

INVERNESS MEDICAL INNOVATIONS INC

Form S-4/A

April 03, 2008

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As filed with the Securities and Exchange Commission on April 3, 2008

Registration No. 333-149259

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

**PRE-EFFECTIVE
AMENDMENT NO. 2**

Form S-4/A

**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
(617) 570-1000

Matria Healthcare, Inc.
1850 Parkway Place, Suite 1200
Marietta, Georgia 30067
Attn: Roberta L. McCaw
General Counsel
(770) 767-4500

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

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.

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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 APRIL 3, 2008

Dear Matria Stockholder:

You are cordially invited to attend a special meeting of Matria Healthcare, Inc. stockholders to be held on May 8, 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 April 2, 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 April 2, 2008, the closing sale price of Inverness common stock was \$31.83.

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 27.

Sincerely,

/s/ Parker H. Petit

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.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On May 8, 2008

NOTICE IS HEREBY GIVEN THAT a special meeting of stockholders of Matria Healthcare, Inc. (Matria), will be held on Thursday, May 8, 2008, at 10:00 a.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 April 2, 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.

/s/ Roberta L. McCaw

Roberta L. McCaw
Secretary

Marietta, Georgia
April 3, 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.

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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 157 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 May 1, 2008.

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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 91 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 65 and *The Merger - Inverness Reasons for the Transaction* beginning on page 74 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 57 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 65 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 June 6, 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

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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 126, 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, 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. 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. 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 common stock authorized and to otherwise allow for conversion of all shares of Series B preferred stock into shares of Inverness 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

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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 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 31 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 79 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 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 April 2, 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 22,124,076 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 27 of this proxy statement/prospectus.

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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 proposal. These shares represented approximately 4.8% of the outstanding shares of Matria common stock as of the record date. For a more complete description of the voting agreement, see "The Voting Agreement" beginning on page 107 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 153 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 92 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 79 of this proxy statement/prospectus.

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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 May 8, 2008, at 10:00 a.m. local time.

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

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.

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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 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
(800) 758-5880

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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 157 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.

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,

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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 91)

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, Merger Sub and 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 million shares of Inverness Series B preferred stock in the merger based on the number of shares of Matria common stock outstanding on the record date (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 page 92 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 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

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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 92 of this proxy statement/prospectus and The Merger Interests of Executive Officers and Directors of Matria in the Merger beginning on page 75 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 93 of this proxy statement/prospectus.

Risk Factors

(see page 27)

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 27 of this proxy statement/prospectus.

Matria Stockholders Meeting; Vote Required

(see page 57)

The special meeting of Matria stockholders will be held on May 8, 2008 at 10:00 a.m., 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 June 6, 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 April 2, 2008, the record date, are entitled to notice of and to vote at the special meeting. As of the record date, there were 22,124,076 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.

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Recommendation of Matria s Board of Directors

(see page 57)

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 67 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 67 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

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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 75)

As of the record date, the directors and executive officers of Matria and their affiliates beneficially owned and were entitled to vote 1,218,668 shares of Matria common stock, which represents approximately 5.5% 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 4.8% of the Matria common stock outstanding on the record date. For more information regarding the voting agreement, see "The Voting Agreement" beginning on page 107 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 75 of this proxy statement/prospectus.

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

(see page 90)

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 102)

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;

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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 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 89)

The merger is subject to antitrust laws. Inverness and Matria made 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, which we refer to as the FTC throughout this Proxy Statement/Prospectus, on February 20, 2008. The applicable waiting period under the HSR Act expired on March 21, 2008.

Matria Is Prohibited From Soliciting Other Offers

(see page 98)

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

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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.

Termination of the Merger Agreement and Termination Fee

(see pages 104 and 105)

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.

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

(see page 79)

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 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 79 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 90)

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 144)

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 153)

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.

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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 126 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

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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 its 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 its 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 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:

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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.

During the 5 consecutive business days immediately after any 5 consecutive trading day period (such 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.

If 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

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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.

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

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 cash, shares of Inverness common stock, or a combination of cash and shares of Inverness common stock; provided that any payment or partial payment made in the form of Inverness common stock will be valued at 97% of the daily volume-weighted average price of Inverness common stock on the trading day immediately preceding the date of the forced conversion.

