

# **Euromed Limited**

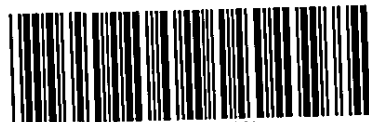
## **Report and financial statements**

Registered number 03272527

Year ended

31 December 2009

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### Directors

William Shone  
Peter Welch  
Martyn Pither  
Kate Wright

### Company Secretary

Geoff Couling

### Registered office

10 Buckingham Street  
London  
WC2N 6DF

### Company number

03272527

### Auditors

BDO LLP  
Prospect Place  
85 Great North Road  
Hatfield  
AL9 5BS

## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2009

### Principal activities and business review

The principal activity of the company continued to be that of selling point of care tests to hospitals, drug dependency clinics, prisons, probation services and other similar organisations throughout the UK and Ireland

The company has seen a 10% reduction in turnover in the year compared to the prior twelve months. This is predominantly attributed to the economic pressures faced in the healthcare industry, which has seen a significant reduction in public spending although trading conditions have also remained very competitive with a number of newcomers entering the market over recent years.

On 11 August 2009 the entire issued and to be issued share capital of Concateno Plc, the immediate parent company, was acquired by Alere Inc (formerly Inverness Medical Innovations Inc).

The company has continued to benefit from the increased resources available within the Concateno Group since its acquisition in 2008 and on 31 March 2010 the company has transferred trade to other companies within the group.

The profit and loss account is set out on page 7 and shows the profit for the year (2008 profit)

### Risks

#### *Impacts on fluctuations in exchange rates*

The vast majority of the company's sales are generated in sterling, thus minimising the impact of fluctuations in exchange rates on revenues.

The company pays approximately 90% of its suppliers in US Dollars. These payments are funded from group cash resources.

#### *Dependence on third parties*

The company's ability to generate revenue in part depends on the ability of third parties, over whom there is little control. The company minimises any over dependence on key suppliers as much as possible.

#### *Financial risk management*

The company's operations expose it to a variety of financial risks including interest rate risk, the effect of changes in foreign currency exchange rates and liquidity risk. With the exception of foreign currency risk, the company does not have material exposures and therefore does not trade in derivative instruments to manage its exposure.

The company held no long term deposits at the end of the period but has an intercompany loan in place with its immediate parent company on which interest is payable at an arms length price.

### Proposed dividend

The directors do not recommend the payment of a dividend (2008 £1,435k)

### Directors

The directors who held office during the year were as follows

W Shone

F Begley (resigned 24 June 2010)

K Tozzi (resigned 24 June 2010)

N Elton (appointed 13 January 2009, resigned 20 July 2010)

P Welch (appointed 17 June 2010)

M Pither (appointed 17 June 2010)

K Wright (appointed 1 July 2010)

## **Directors' report** *(continued)*

### **Political and charitable contributions**

The Company made no political or charitable donations or incurred any political expenditure during the year (2008 nil)

### **Directors' responsibilities**

The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

A resolution to appoint PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming group Annual General Meeting.

On behalf of the board



**K Wright**  
Director

Date 29 September 2010

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROMED LIMITED**

We have audited the financial statements of Euromed Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROMED LIMITED *(Continued)***

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



George Brooks (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Hatfield  
United Kingdom

29 September 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**Profit and Loss Account**  
*for the year ended 31 December 2009*

	<i>Note</i>	2009 £000	2008 £000
<b>Turnover</b>	2	3,263	3,633
Cost of sales		(1,386)	(1,448)
<b>Gross profit</b>		1,877	2,185
Administrative expenses – excluding exceptionals		(366)	(580)
Exceptional expenses		-	(140)
Total administrative expenses		(366)	(720)
<b>Operating profit</b>	3	1,511	1,465
Interest receivable	6	54	97
<b>Profit on ordinary activities before taxation</b>		1,565	1,562
Tax on profit on ordinary activities	7	189	(354)
<b>Profit on ordinary activities after taxation</b>		1,754	1,208

The profit and loss account has been prepared on the basis that all operations are discontinued operations

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 9 to 17 form part of these financial statements


**Balance Sheet**  
Company no. 03272527  
At 31 December 2009

	<i>Note</i>	<b>2009 £000</b>	<b>2008 £000</b>
<b>Fixed assets</b>			
Tangible assets	8	4	9
		<hr/>	<hr/>
		4	9
<b>Current assets</b>			
Stocks	9	532	319
Debtors	10	2,802	1,370
Cash at bank and in hand		165	277
		<hr/>	<hr/>
		3,499	1,966
<b>Creditors: amounts falling due within one year</b>	11	(803)	(1,034)
		<hr/>	<hr/>
<b>Net current assets</b>		2,696	932
		<hr/>	<hr/>
<b>Net assets</b>		2,700	941
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	10	10
Profit and loss account	14	2,690	931
		<hr/>	<hr/>
<b>Shareholders' funds</b>	15	2,700	941
		<hr/>	<hr/>

