Alere Limited

Annual Report

Year ended 31 December 2015

Registered number: 1716581

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors

EV Chiniara
T Fellows
T Blomquist
M Farrell

Bankers

HSBC
97 Bute Street
Cardiff
South Glamorgan
CF10 5NA

Barclays Bank plc
Barclays Business Centre
10 Market Place
Macclesfield
Cheshire
SK10 1HA

Registered Office

Bio-Stat House
Pepper Road
Hazel Grove
Stockport
SK7 5BW

Registered Number: 1716581

Solicitors

Berry Smith LLP
Haywood House
Drumfries Place
Cardiff
CF10 3GA

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Harris House
IDA Small Business Centre
Tuam Road
Galway
Ireland

STRATEGIC REPORT

The directors present their strategic report on the company for the year ended 31 December 2015.

Review of the Business
The directors are satisfied with the result for the financial year and the year-end balance sheet position.

The strategy adopted during the year has been to continue with organic growth of the business. The company operates as a Limited Risk Distributor (LRD) for Alere International Limited, a fellow Alere company based in Ireland.

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

Alere Limited is one of the leading In Vitro Diagnostic companies in the UK providing near-patient diagnostics and services. In line with the Global Corporate strategy, particular strengths and focus include;

Public Health
NHS Health Check
Sexual Health
Antimicrobial stewardship

Infectious Disease
Rapid diagnostics for over 75 diseases
Antimicrobial stewardship
Hospital acquired infection (HAI)
Community acquired pneumonia (CAP)
Respiratory disease

Long Term Conditions
Diabetes control
Anticoagulation monitoring
COPD monitoring
HIV management
Heart failure monitoring

Acute Disease
Venous thromboembolism (VTE)
Acute myocardial infarction (AMI)
Acute kidney injury (AKI)
Supported hospital discharge

Women's Health
Pregnancy tests (professional use)
High-risk pregnancy management

IT Solutions
Management and control of decentralised diagnostic testing
Health information exchange
Real-time decision support
Population analytics

The profit for the year, after taxation, amounted to £163,989 (2014 - loss of £654,963). The loss in the prior year primarily arose as a result of the provision against an intercompany receivable balance in the amount of £1.35m and restructuring costs of €0.45m. The directors do not recommend the payment of a dividend (2014: £Nil).

The directors are satisfied with the result for the financial year and the year-end balance sheet position. Sales decreased from £20.7m to £20.0m with a decrease in gross profit of £1.5m from £7.2m to £5.7m. The company reported a profit for the year of £163k (2014: loss of £654k).

The current ratio of the Company has remained in line with the prior year at 1.9 (2014: 1.9). Creditor days (trade) have increased from 3 in 2014 to 5 in 2015 and Debtor days (trade) have increased from 49 in 2014 to 52 in 2015.

STRATEGIC REPORT - continued

The company is accredited for IS014001:2004 Environmental Management System and included in Alere International Limited's ISO13485:2003 and EN ISO 13485: 2012 Quality System accreditations which were both externally audited during the year.

The company has continued to maintain activity levels despite price pressures and competitor activity. The structure of the organisation reflects the current market conditions and focus, and is ideally placed to meet its future objectives.

The process of risk management is addressed through a framework of policies, procedures and internal controls. The company's financial risk management programme is outlined in the Directors' Report.

By order of the board

Director T Fellows

T. Fellows

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2015.

Principal activities
The company's principal activity, which has remained unchanged from the previous year, is the UK distribution of medical diagnostic products and related services.

Results and dividends
The profit for the year, after taxation, amounted to £163,989 (2014 - loss of £654,963). The directors do not recommend the payment of a dividend (2014: £Nil).

Future developments
The directors do not plan any change in the activities of the company and will continue to seek new customers in the UK.

Corporate commitments
The company continues to operate under the quality system ISO accreditations. The company is committed to Health and Safety and ongoing staff training programmes for continued education and improvement.