Optional Settlement of Conversion

Upon a conversion of shares of Series B preferred stock, Inverness may, at its option and in its sole discretion, 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

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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.

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 (the *Authorized Share Increase*). Inverness also will seek its stockholders' approval to permit Inverness to issue shares of its common stock in an amount equal to or in excess of 20% of Inverness common stock outstanding on the effective date of the merger upon conversion of, and as dividend payments on, the Series B preferred stock and upon exercise of Matria stock options assumed by Inverness (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

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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 is approved and, as applicable, the Share Issuance Approval is received.

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

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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.

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. Until the Authorized Share Increase is approved, 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. 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

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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 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 two-thirds 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

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.

Furthermore, 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 at least a majority of the then outstanding shares

of Series B preferred stock, 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.

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Inverness board of directors may create, without a vote of the holders of Series B preferred stock, a class or series of preferred stock that ranks, including with respect to rights on liquidation and as to distributions (including dividends), pari passu to the 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, 2007 have been derived from Inverness audited 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 157 of this proxy statement/prospectus.

	Year Ended December 31,				
	2003	2004	2005	2006	2007
	(In thousands, except per share data)				
Statement of Operations Data:					
Net product and services revenue	\$ 285,430	\$ 365,432	\$ 406,457	\$ 552,130	\$ 817,561
License and royalty revenue	9,728	8,559	15,393	17,324	21,979
Net revenue	295,158	373,991	421,850	569,454	839,540
Cost of sales	167,641	226,987	269,538	340,231	445,813
Gross profit	127,517	147,004	152,312	229,223	393,727
Operating expenses:					
Research and development	24,367	31,954	30,992	48,706	69,547
Purchase of in-process research and development				4,960	173,825
Sales and marketing	52,504	57,957	72,103	94,445	165,328
General and administrative	35,812	52,707	59,990	71,243	158,438
Loss on dispositions, net				3,498	
Operating income (loss)	14,834	4,386	(10,773)	6,371	(173,411)
Interest expense and other expenses, net	(3,270)	(18,707)	(1,617)	(17,822)	(74,251)
(Loss) income from continuing operations before provision for income taxes	11,564	(14,321)	(12,390)	(11,451)	(247,662)
Provision (benefit) for income taxes	2,911	2,275	6,819	5,727	(1,799)
Equity earnings of unconsolidated entities, net of tax				336	4,372
(Loss) income from continuing operations	\$ 8,653	\$ (16,596)	\$ (19,209)	\$ (16,842)	\$ (241,491)
	\$ 7,695	\$ (17,345)	\$ (19,209)	\$ (16,842)	\$ (241,491)

(Loss) income from continuing operations available to common stockholders basic and diluted(1)

(Loss) income per common share(1):

Basic(1)	\$	0.49	\$	(0.87)	\$	(0.79)	\$	(0.49)	\$	(4.69)
Diluted(1)	\$	0.44	\$	(0.87)	\$	(0.79)	\$	(0.49)	\$	(4.69)

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	2003	2004	December 31, 2005 (In thousands)	2006	2007
Balance Sheet Data:					
Cash and cash equivalents	\$ 24,622	\$ 16,756	\$ 34,270	\$ 71,104	\$ 414,732
Working capital	\$ 44,693	\$ 62,615	\$ 84,523	\$ 133,313	\$ 674,066
Total assets	\$ 540,529	\$ 568,269	\$ 791,166	\$ 1,085,771	\$ 4,883,201
Total debt	\$ 176,181	\$ 191,224	\$ 262,504	\$ 202,976	\$ 1,387,849
Redeemable convertible preferred stock	\$ 6,185	\$	\$	\$	\$
Total stockholders' equity	\$ 265,173	\$ 271,416	\$ 397,308	\$ 714,138	\$ 2,589,929

- (1) 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(n) and 14 of Inverness consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2007.

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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, 2006:

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; and

Inverness acquisition of Instant Technologies in March 2007.

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, 2006, 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 acquisition.

The unaudited pro forma condensed combined statements of operations data assume that the pending acquisition of Matria, the acquisitions of Cholestech, Biosite and Instant and the consummation of the 50/50 joint venture with P&G occurred on January 1, 2007. The unaudited pro forma condensed combined balance sheet data assume that the pending acquisition of Matria occurred on December 31, 2007. The historical Inverness balance sheet as of December 31, 2007 reflects the acquisitions of Cholestech, Biosite and Instant 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 December 31, 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.