These financial statements were approved by the board of directors and authorised for issue on 29 September 2010



**P Welch**  
Director



**K Wright**  
Director

The notes on pages 9 to 17 form part of these financial statements



## Notes forming part of the financial statements

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards and with the requirements of the Companies Act 2006

The following accounting policies have been applied

#### *Cash flow statement*

The company is exempt from preparing a cash flow statement under FRS 1 (revised 1996) "Cash Flow Statements" as more than 90% of the voting rights are controlled by the ultimate parent company and consolidated financial statements in which these results are included are publicly available

#### *Turnover*

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. Turnover is recognised for export sales when goods are despatched to the shipping line. Turnover for rental sales are recognised when units are delivered to the customer

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Computer equipment	-	33% per annum
Plant and machinery	-	33% per annum
Fixture, fittings & equipment	-	15% per annum
Office equipment	-	25% per annum

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

#### *Post-retirement benefits*

Contributions made by the company to individual employee defined contribution pension schemes are charged to the profit and loss account when they fall due

#### *Research and development expenditure*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

#### *Leasing*

Assets acquired under operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

## Notes forming part of the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### *Share options*

The company has applied the requirements of FRS 20 "Share based payment" In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity unvested with effect from 1 January 2007

The share option programme allows employees to acquire shares of the parent company The fair value of options granted during the year is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19

### 2 Turnover

The company operates worldwide and turnover is analysed as follows

	2009 £000	2008 £000
<i>By geographical market</i>		
United Kingdom	2,896	3,449
Europe	366	184
Rest of the World	1	-
	<u>3,263</u>	<u>3,633</u>

### 3 Operating Profit

	2009 £000	2008 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Gain on foreign exchange transactions	(2)	(25)
Rent of buildings	-	25
Depreciation	6	9
Amounts receivable by the auditors and their associates in respect of Audit of these financial statements pursuant to legislation	19	13
	<u>19</u>	<u>13</u>

## Notes forming part of the financial statements *(continued)*

	2009 £000	2008 £000
The exceptional items are analysed		
Office relocation costs	-	45
IT development costs	-	32
Commissions payable following termination of contracts	-	63
	<u>-</u>	<u>140</u>

### 4 Remuneration of directors

	2009 £000	2008 £000
Directors' emoluments	-	32
Company contributions to money purchase pension schemes	-	2
	<u>-</u>	<u>34</u>

No directors are remunerated by Euromed Limited. Payments to the directors are made through the parent company, Concateno Plc and other companies in the group by which they are employed. No retirement benefits were accrued to directors under money purchase schemes during the period (2008: 1 director).

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2009	2008
Office	-	1
Finance	1	1
Sales and marketing	3	3
	<u>4</u>	<u>5</u>

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	-	228
Social security costs	-	25
Other pension costs	-	8
Share based payments	5	51
	<u>5</u>	<u>312</u>

No employees are remunerated by Euromed Limited. Payments to employees are made through other companies in the group by which they are formally employed. The share option charge relates to one director who transferred formal employment to another company in the Concateno Group in 2008.

## Notes forming part of the financial statements *(continued)*

### 6 Interest receivable

	2009 £000	2008 £000
Loan interest receivable from holding company	54	97
	<u>54</u>	<u>97</u>

### 7 Taxation

#### *Analysis of charge/(credit) in period*

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the period	250	350
Adjustment relating to prior years	(427)	-
	<u>(177)</u>	<u>350</u>
Total current tax (credit)/charge		
Deferred taxation		
Origination and reversal of timing differences	(20)	4
Adjustment relating to prior year	8	-
	<u>(189)</u>	<u>354</u>
<b>Tax on profit on ordinary activities</b>		

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2008 lower) than the standard rate of corporation tax in the UK 28%, (2008 28.5%) The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before tax	1,565	1,562
Current tax at 28% (2008 28.50 %)	438	445
<i>Effects of</i>		
Expenses not deductible for tax purposes	21	1
Capital allowances for period less than depreciation	1	10
Group relief claimed but not paid	(210)	-
Prior year adjustment	(427)	(106)
	<u>(177)</u>	<u>350</u>
<b>Total current tax charge (see above)</b>		

The current tax credit of £427,000 in respect of the prior year arises as a result of revised group relief claims submitted during the year

## Notes forming part of the financial statements *(continued)*

### 8 Tangible fixed assets

	Computer equipment £000	Plant and machinery £000	Fixtures fittings £000	Office equipment £000	Total £000
<i>Cost</i>					
At 1 January 2009	22	12	11	8	53
Additions	1	-	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	<b>23</b>	<b>12</b>	<b>11</b>	<b>8</b>	<b>54</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2009	20	6	10	8	44
Charge for year	1	4	1	-	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	<b>21</b>	<b>10</b>	<b>11</b>	<b>8</b>	<b>50</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2009	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>4</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	<b>2</b>	<b>6</b>	<b>1</b>	<b>-</b>	<b>9</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 9 Stocks