Principal risks and uncertainties
The directors consider the principal risks and uncertainties affecting the company to be the financial risk management matters discussed separately in this report. The directors consider there to be no other principal risks related to the company's activities.

Financial risk management objectives and policies
The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. Many of these risks are limited for the company, due to the Limited Risk Distributor ("LRD") trading structure under which it operates with Alere International Limited. Given the size of the company, the directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The company does not use financial instruments to manage its financial risks.

The directors review and agree policies for managing the company's risks and these are summarised below. These policies have remained unchanged from the previous year.

Price risk
The company is exposed to product price risk as a result of its operations. However, this exposure is limited for the company, due to its trading structure with Alere International Limited. The company has no exposure to equity securities price risk.

Currency risk
The company is exposed to very limited currency risk as the majority of its transactions are denominated in Sterling.

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

Interest rate risk
The company finances its operations through retained profits and therefore interest rate risk is limited. The interest rates on intercompany loans are fixed for the duration of the loan.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities
The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board on 28/9/16 and signed on its behalf by:

T Fellows

Director
T. Fellows
Alere Limited
Registered Number: 1716581

DIRECTORS' REPORT - continued

Financial risk management objectives and policies - continued

Credit risk

The company's principal financial assets are cash and trade debtors. The principal credit risk therefore arises from its trade debtors. Under the trading structure with Alere International Limited, the company itself does not bear any credit risk.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Under the LRD structure, the collection risk on the company's trade debtors is borne by Alere International Limited.

To minimise the exposure to credit risk on cash balances, the company places its cash with high quality credit institutions.

Employment of disabled persons

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

Employee involvement

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

Supplier payment policy

The company does not follow a specific policy on the payment of suppliers. It agrees payment terms with its suppliers when it enters into purchase contracts and adheres to these arrangements providing it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Directors

The directors who served during the year, and, since the year end, were as follows. Unless otherwise indicated, they served as directors for the full year.

DN Horne (resigned 23 September 2015)
EV Chiniara
T Fellows
SE Cassey (resigned 23 September 2015)
T Blomquist (appointed 23 September 2015)
M Farrell (appointed 23 September 2015)

Research and development

The company did not engage in any research and development activities during the financial year.

Qualifying third party and pension scheme indemnity provisions

Third party directors' liability insurance is in place as part of the Alere Group insurance policies covering the directors of the company and these remain in force at the date of this report

Post balance sheet events

On January 30, 2016, Alere Inc. entered into an Agreement and Plan of Merger, or the Merger Agreement, with Abbott Laboratories, or Abbott. The Merger Agreement provides for the merger of a newly formed, wholly owned subsidiary of Abbott with and into Alere, or the merger, with Alere surviving the merger as a wholly owned subsidiary of Abbott, or the surviving corporation. Under the terms of the Merger Agreement, holders of Alere Inc common stock will receive $56.00 in cash, without interest, in exchange for each share of common stock. The Merger Agreement was approved by the Alere Inc board of directors. Completion of the merger is subject to customary closing conditions and Alere currently expects that the transaction will close by the end of 2016.

There have been no other significant events impacting the company since the year end.

Independent auditors' report to the members of Alere Limited

Report on the financial statements

Our opinion

In our opinion, Alere Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended:
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

pwc

Independent auditors' report to the members of Alere Limited - continued

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

pwc

Independent auditors' report to the members of Alere Limited - continued

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ann Lavin

Ann Lavin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Galway

29 September 2016

PROFIT AND LOSS ACCOUNT
Financial Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	5	20,000,902	20,756,232
Cost of sales		(14,338,306)	(13,563,917)
Gross profit		5,662,596	7,192,315
Selling and distribution costs		(3,263,325)	(4,999,939)
Administrative expenses		(1,439,249)	(737,069)
Exceptional administrative expenses	11	(168,869)	(1,801,196)
Other operating income	6	55,913	89,664
Other operating expenses	7	(289,506)	(160,690)
Operating profit/(loss)	8	557,560	(416,915)
Profit/(loss) on ordinary activities before interest and taxation		557,560	(416,915)
Interest receivable and similar income		165,855	165,855
Interest payable and similar charges		(90,886)	(95,430)
Net interest income	12	74,969	70,425
Profit/(loss) on ordinary activities before taxation		632,529	(346,490)
Tax on profit/(loss) on ordinary activities	13	(468,540)	(308,473)
Profit/(loss) for the financial year		163,989	(654,963)

All amounts relate to continuing operations.

