table of Contents**COMPARATIVE PER SHARE MARKET PRICE DATA**

Inverness common stock trades on AMEX under the symbol IMA. Matria common stock trades on The NASDAQ Global Select Market under the symbol MATR.

The following table sets forth the closing prices for Inverness common stock and Matria common stock as reported on AMEX and The NASDAQ Global Select Market, respectively, on January 25, 2008, the last trading day before Inverness and Matria announced the merger, and February , 2008, the last trading day before the date of this proxy statement/prospectus. This table also sets forth the pro forma equivalent price per share of Matria common stock on January 25, 2008 and on February , 2008. The pro forma equivalent price per share is equal to (a) \$6.50 (the cash portion of the merger consideration for each share of Matria common stock in the merger) plus (b) the stated value of \$32.50 (the \$400 liquidation preference of a share of Inverness Series B preferred stock multiplied by 0.08125, which is the exchange ratio for the issuance of Inverness Series B preferred stock in the merger). Inverness Series B preferred stock is a new series of preferred stock and such shares are not listed on a national securities exchange. Inverness intends to apply to list the Series B preferred stock on AMEX.

	Inverness Common Stock	Matria Common Stock	Matria Pro Forma Equivalent
January 25, 2008	\$ 52.23	\$ 30.69	\$
February , 2008			

The above table shows only historical comparisons. These comparisons may not provide meaningful information to Matria stockholders in determining whether to approve the merger and adopt the merger agreement. Matria stockholders are urged to obtain current market quotations for Inverness and Matria common stock and to review carefully the other information, including information regarding the Series B preferred stock, contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus, when considering whether to approve the merger and adopt the merger agreement. See [Where You Can Find More Information](#) beginning on page 141 of this proxy statement/prospectus.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

Inverness consolidated ratio of earnings to fixed charges is as follows for the periods indicated:

	Nine Months Ended September 30, 2007 2006 (Unaudited)		2006	Year Ended December 31, 2005 2004		2003	2002
	Ratio of Earnings to Fixed Charges(1)	(2)		0.2x(2)	0.6x(2)		

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before provision for income taxes plus fixed charges (excluding capitalized interest) and fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of the interest within rental expense.

(2) Due to the loss from operations for the nine months ended September 30, 2007 and 2006 and the years ended December 31, 2006, 2005, 2004, and 2002 there were insufficient earnings of \$228.8 million, \$19.3 million, \$11.8 million, \$12.4 million, \$14.3 million and \$19.2 million, respectively, to cover fixed charges.

Table of Contents

RISK FACTORS

In addition to the other information included in this proxy statement/prospectus, including the matters addressed in Cautionary Statement Concerning Forward-Looking Statements beginning on page 55 of this proxy statement/prospectus, you should carefully consider the following risks before deciding whether to vote for approval of the merger and adoption of the merger agreement. In addition, you should read and consider the risks associated with each of the businesses of Inverness and Matria because these risks will also affect the combined company.

Risk Factors Relating to the Transaction

The integration of the operations of Inverness and Matria may be difficult and may lead to adverse effects.

The success of the merger will depend, in part, on the ability of Inverness to realize the anticipated synergies, cost savings and growth opportunities from integrating Matria's business with Inverness' businesses. Inverness' success in realizing these benefits and the timing of this realization depend upon the successful integration of the operations of Matria. The integration of previously independent businesses is a complex, costly and time-consuming process. The difficulties of combining the operations of the businesses include, among others:

consolidating informatics and research and development operations, where appropriate;

integrating Matria's business into Inverness' financial reporting system;

coordinating sales, distribution and marketing functions;

preserving the important licensing, research and development, supply, distribution, marketing, customer and other relationships of Matria;

minimizing the diversion of management's attention from ongoing business concerns; and

coordinating geographically separate organizations.

Inverness and Matria may not accomplish this integration smoothly or successfully. The diversion of the attention of management from its current operations to the integration effort and any difficulties encountered in combining operations could prevent Inverness from realizing the full benefits anticipated to result from the merger and adversely affect other Inverness businesses.

In addition, there can be no assurance that the entity surviving the transaction will be able to retain its senior management and other employees. The failure to retain employees could result in higher operating expenses and disrupt the management of the surviving entity and could have a material adverse effect on the surviving entity's financial condition, results of operations and cash flow.

The value of Inverness common stock may decline, which may decrease the value of the merger consideration to be received by Matria stockholders in the merger.

The value of Inverness common stock might decline prior to the completion of the merger or at any time thereafter. Inverness Series B preferred stock is convertible into Inverness common stock under certain limited circumstances. As

a result, the value of the Series B preferred stock is affected by, among other things, fluctuations in the price of Inverness common stock. The exchange ratio will not be adjusted as a result of any change in the price of Inverness common stock or Matria common stock. Therefore, the value of the merger consideration to be received by Matria stockholders will depend to a certain extent on the market price of Inverness common stock at the time the merger becomes effective. Matria does not have the right to terminate the merger agreement or resolicit the vote of its stockholders based solely on changes in the value of Inverness common stock or Series B preferred stock. Accordingly, if the price of Inverness common stock declines prior to the completion of the merger, the value of the Series B preferred stock to be received by Matria stockholders in the merger will decrease as compared to the value on the date the merger was announced. As of the date hereof, the price of Inverness common stock has declined approximately 15% relative to the price

Table of Contents

on the date of the merger agreement. See The Merger Agreement Conversion of Securities beginning on page 90 of this proxy statement/prospectus.

In addition, because the merger will be completed after the special meeting, Matria stockholders will not know the exact value of the Inverness common stock or Series B preferred stock that will be issued in the merger when they vote on the merger proposal. As a result, a decline in the market price of Inverness common stock after the special meeting will reduce to a certain extent the value of the merger consideration that Matria stockholders will receive.

Inverness and/or Matria's current credit ratings may be downgraded as a result of the announcement of the entry into the merger agreement.

On January 29, 2008, the credit ratings agency, Moody's Investors Services, placed the long-term debt ratings of Inverness and Matria on review for a possible downgrade as a result of the announcement by Inverness and Matria of entering into the merger agreement. The credit ratings assigned to Inverness and Matria's indebtedness affect both of their abilities to obtain new financing and the cost of financing and credit. If Inverness and/or Matria's credit ratings were to be downgraded, their borrowing costs may increase, they may become subject to more stringent covenants and their access to unsecured debt markets could be limited.

In the event Inverness exercises its right to pay the merger consideration entirely in cash, you will not receive shares of Series B preferred stock and will not retain the opportunity to continue to share in the combined company's operations and activities in the future. In addition, if Inverness exercises its right to pay the merger consideration entirely in cash, the upstream merger will not be required and the merger will not be tax-deferred but will be fully taxable to you.

At any time prior to the closing of the merger, Inverness may elect, in its sole discretion, to pay the merger consideration in cash, although Inverness is under no obligation to so pay the merger consideration in cash and there can be no assurance that Inverness will make such an election. In the event that Inverness elects to pay the aggregate merger consideration in cash, the holders of Matria common stock will not receive any shares of Inverness Series B preferred stock and will not retain the opportunity to share in the combined company's operations and activities in the future. Inverness has the right to elect to pay the merger consideration entirely in cash through the closing of the merger. Accordingly, you will not necessarily know whether Inverness will pay the merger consideration in a combination of cash and Series B preferred stock or entirely in cash at the time you review this proxy statement/prospectus and complete your proxy materials. Moreover, Matria will not necessarily know whether Inverness intends to pay entirely in cash at the time of the special meeting of stockholders at which the merger and merger agreement will be considered. In the event Inverness elects to pay the merger consideration entirely in cash, it will need to arrange the financing to pay such amount.

In the event Inverness elects to pay the merger consideration entirely in cash, the upstream merger will not be required and the merger will no longer be tax-deferred but will be fully taxable to you, although you will receive the full amount of your share of such merger consideration in cash.

Inverness and Matria may be unable to obtain the regulatory approvals required to complete the merger.

The merger is subject to review by the Antitrust Division and the Federal Trade Commission, which we refer to throughout this proxy statement/prospectus as the "FTC," under the HSR Act. Under the HSR Act, Inverness and Matria are required to make pre-merger notification filings and await the expiration of the statutory waiting period. Inverness and Matria expect to submit the filings required by the HSR Act on or prior to February 22, 2008. Inverness and Matria do not believe that the merger is subject to review by any other governmental authorities under the antitrust laws of the other jurisdictions where Inverness and Matria conduct business.

While Inverness and Matria expect to obtain required regulatory clearances, consents and approvals, Inverness and Matria cannot be certain that any required approvals will be obtained, nor can they be certain that the approvals will be obtained within the time contemplated by the merger agreement. A delay in

Table of Contents

obtaining any required clearances, consents and approvals might delay and may possibly prevent the completion of the merger.

In addition, even after completion of the merger, the Antitrust Division, the FTC, or other United States or foreign governmental authorities could challenge or seek to block the merger under the antitrust laws, as they deem necessary or desirable in the public interest. Moreover, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Inverness and Matria cannot be sure that a challenge to the merger will not be made or that, if a challenge is made, Inverness and Matria will prevail. For a full description of the regulatory clearances, consents and approvals required for the merger, see *The Merger Regulatory Matters* beginning on page 88 of this proxy statement/prospectus.