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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, 2007 or December 31, 2007.

	Year Ended December 31, 2007 (In thousands, except per share amounts)
Pro Forma Condensed Combined Statement of Operations Data:	
Net product and services revenues	\$ 1,337,499
Research and license revenues	24,697
Net revenues	1,362,196
Cost of sales	667,484
Gross profit	694,712
Operating expenses:	
Research and development	93,286
Purchase of in-process research and development	4,960
Sales and marketing	295,493
General and administrative	235,153
Operating income	65,820
Interest and other income (expense), net	(121,496)
Loss before income taxes	(55,676)
Income tax provision	532
Net loss	\$ (56,208)
Preferred dividends	21,489
Net loss available to common stockholders	\$ (77,697)
Net loss per common share:	
Basic and diluted	\$ (1.14)
Weighted average shares basic and diluted	68,335

	As of December 31, 2007 (In thousands)
Pro Forma Condensed Combined Balance Sheet Data:	
Cash and cash equivalents	\$ 152,717
Working capital	\$ 273,887
Total assets	\$ 5,747,368

Total long-term liabilities, excluding current portion	\$	2,046,880
Total stockholders' equity	\$	3,355,094

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, 2007 have been derived from Matria's audited 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 157 of this proxy statement/prospectus.

	Years Ended December 31,				
	2003	2004	2005	2006	2007
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenues	\$ 123,196	\$ 145,087	\$ 179,231	\$ 336,139	\$ 352,235
Cost of revenues	57,302	64,938	72,972	109,924	107,513
Selling and administrative expenses	64,297	79,309	94,291	159,021	174,622
Provision for doubtful accounts	3,382	2,412	3,493	4,093	5,252
Amortization of intangible assets			365	7,144	7,144
Total costs and operating expenses	124,981	146,659	171,121	280,182	294,531
Operating earnings (loss) from continuing operations	(1,785)	(1,572)	8,110	55,957	57,704
Interest income	222	498	829	1,548	1,601
Interest expense	(13,730)	(10,127)	(2,418)	(27,591)	(23,933)
Other income, net	1,350	681	226	1,329	227
Loss on retirement of 11% Senior Notes		(22,886)			
Earnings (loss) from continuing operations before income taxes	(13,943)	(33,406)	6,747	31,243	35,599
Income tax benefit (expense)	5,438	13,329	(2,733)	(12,768)	(14,534)
Earnings (loss) from continuing operations	\$ (8,505)	\$ (20,077)	\$ 4,014	\$ 18,475	\$ 21,065
Net earnings (loss) per common share:					
Basic	\$ (0.56)	\$ (1.29)	\$ 0.21	\$ 0.88	\$ 0.99
Diluted	\$ (0.56)	\$ (1.29)	\$ 0.20	\$ 0.85	\$ 0.96
Shares used to compute net earnings (loss) per common share::					
Basic	15,198	15,520	18,795	21,025	21,361
Diluted	15,198	15,520	19,874	21,665	21,865

	2002	2003	December 31, 2004 2005		2006	2007
			(In thousands)			
Cash and cash equivalents	\$ 3,942	\$ 7,736	\$ 35,317	\$ 22,758	\$ 19,839	\$ 19,501
Working capital	\$ 153,826	\$ 62,161	\$ 159,297	\$ 141,594	\$ (11,903)	\$ 10,222
Total assets	\$ 291,407	\$ 333,482	\$ 307,392	\$ 323,207	\$ 711,373	\$ 686,238
Total long-term liabilities	\$ 122,826	\$ 126,816	\$ 91,068	\$ 7,887	\$ 283,977	\$ 252,964
Accumulated deficit	\$ (197,362)	\$ (190,057)	\$ (162,989)	\$ (149,026)	\$ (97,149)	\$ (76,389)
Total stockholders equity	\$ 113,780	\$ 123,547	\$ 159,660	\$ 251,938	\$ 318,976	\$ 351,240

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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, 2006:

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; and

Inverness acquisition of Instant Technologies in March 2007.

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 20. The pro forma financial information for Inverness does not reflect the pro forma effect of other acquisitions that Inverness has completed since December 31, 2006, 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, 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, 2007. 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 December 31, 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

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