The company had no other items of comprehensive income other than those reflected above and, therefore, no separate statement of total comprehensive income is presented.

BALANCE SHEET
As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	14	1,814,882	2,106,499
Tangible assets	15	806,697	1,146,648
		2,621,579	3,253,147
Current assets			
Inventories	16	-	47,294
Debtors	17	6,414,074	6,888,231
Cash at bank and in hand		4,627,588	2,572,120
		11,041,662	9,507,645
Creditors - amounts falling due within one year	18	(5,751,849)	(5,047,168)
Net current assets		5,289,813	4,460,477
Net assets		7,911,392	7,713,624
Capital and reserves			
Called-up share capital	20	10,000	10,000
Share premium account		1,235,666	1,235,666
Capital contribution		356,342	322,563
Retained earnings		6,309,384	6,145,395
Total equity		7,911,392	7,713,624

The notes on pages 14 to 29 are an integral part of these financial statements.

The financial statements on pages 11 to 29 were approved by the Board of Directors on 28/9/16 and signed on its behalf by:

T Fellows

Director
T. Fellows
Alere Limited
Registered Number: 1716581

STATEMENT OF CHANGES IN EQUITY
Financial year ended 31 December 2015

	Notes	Called up share capital £	Share premium £	Capital contribution	Retained earnings £	Total £
Balance as at 1 January 2014		10,000	1,235,666	265,138	6,800,358	8,311,162
Loss for the year		-	-	-	(654,963)	(654,963)
Total comprehensive income for the year		-	-	-	(654,963)	(654,963)
Credit relating to equity settled share-based payments	10	-	-	57,425	-	57,425
Total transactions with owners recognised directly in equity		-	-	57,425	-	57,425
Balance as at 31 December 2014		10,000	1,235,666	322,563	6,145,395	7,713,624
Balance as at 1 January 2015		10,000	1,235,666	322,563	6,145,395	7,713,624
Profit for the year		-	-	-	163,989	163,989
Total comprehensive income for the year		-	-	-	163,989	163,989
Credit relating to equity settled share based payments	10	-	-	33,779	-	33,779
Total transactions with owners, recognised directly in equity		-	-	33,779	-	33,779
Balance as at 31 December 2015		10,000	1,235,666	356,342	6,309,384	7,911,392

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Alere Limited is a distributor of medical diagnostic products and related services. The company acts as a Limited Risk Distributor (LRD) for Alere International Limited.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Bio-stat House, Pepper Road, Hazel Grove, Stockport, SK7 5BW, United Kingdom.

2 Statement of compliance

The individual financial statements of Alere Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 26.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b. Going concern

The company meets its day-to-day working capital requirements through its bank facilities, cash generated from operations and the continued financial support of the ultimate parent company, Alere Inc. The company's forecasts and projections, taking account of reasonably possible changes in performance, show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following available exemptions on the basis that it is a qualifying entity and, where applicable, its ultimate parent company, Alere Inc., includes the relevant disclosures in its own consolidated financial statements:

- a reconciliation of the number of shares outstanding at the beginning and end of the period under FRS 102 paragraph 4.12(a)(iv);
- the requirement to prepare a statement of cash flows under Section 7 of FRS 102 and paragraph 3.17(d);
- certain disclosure requirements in respect of share based payments under FRS 102 paragraphs 26.18(b), 26.19 – 26.21 and 26.23;
- the non-disclosure of key management personnel compensation in total under FRS 102 paragraph 33.7; and
- disclosures relating to financial instruments under Section 11 of FRS 102, paragraphs 11.39 to 11.48A.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

d. Foreign currency

(i) *Functional and presentation currency*

The company's functional and presentation currency is the pound sterling ("£").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