The merger agreement limits Matria's ability to pursue alternatives to the merger.

The merger agreement contains provisions that make it more difficult for Matria to sell its business to a party other than Inverness. These provisions include the general prohibition on Matria soliciting any acquisition proposal or offer for a competing transaction, the requirement that Matria pay a termination fee of \$27 million if the merger agreement is terminated in specified circumstances and the requirement that Matria submit the approval of the merger and the adoption of the merger agreement to a vote of Matria's stockholders even if the Matria board of directors changes its recommendation, unless, prior to the stockholder vote, Matria enters into a definitive agreement for a competing acquisition that its board of directors determines to be superior, terminates the merger agreement and pays the termination fee. Moreover, approximately 4.7% (or 8% if Mr. Petit exercises all of his vested and outstanding options to purchase Matria common stock prior to the record date) of the outstanding shares of Matria common stock as of January 27, 2008 are subject to a voting agreement pursuant to which Matria's Chief Executive Officer, Parker H. Petit and certain entities affiliated with Mr. Petit, may be required to vote against certain competing transactions. See *The Merger Agreement Termination* beginning on page 103 of this proxy statement/prospectus, *The Merger Agreement Termination Fee* beginning on page 104 of this proxy statement/prospectus, *The Merger Agreement Obligation of Matria's Board of Directors with Respect to Its Recommendation and Holding of a Stockholders Meeting* beginning on page 97 of this proxy statement/prospectus and *The Voting Agreement* beginning on page 106 of this proxy statement/prospectus.

These provisions might discourage a third party that may have an interest in acquiring all of or a significant part of Matria from considering or proposing an acquisition, even if that party were prepared to pay consideration with a higher per share market price than the current proposed merger consideration. Furthermore, the termination fee may result in a potential competing acquiror proposing to pay a lower per share price to acquire Matria than it might otherwise have proposed to pay. The payment of the termination fee could also have an adverse effect on Matria's financial condition.

Certain directors and executive officers of Matria have interests in the merger that may be different from, or in addition to, the interests of Matria stockholders.

When considering the Matria board of directors' recommendation that Matria stockholders vote in favor of the proposal to approve the merger and adopt the merger agreement, Matria stockholders should be aware that some directors and executive officers of Matria have interests in the merger that may be different from, or in addition to, the interests of Matria stockholders. These interests include agreements that provide for payments under certain circumstances following a change of control, including the acceleration of the vesting of stock options and restricted stock, and the right to continued indemnification and insurance coverage by Inverness for acts or omissions occurring prior to the merger. As a result of these interests, these directors and officers could be more likely to recommend a vote in favor of approval of the merger and adoption of the merger agreement than if they did not hold these interests, and may have reasons for doing so that are not the same as the interests of other Matria stockholders. For a full

description of the interests of directors and executive officers of Matria in the merger, see "The Merger - Interests of Executive Officers and Directors of Matria in the Merger" beginning on page 74 of this proxy statement/prospectus.

Table of Contents

Inverness expects to record a significant amount of goodwill and other intangible assets in connection with the merger, which may result in significant future charges against earnings if the goodwill and other intangible assets become impaired.

In connection with the accounting for the merger, Inverness expects to record a significant amount of goodwill and other intangible assets. Under SFAS No. 142, Inverness must assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets has been impaired. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect Inverness' results of operations in future periods.

Inverness faces different market risks from those faced by Matria, and these risks may cause the value of the shares of Inverness common stock and Inverness Series B preferred stock issued to you to decline.

In the merger you will receive shares of Inverness Series B preferred stock, which are convertible under certain limited circumstances into Inverness common stock. The business, strategy and financial condition of Inverness are different from those of Matria. Inverness' results of operations, as well as the price of Inverness common stock and Inverness Series B preferred stock, will be affected by factors that may be different from those affecting Matria's results of operations and its common stock price. For a description of the businesses of Inverness and Matria and certain risks relating to their businesses, see the sections of this proxy statement/prospectus entitled "Summary of the Companies" on page 1 of this proxy statement/prospectus, "Risk Factors - Risks Relating to Inverness" on page 35 of this proxy statement/prospectus and "Risk Factors - Risks Relating to Matria" on page 51 of this proxy statement/prospectus. For a more detailed description of the businesses of Inverness and Matria, see Inverness' Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and Matria's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, each of which is incorporated by reference in this proxy statement/prospectus.

Failure to complete the merger could negatively impact Matria's stock price and future business and operations.

If the merger is not completed for any reason, Matria may be subject to a number of material risks, including the following:

Matria may incur and be required to pay significant merger-related expenses, such as legal and accounting fees, without realizing the expected benefits of the merger;

Matria may be required to pay Inverness a termination fee of \$27.0 million; and

the price of Matria common stock may decline to the extent that the current market price of Matria common stock reflects an assumption that the merger will be completed.

In addition, Matria's customers may, in response to the announcement of the merger, delay or defer purchasing decisions. Any delay or deferral in purchasing decisions by Matria's customers could have a material adverse effect on Matria's business, regardless of whether or not the merger is ultimately completed. Similarly, current and prospective Matria employees may experience uncertainty about their future role with Inverness until Inverness' strategies with regard to Matria are announced and/or executed. This uncertainty may adversely affect Matria's ability to attract and retain key management, marketing, technical, manufacturing, administrative, sales and other personnel.

You may recognize gain (or additional gain) or loss if the Series B preferred stock is nonqualified preferred stock.

If the Series B preferred stock constitutes "nonqualified preferred stock" within the meaning of Section 351(g) of the Internal Revenue Code, then Matria stockholders would generally recognize capital gain or loss measured by the

difference, if any, between the fair market value of the Series B preferred stock and cash received and the shareholder's tax basis in the Matria common stock exchanged. See The Merger

Table of Contents

Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger on page 77 of this proxy statement/prospectus.

Risks Relating to Inverness Series B Preferred Stock

The market price of Inverness Series B preferred stock could be significantly affected by several factors, including the market price of Inverness common stock, which can be volatile.

We expect that the market price of Inverness Series B preferred stock will be significantly affected by the market price of Inverness common stock. This may result in greater volatility in the market price of the Series B preferred stock than would be expected for nonconvertible preferred stock. Inverness common stock has been listed on AMEX since November 23, 2001. Inverness is currently followed by only a few market analysts and a portion of the investment community. Limited trading of Inverness common stock may therefore make it more difficult for you to sell your shares.

In addition, Inverness share price may be volatile due to fluctuations in its operating results, as well as factors beyond Inverness control. It is possible that in some future periods the results of Inverness operations will be below the expectations of the public market. If this occurs, the market price of Inverness common stock could decline. Furthermore, the stock market may experience significant price and volume fluctuations, which may affect the market price of Inverness common stock for reasons unrelated to its operating performance.

The market price of Inverness common stock and the Series B preferred stock will continue to fluctuate in response to a number of factors, including the following, many of which are beyond Inverness control:

quarterly and annual operating results, including failure to meet the performance estimates of securities analysts;

changes in financial estimates of revenues and operating results or buy/sell recommendations by securities analysts;

the timing of announcements by Inverness or its competitors of significant products, contracts or acquisitions or publicity regarding actual or potential results or performance thereof;

changes in general conditions in the economy, the financial markets or the health care industry;

government regulation in the health care industry;

changes in other areas such as tax laws;

sales of substantial amounts of Inverness common stock or the perception that such sales could occur;

additional acquisitions by Inverness;

a downgrade in Inverness credit rating;

changes in investor perception of Inverness industry, businesses or prospects;

the loss of key employees, officers or directors; or

other developments affecting Inverness or its competitors.

In addition, the stock markets in general, including AMEX, recently have experienced price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of Inverness Series B preferred stock and Inverness common stock.

Table of Contents

The average trading price of Inverness common stock must increase substantially from the current trading price before holders of Inverness Series B preferred stock will be entitled to convert their shares of Series B preferred stock into shares of Inverness common stock.

Inverness Series B preferred stock is convertible into shares of Inverness common stock only if certain conditions are satisfied. One of the conditions for conversion is a trading price condition which requires that the closing sale price of Inverness common stock for 20 days within a 30 day period must exceed 130% of the conversion price in effect on the last trading day of the preceding calendar quarter. For example, if the conversion price per share of Inverness common stock in effect on the last trading day of the immediately preceding calendar quarter was \$69.32, the Series B preferred stock would not be convertible unless the Inverness common stock closing sale price exceeded \$90.11 for each of 20 or more trading days within any period of 30 consecutive trading days ending on the last trading day of such immediately preceding calendar quarter. Inverness currently intends to retain future earnings, if any, to finance the expansion of its business and does not expect to pay any dividends on Inverness common stock in the foreseeable future. In addition, Inverness existing credit facilities currently prohibit the payment of cash dividends. As a result, any increase in the trading price of Inverness common stock will depend entirely upon any future appreciation. There is no guarantee that shares of Inverness common stock will appreciate in value or even maintain the value at which the shares were purchased and therefore your ability to convert the Series B preferred stock may be limited.

Recipients of Series B preferred stock who convert their shares into Inverness common stock will incur immediate dilution.