(i) Sale of goods

The company sells a range of medical diagnostic products purchased from Alere International Ireland. Sales of goods are primarily recognised on delivery to the customer, when the customer has full discretion over the product and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the goods have been shipped to the location specified by the customer, the risks of obsolescence or loss have been transferred to the customer, the customer has accepted the products in accordance with the sales terms, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

Sales are normally made with a credit term of 30 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

(ii) Sale of services

The company sells maintenance services to customers. Revenue is recognised in the accounting period in which the services are rendered. Payments received in respect of service not yet provided are treated as deferred income.

(iii) Interest income

Interest income is recognised using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

f. Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) *Short term benefits*
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan
The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual bonus plan
The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(iv) Share-based payments
The company's employees participate in a share-based payment arrangement established by the ultimate parent company. The employees are granted share options over equity shares of Alere Inc. The fair value of the share options is measured at the grant date. The company recognises a share-based payment expense in profit or loss, based on the grant date fair value of the share options on a straight-line basis over the vesting period, with adjustment to equity as a capital contribution.

g. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable or receivable in respect of the taxable profit or loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

h. Intangible assets

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration payable and the fair value of the net assets acquired. It is capitalised and amortised through the profit and loss account over its expected useful economic life which ranges from 14 to 20 years. Impairment tests on the carrying value of goodwill are undertaken when there is an indication of potential impairment.

The company has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. As a result no adjustment was made to the carrying value of goodwill.

i. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, and dismantling and restoration costs.

(i) Depreciation and residual values

Depreciation on assets is calculated, using the straight-line method, to allocate the cost less their residual values over their estimated useful lives, as follows:

Leasehold improvements	10% - 15% per annum
Plant & machinery	15% - 33% per annum
Fixtures & fittings	20% - 25% per annum
Computer & analysing equipment	20% - 33% per annum

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(ii) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(iii) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

(iv) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

j. Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership to the lessee are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

k. Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

l. Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the standard cost method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

m. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. .

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

n. Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents and amounts owed by group undertakings, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, amounts owed by group undertakings and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors, amounts due to group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

o. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p. Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

q. Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

r. Exceptional items

The company classifies certain one-off transactions that have a material impact on the company's financial results as "exceptional items". These are disclosed separately to provide further understanding of the financial performance of the company.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical judgements in applying the entity's accounting policies

The company has not made any critical judgements apart from those involving estimates.

b. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the property plant and equipment, and note 3(i) for the useful economic lives for each class of assets.

(ii) *Useful economic lives of intangible assets*

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. See note 14 for the carrying amount of the intangible assets and note 3(h) for the useful economic lives of the intangible assets.

5 Turnover

The turnover is attributable to the principal activity of the company and is net of value added tax.

All turnover arises from sales within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Other operating income

	2015	2014
	£	£
Gain on disposal of fixed assets	21,607	-
Intercompany service income	34,306	89,664
	55,913	89,664

7 Other operating expenses

	2015	2014
	£	£
Loss on disposal of fixed assets	281,503	43,651
Intercompany services expenses	8,003	117,039
	289,506	160,690

8 Operating profit/(loss)

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

	2015	2014
	£	£
Staff costs (note 9)	2,337,349	3,832,298
Amortisation of goodwill (note 14)	291,617	348,485
Depreciation (note 15)	388,495	408,991
Impairment of inventory	49,849	-
Loss on disposal of tangible assets (note 15)	281,503	43,651
Operating lease rentals:		-
- equipment and motor vehicles	187,409	250,197
- buildings	112,622	177,792
Foreign exchange losses/(gains)	16,033	(1,269)
Audit fees payable to the company's auditor	42,250	40,120

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Employees and directors

Staff costs, including executive directors' remuneration, were as follows:

	2015 £	2014 £
Wages and salaries	2,547,770	3,668,826
Social security costs	326,608	369,477
Other pension costs	90,833	116,727
	2,965,211	4,155,030
Less: recharged to group companies	(627,862)	(322,732)
	2,337,349	3,832,298

Employees

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

	2015 Number	2014 Number
Management	8	5
Administration and marketing	48	86
	56	91

Included in wages and salaries is a total expense of £33,779 (2014: £57,425) in respect of equity settled share based payments (note 10).