Persons receiving Inverness Series B preferred stock who convert their shares into Inverness common stock will incur immediate and substantial dilution because the per share conversion price of the Series B preferred stock after the merger will be higher than the net tangible book value per share of the outstanding Inverness common stock. In addition, you will also experience dilution when Inverness issues additional shares of common stock, including, but not limited to:

issuances of common stock by Inverness as consideration for future acquisitions;

issuances of common stock by Inverness upon the conversion of Inverness convertible notes;

issuances of common stock by Inverness as a result of the exercise of Inverness stock options or under other employee or director compensation plans, including under plans assumed by Inverness in connection with acquisitions of other companies, such as will occur in the event the proposed acquisition of Matria is completed; and

issuances of common stock by Inverness in connection with future public offerings.

Holders of Inverness Series B preferred stock will have no rights as a common stockholder until they acquire Inverness common stock.

Until you acquire shares of Inverness common stock upon conversion, you will have no rights with respect to Inverness common stock, including voting rights (except as required by applicable state law and as described under Description of Inverness Series B Preferred Stock Voting Rights). Upon conversion, you will be entitled to exercise the rights of a holder of Inverness common stock only as to matters for which the record date occurs after the date on which such shares are converted. For example, in the event that an amendment is proposed to Inverness certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the date on which shares are converted, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special

rights of Inverness common stock.

Table of Contents

Inverness Series B preferred stock does not have an established trading market, which may negatively impact its market value and your ability to transfer or sell your shares, and the Series B preferred stock has no stated maturity date.

The Inverness Series B preferred stock will be a newly issued security with no established trading market. Because the Series B preferred stock does not have a stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. Inverness will apply to have the Series B preferred stock listed on AMEX at such time as the issuance of Series B preferred stock meets the applicable listing standards of AMEX. UBS Securities LLC has indicated that it intends to act as a market maker for the Series B preferred stock. However, an active trading market for the Series B preferred stock may not develop or, even if it develops, may not last, in which case the trading price of the Series B preferred stock could be adversely affected.

In addition, the parties are unable to accurately predict the price at which the Inverness Series B preferred stock will trade on the secondary market, but expect that such price will be affected significantly by the price of Inverness common stock. Therefore, the value of the Series B preferred stock may be significantly less than the liquidation preference (i.e. \$400 per share of Series B preferred stock) or the stated value of Series B preferred stock to be received per share of Matria common stock in the merger (i.e. \$32.50 stated value per share of Matria common stock representing the \$400 per share liquidation preference multiplied by the exchange ratio of 0.08125).

Delaware law may restrict Inverness from paying dividends on its Series B preferred stock.

Although holders of Series B preferred stock are entitled to receive dividends equal to 3% per annum per share of Series B preferred stock, quarterly dividends will be paid only if declared by Inverness board of directors or an authorized committee of its board of directors. The board of directors or an authorized committee of the board of directors is not obligated or required to declare quarterly dividends even if Inverness has funds available for such purposes.

In addition, Delaware law provides that Inverness may pay dividends on the Series B preferred stock only to the extent that assets are legally available to pay such dividends. Legally available assets are defined as the amount of surplus. Inverness surplus is the amount by which its total assets exceed the sum of:

Its total liabilities, including its contingent liabilities, and

The amount of its capital.

If there is no surplus, legally available assets mean, in the case of a dividend, the amount of Inverness net profits for the fiscal year in which the payment occurs and/or the preceding fiscal year.

Inverness may be limited in its ability to pay cash dividends in the future.

Inverness current credit facilities require Inverness to obtain the consent of its lenders under such credit facilities in order to pay cash dividends on shares of its capital stock, including its Series B preferred stock. Although Inverness intends to pursue the consent of its lenders under its existing credit facilities for the payment of cash dividends on shares of its Series B preferred stock, there can be no assurances that Inverness will be able to obtain such consent. Accordingly, Inverness may be forced to pay dividends on its Series B preferred stock in shares of its common stock or its Series B preferred stock even if Inverness were to prefer at that time to pay such dividends in cash. Distributions with respect to the Inverness Series B preferred stock (whether paid in cash, common stock, preferred stock, or any combination thereof) will be taxable under Internal Revenue Code Section 301 as dividend income when paid to the extent of the current or accumulated earnings and profits of Inverness, as determined for United States federal income

tax purposes. See The Merger Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger on page 77 of this proxy statement/prospectus.

Table of Contents

Conversion of Series B preferred stock into common stock will be limited until Inverness receives the approval of its stockholders for an increase in its authorized common stock.

The Series B preferred stock is convertible into shares of Inverness common stock in certain limited circumstances. Should the holders of Series B preferred stock or Inverness elect to convert the Series B preferred shares into common stock in these circumstances, the issuance of such common stock to satisfy its conversion obligations will be subject to there being a sufficient number of authorized and unissued shares of common stock to allow for such issuance. Presently, Inverness does not have sufficient shares of its common stock available to permit full conversion of the Series B preferred shares into shares of its common stock. As such, Inverness may not be able to fully convert the Series B preferred stock into shares of common stock until it has received all of the necessary stockholder approvals to increase the number of shares of authorized common stock to an amount that would allow for such common stock to be issued. Accordingly, conversion of the Series B preferred stock will be limited until Inverness receives the necessary approval of its stockholders to increase the number of shares of its authorized common stock.

In the event of an adjustment to the Series B preferred stock's conversion rate in connection with a fundamental change, Inverness may be unable to satisfy its obligation to issue all of the shares of common stock issuable following such conversion rate increase unless Inverness has previously received, or in connection with such fundamental change receives, the approval of its stockholders to issue shares of its common stock issuable for that portion of the conversion rate in excess of an amount to be determined as of the effective time of the merger based on the number of shares of Inverness common stock issued or issuable in the merger (including upon conversion of the Inverness Series B preferred stock) and the number of issued and outstanding shares of Inverness.

The Series B preferred stock is subject to adjustment in the event of a fundamental change up to a maximum of 11.5406. AMEX rules require that any issuance of common stock in excess of 20% of Inverness' outstanding common stock in connection with an acquisition requires the approval of Inverness' stockholders. In the event Inverness were to undergo a fundamental change and the conversion rate increased to an amount that would cause the common stock issued or issuable in the merger (including upon conversion of the Series B preferred stock) to exceed 20% of Inverness' issued and outstanding common stock as of the effective time of the merger, Inverness may not be able to issue all of the shares of Inverness common stock issuable upon conversion of the Series B preferred stock following such conversion rate adjustment unless Inverness has previously received the approval of its stockholders to issue shares of Inverness common stock or sufficient shares of common stock remain from the original listing on AMEX of shares of Inverness common stock issuable upon conversion of the Series B preferred stock as a result of earlier settlement of conversions in cash or a combination of cash and shares of Inverness common stock.

The additional shares of Inverness common stock payable on its Series B preferred stock in connection with a make-whole fundamental change may not adequately compensate you for the lost option time value of your shares of Inverness Series B preferred stock as a result of such fundamental change.

If a make-whole fundamental change occurs, Inverness will, in certain circumstances, increase the conversion rate on its Series B preferred stock converted in connection with the make-whole fundamental change by a number of additional shares of its common stock. The number of additional shares of Inverness common stock will be determined based on the date on which the make-whole fundamental change becomes effective and the applicable price described in this proxy statement/prospectus under "Description of Inverness Series B Preferred Stock Adjustment to Conversion Rate Upon a Make-Whole Fundamental Change." While the increase in the conversion rate upon conversion is designed to compensate you for the lost option time value of your shares of Inverness Series B preferred stock as a result of the make-whole fundamental change, the increase is only an approximation of this lost value and may not adequately compensate you for your loss.

Table of Contents

You may have to pay taxes with respect to distributions on Inverness common stock that you do not receive.

The conversion rate of the Series B preferred stock is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by Inverness that modify its capital structure. See Description of Inverness Series B Preferred Stock Conversion Rate Adjustment on page 118 of this proxy statement/prospectus. If the conversion rate is adjusted as a result of a distribution that is taxable to Inverness common stock holders, such as a cash dividend, you would be treated as receiving a distribution and may be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. If the conversion rate is increased at Inverness discretion or in certain other circumstances (including as a result of certain fundamental changes), such increase also may be deemed to be the payment of a taxable dividend to you, notwithstanding the fact that you do not receive a cash payment. The amount that you would have to include in income will generally be equal to the value of the additional shares that you would receive on conversion as a result of the adjustment to the conversion rate. See The Merger United States Federal Income Tax Consequences of the Merger and the Upstream Merger Adjustment of Conversion Rate and Section 305 on page 85 of this proxy statement/prospectus.

Inverness may not have sufficient earnings and profits in order for distributions on the Series B preferred stock to be treated as dividends.

The distributions payable by Inverness on its Series B preferred stock may exceed its current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes, at the time of payment. If that occurs, it will result in the amount of the distributions that exceed such earnings and profits being treated first as a return of capital to the extent of the holder's adjusted tax basis in the Series B preferred stock, and the excess, if any, over such adjusted tax basis as capital gain. Such treatment will generally be unfavorable for corporate holders and may also be unfavorable to certain other holders. See The Merger Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger on page 77 of this proxy statement/prospectus.

A conversion of your Series B preferred stock could be taxable in whole or in part.