Directors' remuneration	2015 £	2014 £
Aggregate emoluments	369,568	323,438
Contribution to defined contribution pension scheme	24,386	17,271
Compensation for loss of office	-	87,943
	393,954	428,652

One director (2014: none) exercised share options during the year.

The highest paid director received remuneration of £120,200 (2014: £130,934), with no pension contribution or long term incentive schemes. Retirement benefits are accruing to 3 directors under a defined contribution pension scheme.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Stock based compensation plans

Share-based payments

The company participates in the Alere Inc. stock option and incentive scheme which forms part of the remuneration of certain employees. Stock options granted under the plan vest 25% one year from the date of grant, 25% two years from the date of grant, 25% three years from the date of grant and 25% four years from the date of grant provided an employee remains in service. Stock options expire 10 years from the date of grant. Restricted stock awards (RSA's) typically vest 33% one year from the date of grant, 33% two years from the date of grant and 34% three years from the date of grant provided an employee remains in service.

The fair value of each option award is calculated as at the grant date using the Black-Scholes option pricing model. The following assumptions were used in respect of the options granted.

	2015 US$	2014 US$
Weighted average share price at grant date	45.47	36.74
Exercise price range	45.47	36.74
Dividend yield	-	-
Expected volatility	33.00%	36.00%
Risk-free interest rate	1.62%	1.77%
Expected life of option (in years)	5.59	5.78

The expected volatility above is based on historical volatility of Alere Inc. stock. The computation of expected life was based on historical experience of similar awards, giving consideration to contractual terms, vesting schedules and expectations of employee behaviour. The weighted average fair value of the options granted during 2015 was US$14.70 (2014: US$18.94). The weighted average grant price for RSA's granted during 2015 was US$39.09 (2014: US$Nil). The impact of recognising the fair value of the options and RSA grants as an expense under FRS 102 is £33,779 (2014: £57,425) for the year ended 31 December 2015.

The exercise price of options outstanding at the end of the year was in the range US$18.07 - US$45.45 (2014: US$18.07 - US$38.64) and their weighted average contractual life was 10 years (2014: 10 years).

Of the total number of options outstanding at the end of the year 10,294 (2014: 8,605) had vested and were exercisable at the year end.

The following table summarises the company's activity under the Alere Inc share-based payment plans for the years ended 31 December 2015 and 31 December 2014.

Share option scheme	31 December 2015 Number of options	 Weighted average exercise price US$	31 December 2014 Number of options	 Weighted average exercise price US$
Opening balance at beginning of the year	20,530	30.52	45,261	28.89
Granted during the year	5,000	45.47	4,500	36.74
Exercised during the year	(4,961)	25.36	(23,169)	31.29
Forfeiture during the year	-	-	(6,062)	26.34
Outstanding at the end of the year	20,569	35.39	20,530	30.52
Exercisable at end of period	10,294		8,605	
Weighted average remaining contractual life	6 years		5.98 years	

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Stock based compensation plans - continued

Restricted stock awards	31 December 2015 Number of Awards
Opening balance at the beginning of the year	-
Granted during the year	2,000
Outstanding at year end	2,000

11 Exceptional administrative expenses

	2015 £	2014 £
Provision against intercompany receivable	-	1,350,000
Severance costs	168,869	451,196
	168,869	1,801,196

12 Net interest income

	2015 £	2014 £
(a) Interest receivable and similar income		
Interest receivable from group undertakings	165,855	165,855
Total interest receivable and similar income	165,855	165,855
(b) Interest payable and similar charges		
Interest payable to group undertakings	(90,886)	(95,430)
Total interest payable and similar charges	(90,886)	(95,430)
(c) Net interest income		
Interest receivable and similar income	165,855	165,855
Interest payable and similar charges	(90,886)	(95,430)
Net interest income	74,969	70,425