A conversion of your Series B preferred stock (whether at your option or at Inverness option) could be taxable in whole or in part. The specific tax consequences of a conversion will vary depending on whether Inverness settles its conversion obligation in stock, cash, or a combination of the two and whether there is any payment in respect of previously accrued but unpaid dividends or any payment of a premium determined with respect to the dividends not previously accrued but that a holder would have received through the third anniversary of the issuance date of the Series B preferred stock. See The Merger Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger on page 77 of this proxy statement/prospectus.

If the Series B preferred stock is Section 306 stock, gain recognized on some dispositions would be treated as ordinary income or dividend income, as opposed to capital gain.

The Series B preferred stock could, under certain circumstances, be treated as Section 306 stock in the hands of a holder. A holder of Series B preferred stock that is Section 306 stock in his hands would be treated as recognizing ordinary income or dividend income (instead of capital gain) on certain dispositions of the Series B preferred stock, and losses on such dispositions would be disallowed. See The Merger Material United States Federal Income Tax Consequences of the Merger and the Upstream Merger on page 77 of this proxy statement/prospectus.

Table of Contents

Inverness issuance of additional series of preferred stock could adversely affect holders of Inverness common stock.

After giving effect to issuance of the Series B preferred stock in the merger, Inverness board of directors is authorized to issue additional series or shares of preferred stock without any action on the part of Inverness stockholders, so long as such series or shares do not have liquidation or distribution rights senior to that of the existing preferred stock. Accordingly, Inverness may issue after the consummation of the merger additional shares of preferred stock that are on parity or are junior to its Series B preferred stock. Inverness board of directors also has the power, without stockholder approval, to set the terms of any such series or shares of preferred stock that may be issued, including voting rights, dividend rights, preferences over Inverness common stock with respect to dividends or if Inverness liquidates, dissolves or winds up its business and other terms. If Inverness issues preferred stock in the future that has preference over Inverness common stock with respect to the payment of dividends or upon Inverness liquidation, dissolution or winding up, or if Inverness issues preferred stock with voting rights that dilute the voting power of Inverness common stock, the rights of holders of Inverness common stock or the market price of Inverness common stock could be adversely affected.

Inverness Series B preferred stock will rank junior to its indebtedness in the event of a bankruptcy, liquidation or winding up of Inverness assets.

In the event of bankruptcy, liquidation or winding up, Inverness assets will be available to pay obligations on its Series B preferred stock only after all of its indebtedness has been paid. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying Inverness indebtedness, to pay amounts due on any or all of its Series B preferred stock then outstanding.

Risks Relating to Inverness

Inverness business has substantial indebtedness, which could, among other things, make it more difficult for Inverness to satisfy its debt obligations, require Inverness to use a large portion of its cash flow from operations to repay and service its debt or otherwise create liquidity problems, limit its flexibility to adjust to market conditions, place it at a competitive disadvantage and expose it to interest rate fluctuations.

Inverness currently has, and will likely continue to have, a substantial amount of indebtedness. As of September 30, 2007, in addition to other indebtedness, Inverness had approximately \$939.0 million in aggregate principal amount of indebtedness outstanding under its senior secured credit facilities, or the senior secured facility, \$250.0 million in aggregate principal amount of indebtedness outstanding under a junior secured credit facility, or the junior secured facility (collectively with the senior secured facility, the secured credit facilities), and \$150.0 million in indebtedness under its outstanding 3% senior subordinated convertible notes, or the senior subordinated convertible notes. Upon completion of syndication, the term loan under the senior secured facility is expected to bear interest at a rate per annum of LIBOR plus 2.00%, while the revolving line of credit is expected to bear interest at a rate per annum of LIBOR plus between 1.75% and 2.25%, depending on Inverness consolidated leverage ratio. The junior secured facility bears interest at a rate per annum of LIBOR plus 4.25%. Inverness also had \$109.0 million of additional borrowing capacity under the revolving portions of the senior secured facility and, subject to restrictions in Inverness secured credit facilities and the senior subordinated convertible notes, has the ability to incur additional indebtedness.

Inverness substantial indebtedness could affect its future operations in important ways. For example, it could:

- make it more difficult to satisfy Inverness obligations under the senior subordinated convertible notes, its secured credit facilities and its other debt-related instruments;

require Inverness to use a large portion of its cash flow from operations to pay principal and interest on its indebtedness, which would reduce the amount of cash available to finance its operations and service obligations, to delay or reduce capital expenditures or the introduction of new products and/or forego

Table of Contents

business opportunities, including acquisitions, research and development projects or product design enhancements;

limit Inverness' flexibility to adjust to market conditions, leaving it vulnerable in a downturn in general economic conditions or in its business and less able to plan for, or react to, changes in its business and the industries in which it operates;

impair Inverness' ability to obtain additional financing;

place Inverness at a competitive disadvantage compared to its competitors that have less debt; and

expose Inverness to fluctuations in the interest rate environment with respect to its indebtedness that bears interest at variable rates.

Inverness expects to obtain the money to pay its expenses and to pay the principal and interest on the senior subordinated convertible notes, its secured credit facilities and its other debt from cash flow from its operations and from additional loans under its secured credit facilities, subject to continued covenant compliance, and potentially from other debt or equity offerings. Inverness' ability to meet its expenses thus depends on its future performance, which will be affected by financial, business, economic and other factors. Inverness will not be able to control many of these factors, such as economic conditions in the markets in which it operates and pressure from competitors. Inverness cannot be certain that its cash flow will be sufficient to allow it to pay principal and interest on its debt and meet its other obligations. If Inverness' cash flow and capital resources prove inadequate, it could face substantial liquidity problems and might be required to dispose of material assets or operations, restructure or refinance its debt, including the notes, seek additional equity capital or borrow more money. Inverness cannot guarantee that it will be able to do so on acceptable terms. In addition, the terms of existing or future debt agreements, including the credit agreements governing Inverness' secured credit facilities and the indenture governing the senior subordinated convertible notes, may restrict Inverness from adopting any of these alternatives.

Inverness has entered into agreements governing its indebtedness that subject it to various restrictions that may limit its ability to pursue business opportunities.

The agreements governing Inverness' indebtedness, including the credit agreements governing its secured credit facilities and the indenture governing the senior subordinated convertible notes, subject Inverness to various restrictions on its ability to engage in certain activities, including, among other things, its ability to:

incur additional indebtedness;

pay dividends or make distributions or repurchase or redeem its stock;

acquire other businesses;

make investments;

make loans to or extend credit for the benefit of third parties or its subsidiaries;

enter into transactions with affiliates;

raise additional capital;

make capital or finance lease expenditures;

dispose of or encumber assets; and

consolidate, merge or sell all or substantially all of its assets.

These restrictions may limit Inverness ability to pursue business opportunities or strategies that it would otherwise consider to be in its best interests.

Table of Contents

Inverness secured credit facilities contain certain financial covenants that it may not satisfy which, if not satisfied, could result in the acceleration of the amounts due under these facilities and the limitation of its ability to borrow additional funds in the future.

The agreements governing Inverness secured credit facilities subject it to various financial and other covenants with which it must comply on an ongoing or periodic basis. These include covenants pertaining to capital expenditures, interest coverage ratios, leverage ratios and minimum cash requirements. If Inverness violates any of these covenants, it may suffer a material adverse effect. Most notably, Inverness outstanding debt under its secured credit facilities could become immediately due and payable, its lenders could proceed against any collateral securing such indebtedness, and its ability to borrow additional funds in the future may be limited.

A default under any of the agreements governing Inverness indebtedness could result in a default and acceleration of indebtedness under other agreements.

The agreements governing Inverness indebtedness, including the credit agreements governing its secured credit facilities and the indenture governing the senior subordinated convertible notes, contain cross-default provisions whereby a default under one agreement could result in a default and acceleration of its repayment obligations under other agreements. If a cross-default were to occur, Inverness may not be able to pay its debts or borrow sufficient funds to refinance them. Even if new financing were available, it may not be on commercially reasonable terms or acceptable terms. If some or all of Inverness indebtedness is in default for any reason, its business, financial condition and results of operations could be materially and adversely affected.

Inverness may not be able to satisfy its debt obligations upon a fundamental change or change of control, which could limit its opportunity to enter into a fundamental change or change of control transaction.

Upon the occurrence of a fundamental change, as defined in the indenture governing the senior subordinated convertible notes, each holder of Inverness senior subordinated convertible notes will have the right to require Inverness to purchase the notes at a price equal to 100% of the principal amount, together with any accrued and unpaid interest. A fundamental change includes, among other things, the acquisition of more than 50% of the Inverness common stock by any person or group, the sale of all or substantially all of the assets of Inverness or a recapitalization or similar transaction involving Inverness. Inverness failure to purchase, or give notice of purchase of, the senior subordinated convertible notes would be a default under the indenture, which would in turn be a default under its secured credit facilities. In addition, the occurrence of a change of control, as defined in the credit agreements governing Inverness secured credit facilities, will constitute an event of default under the secured credit facilities. A default under Inverness secured credit facilities would result in an event of default under its senior subordinated convertible notes and, if the lenders accelerate the debt under Inverness secured credit facilities and/or under the indenture governing the senior subordinated convertible notes, this may result in the acceleration of Inverness other indebtedness outstanding at the time. As a result, if Inverness does not have enough cash to repay all of its indebtedness or to repurchase all of the senior subordinated convertible notes, Inverness may be limited in the fundamental change or change of control transactions that it may pursue.

Inverness acquisitions may not be profitable, and the integration of these businesses may be costly and difficult and may cause disruption to its business.