13 Income tax

	2015 £	2014 £
(a) Tax expense included in profit or loss:		
Current tax:		
Amounts payable to fellow subsidiary for group relief	354,734	272,415
Adjustments in respect of prior years' group relief	113,806	(5,403)
Total current tax charge	468,540	267,012
Deferred tax		
Origination and reversal of timing differences	-	39,501
Adjustment in respect of previous years	-	4,704
Impact of change in tax rate	-	(2,744)
Total deferred tax	-	41,461
Tax on profit on ordinary activities	468,540	308,473

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Income tax - continued

(b) Reconciliation of tax charge

Tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.49%). The differences are explained below.

	2015 £	2014 £
Profit/(loss) on ordinary activities before tax	632,529	(346,490)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	128,087	(74,461)
Effects of:		
Expenses not deductible for tax purposes	226,659	388,337
Group relief	(354,734)	(272,415)
Adjustments to tax charge in respect of prior periods	113,806	(5,403)
Amounts payable for group relief	354,734	272,415
Total tax charge for the year	468,540	308,473

(c) Tax rate changes

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance (No. 2) Act 2015 on 26 October 2015. These reduce the main tax rate to 19% from 1 April 2017, and 18% from 1 April 2020. The deferred tax asset reflects these rates.

(d) Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £177,441 (2014: £nil) relating to losses carried forward, disclaimed capital allowances and short term timing differences, which has not been recognised in the financial statements due to uncertainty of timing of future profits.

14 Intangible fixed assets

	Goodwill £'000
At 31 December 2014	
Cost	3,417,710
Accumulated amortisation and impairment	(1,311,211)
Net book amount	2,106,499
Financial year ended 31 December 2015	
Opening net book amount	2,106,499
Amortisation	(291,617)
Net book amount	1,814,882
At 31 December 2015	
Cost	3,417,710
Accumulated amortisation and impairment	(1,602,828)
Net book amount	1,814,882

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Intangible fixed assets - continued

The goodwill arose on the acquisition of the distribution business and certain assets (including the customer list) of a fellow group company, Alere Health Limited. The goodwill is being amortised over its expected useful economic life.

15 Tangible fixed assets

	Leasehold Improvements	Plant & Machinery	Fixtures and fittings	Computer & analysing equipment	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2014					
Cost	715,738	226,134	227,593	2,850,809	4,020,274
Accumulated depreciation and impairment	(410,835)	(180,844)	(225,901)	(2,056,046)	(2,873,626)
Net book amount	304,903	45,290	1,692	794,763	1,146,648
Financial year ended 31 December 2015					
Opening net book amount	304,903	45,290	1,692	794,763	1,146,648
Additions	-	5,949	-	390,012	395,961
Disposals	(61,711)	(1,903)	(974)	(282,829)	(347,417)
Depreciation	(71,884)	(17,177)	(718)	(298,716)	(388,495)
Net book amount	171,308	32,159	-	603,230	806,697
At 31 December 2015					
Cost	459,270	184,393	210,315	2,719,448	3,573,426
Accumulated depreciation and impairment	(287,962)	(152,234)	(210,315)	(2,116,218)	(2,766,729)
Net book amount	171,308	32,159	-	603,230	806,697

During the financial year, tangible fixed assets with a carrying amount of £347k were disposed of. The assets had a cost of £842k and accumulated depreciation and impairment of £495k. The net loss on the disposal of these tangible fixed assets was £259,896 (2014: £nil).

16 Inventories

	2015	2014
	£	£
Spare parts	-	47,294

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

Inventories are stated after provision for impairment of £49,849 (2014: £Nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Debtors

	2015	2014
	£	£
Trade debtors	2,846,797	2,759,562
Amounts owed by group undertakings	3,190,757	3,712,606
Other receivables	1,219	19,941
Prepayments and accrued income	56,484	77,305
Deferred tax asset (see note 19)	318,817	318,817
	6,414,074	6,888,231

The amounts owed by group undertakings are unsecured and have no fixed date of repayment, are repayable on demand and include both interest bearing balances at a rate of 5% and non-interest bearing balances.