Since commencing activities in November 2001, Inverness has acquired and attempted to integrate, or is in the process of integrating, into its operations Unipath Limited and its associated companies and assets, or the Unipath business, IVC Industries, Inc. (now doing business as Inverness Medical Nutritionals Group, or IMN); the Wampole Division of MedPointe Inc., or Wampole; Ostex International, Inc., or Ostex; Applied Biotech, Inc., or ABI; the rapid diagnostics business that Inverness acquired from Abbott Laboratories, or the Abbott rapid diagnostics business; Ischemia, Inc., or

Ischemia; Binax, Inc., or Binax; the Determine/

Table of Contents

DainaScreen business that Inverness acquired from Abbott Laboratories in 2005, or the Determine business; Thermo BioStar Inc., BioStar; the rapid diagnostics business that Inverness acquired from ACON Laboratories, Inc., or the Innovacon business; Instant Technologies, Inc., or Instant; Biosite Incorporated, or Biosite; Cholestech Corporation, or Cholestech; Hemosense, Inc., or Hemosense; Alere Medical, Inc., or Alere; Redwood Toxicology Laboratories Inc., or Redwood; ParadigmHealth, Inc., or Paradigm Health and BBI Holdings PLC, or BBI. Inverness has also made a number of smaller acquisitions. The ultimate success of all of these acquisitions, and the proposed acquisition of Matria, depends, in part, on Inverness' ability to realize the anticipated synergies, cost savings and growth opportunities from integrating these businesses or assets into Inverness' existing businesses. However, the successful integration of independent businesses or assets is a complex, costly and time-consuming process. The difficulties of integrating companies and acquired assets include among others:

consolidating manufacturing and research and development operations, where appropriate;

integrating newly acquired businesses or product lines into a uniform financial reporting system;

coordinating sales, distribution and marketing functions and strategies, including the integration of Inverness current health management products and services with those of Matria;

establishing or expanding manufacturing, sales, distribution and marketing functions in order to accommodate newly acquired businesses or product lines or rationalizing these functions to take advantage of synergies;

preserving the important licensing, research and development, manufacturing and supply, distribution, marketing, customer and other relationships;

minimizing the diversion of management's attention from ongoing business concerns; and

coordinating geographically separate organizations.

Inverness may not accomplish the integration of its acquisitions smoothly or successfully. The diversion of the attention of Inverness management from current operations to integration efforts and any difficulties encountered in combining operations could prevent Inverness from realizing the full benefits anticipated to result from these acquisitions and adversely affect its other businesses. Additionally, the costs associated with the integration of Inverness' acquisitions can be substantial. To the extent that Inverness incurs integration costs that are not anticipated when it finances its acquisitions, these unexpected costs could adversely impact its liquidity or force it to borrow additional funds. Ultimately, the value of any business or asset that Inverness has acquired may not be greater than or equal to the purchase price of that business or asset.

If Inverness chooses to acquire or invest in new and complementary businesses, products or technologies rather than developing them internally, such acquisitions or investments could disrupt its business and, depending on how Inverness finances these acquisitions or investments, could result in the use of significant amounts of cash.

Inverness' success depends in part on its ability to continually enhance and broaden its product offerings in response to changing technologies, customer demands and competitive pressures. Accordingly, from time to time Inverness may seek to acquire or invest in businesses, products or technologies instead of developing them internally. Acquisitions and investments involve numerous risks, including:

the inability to complete the acquisition or investment;

disruption of Inverness' ongoing businesses and diversion of management attention;

difficulties in integrating the acquired entities, products or technologies;

difficulties in operating the acquired business profitably;

Table of Contents

difficulties in transitioning key customer, distributor and supplier relationships;
risks associated with entering markets in which Inverness has no or limited prior experience; and
unanticipated costs.

In addition, any future acquisitions or investments may result in:

issuances of dilutive equity securities, which may be sold at a discount to market price;
use of significant amounts of cash;
the incurrence of debt;
the assumption of significant liabilities;
unfavorable financing terms;
large one-time expenses; and
the creation of intangible assets, including goodwill, the write-down of which may result in significant charges to earnings.

Inverness joint venture transaction with P&G may not realize all of its intended benefits.

On May 17, 2007, Inverness completed its 50/50 joint venture transaction with P&G, creating Swiss Precision and transferring to Swiss Precision substantially all of the assets of Inverness' consumer diagnostics business, other than its manufacturing and core intellectual property assets, in exchange for \$325.0 million in cash. In connection with the establishment of the Swiss Precision joint venture, Inverness may experience:

difficulties in integrating the respective corporate cultures and business objectives of Inverness and P&G into the new joint venture;
difficulties or delays in transitioning clinical studies;
diversion of Inverness management's time and attention from other business concerns;
higher than anticipated costs of integration at the joint venture;
difficulties in retaining key employees who are necessary to manage the joint venture; or
difficulties in working with an entity based in Switzerland and thus remote or inconvenient to Inverness Waltham, Massachusetts headquarters.

For any of these reasons or as a result of other factors, Inverness may not realize the anticipated benefits of the joint venture, and cash flow or profits derived from Inverness' ownership interest in Swiss Precision may be less than the cash flow or profits that could have been derived had Inverness retained the transferred assets and continued to operate the consumer diagnostics business itself. P&G retains an option to require Inverness to purchase P&G's interest in

Swiss Precision at fair market value during the 60-day period beginning on the fourth anniversary of the closing. Moreover, certain subsidiaries of P&G have the right, at any time upon certain material breaches by Inverness or its subsidiaries of their obligations under the joint venture documents, to acquire all of Inverness' interest in the joint venture at fair market value less damages.

If goodwill and/or other intangible assets that Inverness has recorded in connection with its acquisitions of other businesses become impaired, Inverness could have to take significant charges against earnings.

In connection with the accounting for certain of its acquisitions, including the proposed acquisition of Matria, Inverness has recorded, or will record, a significant amount of goodwill and other intangible assets. Under current accounting guidelines, Inverness must assess, at least annually and potentially more frequently,

Table of Contents

whether the value of goodwill and other intangible assets has been impaired. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings which could materially adversely affect Inverness' reported results of operations in future periods.

Inverness may experience manufacturing problems or delays, which could result in decreased revenues or increased costs.

Many of Inverness' manufacturing processes are complex and require specialized and expensive equipment. Replacement parts for its specialized equipment can be expensive and, in some cases, can require lead times of up to a year to acquire. In addition, Inverness' private label consumer diagnostic products business, and its private label and bulk nutritional supplements business in particular, rely on operational efficiency to mass produce products at low margins per unit. Inverness also relies on numerous third parties to supply production materials and in some cases there may not be alternative sources immediately available.

In addition, during 2006 Inverness closed two manufacturing facilities, and Inverness is shifting the production of products from these facilities to China. Inverness has shifted the production of other products to its manufacturing facilities in China. Moving the production of products is difficult and involves significant risk. Problems establishing relationships with local materials suppliers; acquiring or adapting the new facility and its equipment to the production of new products; hiring, training and retaining personnel and establishing and maintaining compliance with governmental regulations and industry standards can cause delays and inefficiencies which could have a material negative impact on Inverness' financial performance. Inverness also currently relies on a number of significant third-party manufacturers to produce certain of its professional diagnostic products. Any event which negatively impacts Inverness' manufacturing facilities, its manufacturing systems or equipment, or its contract manufacturers or suppliers, including, among others, wars, terrorist activities, natural disasters and outbreaks of infectious disease, could delay or suspend shipments of products or the release of new products or could result in the delivery of inferior products. Inverness' revenues from the affected products would decline or Inverness could incur losses until such time as it is able to restore its production processes or put in place alternative contract manufacturers or suppliers. Even though Inverness carries business interruption insurance policies, Inverness may suffer losses as a result of business interruptions that exceed the coverage available under its insurance policies.

Inverness may experience difficulties that may delay or prevent its development, introduction or marketing of new or enhanced products.

Inverness intends to continue to invest in product and technology development. The development of new or enhanced products is a complex and uncertain process. Inverness may experience research and development, manufacturing, marketing and other difficulties that could delay or prevent its development, introduction or marketing of new products or enhancements. Inverness cannot be certain that:

any of the products under development will prove to be effective in clinical trials;

it will be able to obtain, in a timely manner or at all, regulatory approval to market any of its products that are in development or contemplated;

the products it develops can be manufactured at acceptable cost and with appropriate quality; or

these products, if and when approved, can be successfully marketed.

The factors listed above, as well as manufacturing or distribution problems, or other factors beyond the control of Inverness, could delay new product launches. In addition, Inverness cannot assure you that the market will accept

these products. Accordingly, there is no assurance that Inverness overall revenues will increase if and when new products are launched.

Table of Contents

If the results of clinical studies required to gain regulatory approval to sell Inverness products are not available when expected or do not demonstrate the anticipated utility of those potential products, Inverness may not be able to sell future products and its sales could be adversely affected.

Before Inverness can sell its products, it must conduct clinical studies intended to demonstrate that its potential products perform as expected. The results of these clinical studies are used as the basis to obtain regulatory approval from government authorities such as the FDA. Clinical studies are experiments conducted using potential products and human patients having the diseases or medical conditions that the product is trying to evaluate or diagnose. Conducting clinical studies is a complex, time-consuming and expensive process. In some cases, Inverness may spend as much as several years completing certain studies.