18 Creditors - amounts falling due within one year

	2015	2014
	£	£
Trade creditors	180,765	120,239
Amounts owed to group undertakings	3,817,894	3,372,896
Other taxation and social security	693,124	606,448
Accruals and deferred income	1,060,066	947,585
	5,751,849	5,047,168

The amounts owed to group undertakings are unsecured and have no fixed date of repayment, are repayable on demand and include both interest bearing balances at a rate of 5% and non-interest bearing balances.

19 Deferred tax asset

	2015	2014
	£	£
At beginning of year	318,817	360,278
(Debit) to profit and loss account	-	(41,461)
At end of year	318,817	318,817

The deferred tax asset is comprised as follows:

	2015	2014
Timing differences on assets	316,113	316,113
Other timing differences	2,704	2,704
	318,817	318,817

There are no unused tax losses or unused tax credits. The net deferred tax asset is expected to reverse in 2016 and 2017. This primarily relates to the reversal of timing difference on capital allowances.

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Share capital and reserves

	2015	2014
	£	£
Ordinary shares of £1 each		
Allotted and fully paid		
At 1 January and 31 December	10,000	10,000

There is a single class of ordinary shares. There are no restrictions on the distribution and the repayment of capital.

Capital contribution
The capital contribution arises through awards made under the parent company's equity-settled share based compensation schemes for employees (see note 10).

Retained earnings
Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

21 Post-employment benefits

The company operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. The charge to the Profit and Loss account in the financial year was £90,833 (2014: £116,727), of which £18,066 (2014: £13,521) was payable at year end.

22 Capital and other commitments

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Equipment and motor vehicles	
	2015	2014	2015	2014
	£	£	£	£
Payments due:				
Not later than one year	192,200	192,200	130,031	200,365
Later than one year and not later than five years	224,350	416,550	174,157	206,722
Later than five years	-	-	-	9,000
Total	416,550	608,750	304,188	416,087

23 Related party transactions

The company has availed of the exemption contained in FRS 102 paragraph 33.1A "Related Party Disclosures" in respect of subsidiary undertakings, which are wholly owned within a group. Consequently, the financial statements do not contain disclosure of transactions with entities wholly owned in the Alere Inc. group.

NOTES TO THE FINANCIAL STATEMENTS - continued

24 Controlling party

The immediate parent undertaking is Alere UK Holdings Limited, a company incorporated in the UK.

The ultimate parent undertaking is Alere Inc., a company incorporated in the USA.

Alere Inc. is the parent undertaking of the largest and smallest group of undertakings to consolidate the financial statements of Alere Limited at 31 December 2015. The consolidated financial statements of Alere Inc. are available from:

Alere Inc.
51 Sawyer Road, Suite 200
Waltham
MA02453-3448
USA

25 Events after the reporting period

On January 30, 2016, Alere Inc. entered into an Agreement and Plan of Merger, or the Merger Agreement, with Abbott Laboratories, or Abbott. The Merger Agreement provides for the merger of a newly formed, wholly owned subsidiary of Abbott with and into Alere, or the merger, with Alere surviving the merger as a wholly owned subsidiary of Abbott, or the surviving corporation. Under the terms of the Merger Agreement, holders of Alere Inc common stock will receive $56.00 in cash, without interest, in exchange for each share of common stock. The Merger Agreement was approved by the Alere Inc board of directors. Completion of the merger is subject to customary closing conditions and Alere currently expects that the transaction will close by the end of 2016.

There have been no other significant events impacting the company since the year end.

26 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There are no differences in profit or equity arising from the transition from UK GAAP to FRS 102.

The company has elected not to apply the provision of Section 19 to business combinations completed prior to the date of transition to FRS 102, as a result no adjustment was made to goodwill.