If Inverness fails to adequately manage its clinical studies, its clinical studies and corresponding regulatory approvals may be delayed or it may fail to gain approval for its potential product candidates altogether. Even if Inverness successfully manages its clinical studies, it may not obtain favorable results and may not be able to obtain regulatory approval. If Inverness is unable to market and sell its new products or is unable to obtain approvals in the timeframe needed to execute its product strategies, its business and results of operations would be materially and adversely affected.

If Inverness is unable to obtain required clearances or approvals for the commercialization of its products in the United States, it may not be able to sell future products and its sales could be adversely affected.

Inverness future performance depends on, among other matters, its estimates as to when and at what cost it will receive regulatory approval for new products. Regulatory approval can be a lengthy, expensive and uncertain process, making the timing, cost and ability to obtain approvals difficult to predict.

In the United States, clearance or approval to commercially distribute new medical devices is received from the FDA through clearance of a Premarket Notification, or 510(k), or through approval of a Premarket Approval, or PMA. To receive 510(k) clearance, a new product must be substantially equivalent to a medical device first marketed in interstate commerce prior to May 1976. The FDA may determine that a new product is not substantially equivalent to a device first marketed in interstate commerce prior to May 1976 or that additional information is needed before a substantial equivalence determination can be made. A not substantially equivalent determination, or a request for additional information, could prevent or delay the market introduction of new products that fall into this category. The 510(k) clearance and PMA review processes can be expensive, uncertain and lengthy. It generally takes from three to five months from submission to obtain 510(k) clearance, and from six to eighteen months from submission to obtain a PMA approval; however, it may take longer, and 510(k) clearance or PMA approval may never be obtained.

Modifications or enhancements that could significantly affect safety or effectiveness, or constitute a major change in the intended use of the device, require new 510(k) or PMA submissions. Inverness has made modifications to some of its products since receipt of initial 510(k) clearance or PMA approval. With respect to several of these modifications, Inverness filed new 510(k)s describing the modifications and received FDA 510(k) clearance. Inverness has made other modifications to some of its products that it believes do not require the submission of new 510(k)s or PMA. The FDA may not agree with any of Inverness determinations not to submit a new 510(k) or PMA for any of these modifications made to Inverness products. If the FDA requires Inverness to submit a new 510(k) or PMA for any device modification, Inverness may be prohibited from marketing the modified products until the new submission is cleared by the FDA.

Inverness is also subject to applicable regulatory approval requirements of the foreign countries in which it sells products, which are costly and may prevent or delay Inverness from marketing its products in those countries.

In addition to regulatory requirements in the United States, Inverness is subject to the regulatory approval requirements for each foreign country to which it exports its products. In the European Union, regulatory compliance requires affixing the CE mark to product labeling. Although Inverness products are currently

Table of Contents

eligible for CE marking through self-certification, this process can be lengthy and expensive. In Canada, as another example, Inverness products require approval by Health Canada prior to commercialization along with International Standards Organization, or ISO, 13485/CMDCAS certification. It generally takes three to six months from submission to obtain a Canadian Device License. Any changes in foreign approval requirements and processes may cause Inverness to incur additional costs or lengthen review times of its products. Inverness may not be able to obtain foreign regulatory approvals on a timely basis, if at all, and any failure to do so may cause Inverness to incur additional costs or prevent it from marketing its products in foreign countries, which may have a material adverse effect on Inverness business, financial condition and results of operations.

Failure to comply with ongoing regulation applicable to Inverness businesses may result in significant costs or, in certain circumstances, the suspension or withdrawal of previously obtained clearances or approvals.

Inverness businesses are extensively regulated by the FDA and other federal, state and foreign regulatory agencies. These regulations impact many aspects of Inverness operations, including manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping. For example, Inverness manufacturing facilities and those of its suppliers and distributors are, or can be, subject to periodic regulatory inspections. The FDA and foreign regulatory agencies may require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any product approvals that could restrict the commercial applications of those products. In addition, the subsequent discovery of previously unknown problems with a product may result in restrictions on the product, including withdrawal of the product from the market. Inverness is also subject to routine inspection by the FDA and certain state agencies for compliance with Quality System Requirement and Medical Device Reporting requirements in the United States and other applicable regulations worldwide, including but not limited to ISO regulations. Inverness health management business is subject to unique licensing or permit requirements. For example, Inverness may be required to obtain certification to participate in governmental payment programs, such as state Medicaid programs, and some states have established Certificate of Need programs regulating the expansion of healthcare operations. In addition, Inverness is subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. Inverness may incur significant costs to comply with these laws and regulations. If Inverness fails to comply with applicable regulatory requirements, it may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products or injunctions against their distribution, disgorgement of money, operating restrictions and criminal prosecution.

Regulatory agencies may also impose new or enhanced standards that would increase Inverness costs as well as the risks associated with non-compliance. For example, Inverness anticipates that the FDA may soon finalize and implement good manufacturing practice, or GMP, regulations for nutritional supplements. GMP regulations would require supplements to be prepared, packaged and held in compliance with certain rules, and might require quality control provisions similar to those in the GMP regulations for drugs. While Inverness manufacturing facilities for nutritional supplements have been subjected to, and passed, third-party inspections against anticipated GMP standards, the ongoing compliance required in the event that GMP regulations are adopted would involve additional costs and would present new risks associated with any failure to comply with the regulations in the future.

If Inverness delivers products with defects, its credibility may be harmed, market acceptance of its products may decrease and it may be exposed to liability in excess of its product liability insurance coverage.

The manufacturing and marketing of consumer and professional diagnostic products involve an inherent risk of product liability claims. In addition, Inverness product development and production are extremely complex and could expose its products to defects. Any defects could harm its credibility and decrease market acceptance of its products. In addition, Inverness marketing of monitoring services and vitamins and nutritional supplements may cause it to be subjected to various product liability claims, including, among

Table of Contents

others, claims that inaccurate monitoring results lead to injury or death or that the vitamins and nutritional supplements have inadequate warnings concerning side effects and interactions with other substances. Potential product liability claims may exceed the amount of its insurance coverage or may be excluded from coverage under the terms of the policy. In the event that Inverness is held liable for a claim for which it is not indemnified, or for damages exceeding the limits of its insurance coverage, that claim could materially damage its business and financial condition.

The effect of market saturation may negatively affect the sales of Inverness products, including its Biosite Triage BNP Tests.

Sales growth in Inverness recently acquired Biosite business has been driven in recent years by growth in the sales volumes of the Biosite Triage BNP Tests. For example, growth in the sales unit volume of Triage BNP Tests represented 41% and 69% of Biosite's total product sales volume growth for 2006 and 2005, respectively. The meter-based Triage BNP Test, launched domestically in January 2001, was the first blood test available to aid in the detection of heart failure and benefited from a first to market position until the entry of direct competition in June 2003.

As the acute care and initial diagnosis market segment for natriuretic testing in the U.S. hospital setting becomes saturated, Inverness expects the growth rates of sales unit volume for its Biosite Triage BNP Tests in 2007 and future periods to be lower than the growth rates experienced by Biosite over the past several years. Unless Inverness is able to successfully introduce new products into the market and achieve market acceptance of those products in a timely manner, the effect of market saturation on its existing products may negatively impact product sales, gross margins and financial results. In addition, as the market for BNP testing matures and more competitive products become available, the average sales price for the Biosite Triage BNP Tests is likely to decline, which will adversely impact Inverness product sales, gross margins and its overall financial results.

The health management business is a relatively new component of the overall healthcare industry.

The health management services provided by Inverness subsidiaries, namely Paradigm Health and Quality Assured Services, Inc., are relatively new components of the overall healthcare industry. Accordingly, Inverness health management customers have not had significant experience in purchasing, evaluating or monitoring such services, which can result in a lengthy sales cycle. The success of Inverness health management business depends on a number of factors. These factors include:

Inverness ability to differentiate its health management services from those of its competitors;

The extent and timing of the acceptance of its services as a replacement for, or supplement to, traditional managed care offerings;

The effectiveness of Inverness sales and marketing efforts;

Inverness ability to implement new and additional services beneficial to health plans and employers; and

Inverness ability to effect and sufficiently communicate cost savings for health plans and employers through the use of its services.

Since the health management business is continually evolving, Inverness may not be able to anticipate and adapt to the developing market. Moreover, Inverness cannot predict with certainty the future growth rate or the ultimate size of the market.

Table of Contents

Inverness health management business may be adversely affected by cost reduction pressures among health care providers.

Healthcare providers continue to face cost reduction pressures that may cause them to curtail their use of or reimbursement for health management services, to negotiate reduced fees or other concessions or to delay payment. These financial pressures could have an adverse impact on Inverness' business.

A portion of Inverness health management fees are contingent upon performance.

Some of Inverness' existing health management agreements contain savings or other guarantees, which provide that Inverness' revenues, or a portion of them, to must be repaid if the payor's cost savings as a result of our health management programs do not meet expectations or other quality performance measures. There is no guarantee that Inverness will accurately forecast cost savings and clinical outcome improvements under its health management agreements or meet the performance criteria necessary to recognize potential revenues under the agreements. Additionally, untimely, incomplete or inaccurate data from its customers, or flawed analysis of such data, could have a material adverse impact on its ability to recognize revenues.

If Inverness costs of providing health management services increase, it may not be able to pass these cost increases on to its customers.

Many of Inverness' health management services are provided pursuant to long term contracts that it may not be able to re-negotiate. If Inverness' costs increase, it may not be able to increase its prices, which would adversely affect results of operations. Accordingly, any increase in Inverness' costs could reduce its overall profit margin.

Inverness data management and information technology systems are critical to maintaining and growing its business.

Inverness' businesses, and in particular its health management business, are dependent on the effective use of information technology and consequently, technology failure or obsolescence may negatively impact its businesses. In addition, data acquisition, data quality control and data analysis, which are a cornerstone of its health management programs, are intense and complex processes subject to error. Untimely, incomplete or inaccurate data, flawed analysis of such data or Inverness' inability to properly integrate, implement and update systems could have a material adverse impact on its business and results of operations.

Inverness sales of branded nutritional supplements have been trending downward since 1998 due to the maturity of the market segments they serve and the age of that product line, and Inverness may experience further declines in sales of those products.

Inverness' aggregate sales of all of its brand name nutritional products, including, among others, Ferro-Sequels, Stresstabs, Protegra, Posture, SoyCare, ALLBEE, and Z-BEC, have declined each year since 1998 through the year 2006, except in 2002 when they increased slightly as compared to 2001. Inverness believes that these products have under-performed because they are, for the most part, aging brands with limited brand recognition that face increasing private label competition. The overall age of this product line means that Inverness is subject to future distribution loss for under-performing brands, while its opportunities for new distribution on the existing product lines are limited. As a result, Inverness does not expect significant sales growth of its existing brand name nutritional products, and it may experience further declines in overall sales of its brand name nutritional products in the future.

Table of Contents

Inverness sales of specific vitamins and nutritional supplements could be negatively affected by media attention or other news developments that challenge the safety and effectiveness of those specific vitamins and nutritional supplements.

Most growth in the vitamin and nutritional supplement industry is attributed to new products that tend to generate greater attention in the marketplace than do older products. Positive media attention resulting from new scientific studies or announcements can spur rapid growth in individual segments of the market, and also affect individual brands. Conversely, news that challenges individual segments or products can have a negative impact on the industry overall as well as on sales of the challenged segments or products. Most of Inverness vitamin and nutritional supplements products serve well-established market segments and, absent unforeseen new developments or trends, are not expected to benefit from rapid growth. A few of Inverness vitamin and nutritional products are newer products that are more likely to be the subject of new scientific studies or announcements, which could be either positive or negative. News or other developments that challenge the safety or effectiveness of these products could negatively affect the profitability of Inverness vitamin and nutritional supplements business.

Inverness could suffer monetary damages, incur substantial costs or be prevented from using technologies important to its products as a result of a number of pending legal proceedings.

Inverness is involved in various legal proceedings arising out of its businesses. Because of the nature of Inverness business, Inverness may be subject at any particular time to commercial disputes, consumer product claims, negligence or various other lawsuits arising in the ordinary course of its business, including employment matters, and Inverness expects that this will continue to be the case in the future. Such lawsuits generally seek damages, sometimes in substantial amounts, for commercial or personal injuries allegedly suffered and can include claims for punitive or other special damages. An adverse ruling or rulings in one or more such lawsuits could, individually or in the aggregate, have a material adverse effect on Inverness sales, operations or financial performance. In addition, Inverness aggressively defends its patent and other intellectual property rights. This often involves bringing infringement or other commercial claims against third parties. These suits can be expensive and result in counterclaims challenging the validity of Inverness patents and other rights. Inverness cannot assure you that these lawsuits or any future lawsuits relating to its businesses will not have a material adverse effect on it.

Because sales of Inverness private label nutritional supplements are generally made at low margins, the profitability of these products may suffer significantly as a result of relatively small increases in raw material or other manufacturing costs.

Sales of Inverness private label nutritional supplements, which for the years ended December 31, 2006 and 2005 provided approximately 13% and 16%, respectively, of its net product sales, generate low profit margins. Inverness relies on its ability to efficiently mass produce nutritional supplements in order to make meaningful profits from these products. Changes in raw material or other manufacturing costs can drastically cut into or eliminate the profits generated from the sale of a particular product. For the most part, Inverness does not have long-term supply contracts for its required raw materials and, as a result, its costs can increase with little notice. The private label nutritional supplements business is also highly competitive such that Inverness ability to raise prices as a result of increased costs is limited. Customers generally purchase private label products via purchase order, not through long-term contracts, and they often purchase these products from the lowest bidder on a product by product basis. The internet has enhanced price competition among private label manufacturers through the advent of on-line auctions, where customers will auction off the right to manufacture a particular product to the lowest bidder. The resulting margin erosion in Inverness nutritional business has resulted in a reduction in its overall gross margin over the last several years and contributed to its losses in 2006.

Table of Contents

Inverness financial condition or results of operations may be adversely affected by international business risks.

Inverness generates a significant percentage of its net revenue from outside the United States and a significant number of its employees, including manufacturing, sales, support and research and development personnel, are located in foreign countries, including England, Scotland, Japan, China, Australia, Germany and Israel. Conducting business outside the United States subjects Inverness to numerous risks, including:

increased costs or reduced revenue as a result of movements in foreign currency exchange rates;

decreased liquidity resulting from longer accounts receivable collection cycles typical of foreign countries;

lower productivity resulting from difficulties managing sales, support and research and development operations across many countries;

lost revenues resulting from difficulties associated with enforcing agreements and collecting receivables through foreign legal systems;

lost revenues resulting from the imposition by foreign governments of trade protection measures;

higher cost of sales resulting from import or export licensing requirements;

lost revenues or other adverse affects as a result of economic or political instability in or affecting foreign countries in which Inverness sells its products or operates; and

adverse effects resulting from changes in foreign regulatory or other laws affecting the sales of Inverness products or its foreign operations.

Because Inverness business relies heavily on foreign operations and revenues, changes in foreign currency exchange rates and Inverness need to convert currencies may negatively affect its financial condition and results of operations.

Inverness business relies heavily on its foreign operations. Five of its manufacturing operations are conducted outside the United States, in the United Kingdom; Hangzhou and Shanghai, China; Matsudo, Japan and Yavne, Israel. Inverness has consolidated much of its cardiovascular-related research and development in Scotland and it intends to establish a significant manufacturing operation there. In addition, the Abbott rapid diagnostics business generates a majority of its sales outside the United States, and all of the revenues of the Determine business are derived outside of the United States. Because of its foreign operations and foreign sales, Inverness faces exposure to movements in foreign currency exchange rates. Its primary exposures are related to the operations of its European subsidiaries and its manufacturing facilities in China and Japan. These exposures may change over time as business practices evolve and could result in increased costs or reduced revenue and could affect Inverness actual cash flow.

Intense competition could reduce Inverness market share or limit its ability to increase market share, which could impair the sales of its products and harm its financial performance.

The medical products industry is rapidly evolving, and developments are expected to continue at a rapid pace. Competition in this industry, which includes both Inverness consumer diagnostics and professional diagnostics businesses, is intense and expected to increase as new products and technologies become available and new competitors enter the market. Inverness competitors in the United States and abroad are numerous and include, among others, diagnostic testing and medical products companies, universities and other research institutions.

Table of Contents

Inverness' future success depends upon maintaining a competitive position in the development of products and technologies in its areas of focus. Inverness' competitors may:

develop technologies and products that are more effective than Inverness products or that render Inverness technologies or products obsolete or noncompetitive;

obtain patent protection or other intellectual property rights that would prevent Inverness from developing potential products; or

obtain regulatory approval for the commercialization of their products more rapidly or effectively than Inverness does.

Also, the possibility of patent disputes with competitors holding foreign patent rights may limit or delay expansion possibilities for Inverness diagnostics businesses in certain foreign jurisdictions. In addition, many of Inverness existing or potential competitors have or may have substantially greater research and development capabilities, clinical, manufacturing, regulatory and marketing experience and financial and managerial resources.

The market for the sale of vitamins and nutritional supplements is also highly competitive. This competition is based principally upon price, quality of products, customer service and marketing support. There are numerous companies in the vitamins and nutritional supplements industry selling products to retailers such as mass merchandisers, drug store chains, independent drug stores, supermarkets, groceries and health food stores. As most of these companies are privately held, Inverness is unable to obtain the information necessary to assess precisely the size and success of these competitors. However, Inverness believes that a number of its competitors, particularly manufacturers of nationally advertised brand name products, are substantially larger than Inverness and have greater financial resources.

The rights Inverness relies upon to protect the intellectual property underlying its products may not be adequate, which could enable third parties to use its technology and would reduce its ability to compete in the market.

Inverness' success will depend in part on its ability to develop or acquire commercially valuable patent rights and to protect its intellectual property. Inverness' patent position is generally uncertain and involves complex legal and factual questions. The degree of present and future protection for Inverness' proprietary rights is uncertain.

The risks and uncertainties that Inverness faces with respect to its patents and other proprietary rights include the following:

the pending patent applications it has filed or to which it has exclusive rights may not result in issued patents or may take longer than it expects to result in issued patents;

the claims of any patents which are issued may not provide meaningful protection;

it may not be able to develop additional proprietary technologies that are patentable;

the patents licensed or issued to it or its customers may not provide a competitive advantage;

other parties may challenge patents or patent applications licensed or issued to it or its customers;

patents issued to other companies may harm its ability to do business; and

other companies may design around technologies it has patented, licensed or developed.

In addition to patents, Inverness relies on a combination of trade secrets, nondisclosure agreements and other contractual provisions and technical measures to protect its intellectual property rights. Nevertheless, these measures may not be adequate to safeguard the technology underlying its products. If these measures do not protect Inverness rights, third parties could use Inverness technology and Inverness ability to compete in

Table of Contents

the market would be reduced. In addition, employees, consultants and others who participate in the development of Inverness products may breach their agreements with Inverness regarding its intellectual property, and it may not have adequate remedies for the breach. Inverness also may not be able to effectively protect its intellectual property rights in some foreign countries. For a variety of reasons, Inverness may decide not to file for patent, copyright or trademark protection or prosecute potential infringements of its patents. Inverness trade secrets may also become known through other means not currently foreseen by it. Despite Inverness efforts to protect its intellectual property, its competitors or customers may independently develop similar or alternative technologies or products that are equal or superior to Inverness technology and products without infringing on any of Inverness intellectual property rights or design around its proprietary technologies.

Claims by others that Inverness products infringe on their proprietary rights could adversely affect Inverness ability to sell its products and could increase its costs.

Substantial litigation over intellectual property rights exists in both the consumer and professional diagnostic industries. Inverness expects that its products in these industries could be increasingly subject to third-party infringement claims as the number of competitors grows and the functionality of products and technology in different industry segments overlaps. Third parties may currently have, or may eventually be issued, patents which Inverness products or technology may infringe. Any of these third parties might make a claim of infringement against Inverness. Any litigation could result in the expenditure of significant financial resources and the diversion of management's time and resources. In addition, litigation in which Inverness is accused of infringement may cause negative publicity, have an impact on prospective customers, cause product shipment delays or require Inverness to develop non-infringing technology, make substantial payments to third parties, or enter into royalty or license agreements, which may not be available on acceptable terms, or at all. If a successful claim of infringement were made against Inverness and Inverness could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, Inverness revenue may decrease and it could be exposed to legal actions by its customers.

Inverness has initiated, and may need to further initiate, lawsuits to protect or enforce its patents and other intellectual property rights, which could be expensive and, if Inverness loses, could cause it to lose some of its intellectual property rights, which would reduce its ability to compete in the market.

Inverness relies on patents to protect a portion of its intellectual property and its competitive position. In order to protect or enforce its patent rights, Inverness may initiate patent litigation against third parties, such as infringement suits or interference proceedings. Litigation may be necessary to:

assert claims of infringement;

enforce Inverness patents;

protect Inverness trade secrets or know-how; or

determine the enforceability, scope and validity of the proprietary rights of others.

Currently, Inverness has initiated a number of lawsuits against competitors whom it believes to be selling products that infringe its proprietary rights. These current lawsuits and any other lawsuits that Inverness initiates could be expensive, take significant time and divert management's attention from other business concerns. Litigation also puts Inverness patents at risk of being invalidated or interpreted narrowly and Inverness patent applications at risk of not issuing. Additionally, Inverness may provoke third parties to assert claims against it.

Patent law relating to the scope of claims in the technology fields in which Inverness operates is still evolving and, consequently, patent positions in its industry are generally uncertain. Inverness may not prevail in any of these suits and the damages or other remedies awarded, if any, may not be commercially valuable. During the course of these suits, there may be public announcements of the results of hearings, motions and

Table of Contents

other interim proceedings or developments in the litigation. If securities analysts or investors perceive any of these results to be negative, Inverness stock price could decline.

In December 2005, Inverness learned that the SEC had issued a formal order of investigation in connection with the previously disclosed revenue recognition matter at one of its diagnostic divisions. Inverness cannot predict what the outcome of this investigation will be.

In December 2005, Inverness learned that the SEC had issued a formal order of investigation in connection with the previously disclosed revenue recognition matter at one of its diagnostic divisions, and Inverness subsequently received a subpoena for documents. Inverness believes that it has fully responded to the subpoena and has continued to fully cooperate with the SEC's investigation. Inverness cannot predict what the outcome of its investigation will be.

In March 2006, the FTC opened a preliminary, non-public investigation into Inverness' acquisition of the Innovacon business to determine whether this acquisition may be anticompetitive. Inverness cannot predict what the outcome of this investigation will be.

In March 2006, the FTC opened a preliminary, non-public investigation into Inverness' then-pending acquisition of the Innovacon business it acquired from ACON Laboratories to determine whether this acquisition may be anticompetitive, and Inverness subsequently received a Civil Investigative Demand and a subpoena requesting documents. Inverness believes that it has fully responded to the Civil Investigative Demand, and it is continuing to produce documents in connection with the subpoena and to otherwise cooperate with the FTC's investigation. Inverness cannot predict whether the FTC will seek additional information or what the outcome of this investigation will be. The FTC generally has the power to commence administrative or federal court proceedings seeking injunctive relief or divestiture of assets. In the event that an order were to be issued requiring divestiture of significant assets or imposing other injunctive relief, Inverness' business, financial condition and results of operations could be materially adversely affected.

Non-competition obligations and other restrictions will limit Inverness' ability to take full advantage of its management team, the technology it owns or licenses and its research and development capabilities.

Members of the Inverness management team have had significant experience in the diabetes field. In addition, technology Inverness owns or licenses may have potential applications to this field and its research and development capabilities could be applied to this field. However, in conjunction with Inverness' split-off from Inverness Medical Technology, Inc., or IMT, Inverness agreed not to compete with IMT and Johnson & Johnson in the field of diabetes through 2011. In addition, Inverness' license agreement with IMT prevents it from using any of the licensed technology in the field of diabetes. As a result of these restrictions, Inverness is limited in its ability to pursue opportunities in the field of diabetes at this time.

Inverness' operating results may fluctuate due to various factors and as a result period-to-period comparisons of its results of operations will not necessarily be meaningful.

Factors relating to Inverness' business make its future operating results uncertain and may cause them to fluctuate from period to period. Such factors include:

the timing of new product announcements and introductions by Inverness and its competitors;

market acceptance of new or enhanced versions of Inverness products;

The extent to which Inverness' current and future products rely on rights belonging to third parties;

changes in manufacturing costs or other expenses;

competitive pricing pressures;

Table of Contents

changes in healthcare reimbursement policies and amounts;

regulatory changes;

the gain or loss of significant distribution outlets or customers;

increased research and development expenses;

length of sales cycle and implementation process for new health management customers;

the timing of any future acquisitions;

general economic conditions; or

general stock market conditions or other economic or external factors.

Because Inverness' operating results may fluctuate from quarter to quarter, it may be difficult for Inverness or its investors to predict future performance by viewing historical operating results.

Period-to-period comparisons of Inverness' operating results may not be meaningful due to its acquisitions.

Inverness has engaged in a number of acquisitions in recent years, which makes it difficult to analyze Inverness' results and to compare them from period to period. Significant acquisitions include Inverness' acquisitions of IVC Industries, Inc. in March 2002, Wampole in September 2002, Ostex in June 2003, ABI in August 2003, the Abbott rapid diagnostics product lines in September 2003, Binax and Ischemia in March 2005, the Determine business in June 2005, BioStar in September 2005, the Innovacon business in March 2006, Instant in March 2007, Biosite in June 2007 and Cholestech in September 2007. Period-to-period comparisons of Inverness' results of operations may not be meaningful due to these acquisitions and are not indications of Inverness' future performance. Any future acquisitions, including the pending acquisition of Matria, will also make Inverness' results difficult to compare from period to period in the future.

Future sales of Inverness common stock issuable upon conversion of its senior subordinated convertible notes may adversely affect the market price of Inverness common stock.

Inverness' \$150.0 million principal amount of senior subordinated convertible notes are initially convertible into Inverness common stock at a conversion price of approximately \$52.30 per share, or approximately 2,868,120 shares. Sales of a substantial number of shares of Inverness common stock in the public market could depress the market price of Inverness common stock and impair Inverness' ability to raise capital through the sale of additional equity securities. Inverness cannot predict the effect that future sales of its common stock or other equity-related securities would have on the market price of Inverness common stock. The price of Inverness common stock could be affected by possible sales of Inverness common stock by holders of its senior subordinated convertible notes and by hedging or arbitrage trading activity that may develop involving Inverness common stock.

The conversion rate of Inverness' senior subordinated convertible notes may be adjusted based upon the daily volume weighted average price per share of Inverness common stock for the thirty consecutive trading days ending on May 9, 2008, and any such adjustment will be dilutive to the holders of Inverness common stock and could have an adverse effect on the price of Inverness common stock.

The conversion rate applicable to Inverness senior subordinated convertible notes will be increased if the daily volume weighted average price per share of Inverness common stock for the thirty consecutive trading days ending on May 9, 2008 is less than \$40.23 (adjusted for any stock splits, stock dividends, recapitalizations or other similar events). In that event, the conversion rate will be adjusted to be the greater of 130% of such average or \$40.23 (in each case adjusted for any stock splits, stock dividends, recapitalizations or other similar events), but no such adjustment will decrease the then-applicable conversion rate. Any such adjustment

Table of Contents

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