	2009 £000	2008 £000
Finished goods and goods for resale	532	319
	<hr/>	<hr/>
	<b>532</b>	<b>319</b>
	<hr/>	<hr/>

There are no material differences between the balance sheet value of stocks and their replacement cost

### 10 Debtors

	2009 £000	2008 £000
Trade debtors	423	733
Amounts owed by group undertakings	2,070	607
Corporation tax debtor	271	-
Deferred taxation (see note 12)	24	12
Prepayments and accrued income	14	18
	<hr/>	<hr/>
	<b>2,802</b>	<b>1,370</b>
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year

## Notes forming part of the financial statements *(continued)*

### 11 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	199	353
Taxation and social security	-	31
Corporation tax	-	350
Amounts owed to group undertakings	525	142
Accruals and deferred income	79	158
	<u>803</u>	<u>1,034</u>

### 12 Deferred taxation

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Difference between accumulated depreciation and capital allowances	3	11
Other timing differences	21	1
	<u>24</u>	<u>12</u>

### 13 Called up share capital

	2009 £000	2008 £000
<i>Allotted, called up and fully paid</i>		
10,000 Ordinary shares of £1.00 each	10	10
	<u>10</u>	<u>10</u>

### 14 Profit and loss account

	£000
At 1 January 2009	931
Share-based payments	5
Profit for the period	1,754
	<u>2,690</u>
At 31 December 2009	<u>2,690</u>

## Notes forming part of the financial statements *(continued)*

### 15 Equity shareholders' funds

	2009 £000	2008 £000
Retained profit for the financial year	1,754	1,208
Share-based payments	5	51
Dividends payable	-	(1,435)
Opening equity shareholders' funds	941	1,117
	<hr/>	<hr/>
Closing equity shareholders' funds	2,700	941
	<hr/>	<hr/>

### 16 Share Options

Until 11 August 2009 Concateno Plc, the Company's parent, operated an Enterprise Management Incentive ("EMI") share option scheme as a means of encouraging ownership and aligning interests of staff and external shareholders. Options were normally granted with a fixed price equal to the market price of the shares under the options at the date of grant. Options were also issued to SG Hambros Trust Company (Channel Islands) Limited, as trustee of a trust in which employees and certain of their relatives are potential beneficiaries, by the Company. SG Hambros Trust Company (Channel Islands) Limited holds options under the Employee Benefit Trust Incentive Scheme (hereafter, options issued to the Trust are referred to as "EBT").

On 11 August 2009 Concateno Group Plc was acquired by Alere Inc (formerly Inverness Medical Innovations Inc) ("IMI"). On this date both the EMI and EBT schemes were modified.

The EMI share scheme was modified such that after the acquisition date the options in the scheme were held over the share capital of IMI rather than Concateno Plc. The vesting conditions of the options were not modified and IMI issued 1 replacement option for every 16 9289 Concateno Plc options. The revised exercise price was based on the acquisition price of £1 20 that IMI paid for each outstanding share in Concateno Plc, the closing IMI share price of \$33 58 on the date of acquisition and the exchange rate of 1 653 USD/GBP on that date. The ratio of exchange resulted in no change to the value of the options and therefore no modifications have been made to the share based payment charges recognised by the Company.

The EBT scheme was modified such that all options vested on the date of acquisition. Where EBT options were underwater the option price was modified to \$33 58. As a result of the accelerated vesting of the EBT shares, the remaining share based payment charge that would have been recognised over the life of the options has been accelerated and recognised in full in the current year.

The share option charge included in the financial statements relates to one director who transferred formal employment to another company in the Concateno Group in 2008.

Share options granted at 31 December 2009 were as follows:

	EMI Number
At 31 December 2008	204,088
Reduction upon issue of replacement options	(192,032)
Granted during the year	-
Exercised during the year	-
Lapsed during the year	(8,038)
	<hr/>
At 31 December 2009	4,018
	<hr/>

## Notes forming part of the financial statements *(continued)*

### 16 Share Options *(continued)*

	EBT
At 31 December 2008	Number
	63,946
Reduction upon issue of replacement options	(60,168)
Granted during the year	-
Exercised during the year	-
Lapsed during the year	(1,890)
	<hr/>
At 31 December 2009	1,888
	<hr/>

#### Options issued to employees under EMI Scheme

	At 1 January 2009 Number	Reduction upon issue of replacement shares Number	Options lapsed Number	At 31 December 2009 Number	Date granted	Exercise price US\$	Exercise date	Expiry date
Class C	102,044	96,016	4,018	2,009	05/04/2007	33.58	05/04/2010	05/04/2017
Class D	102,044	96,016	4,018	2,009	05/04/2007	33.58	05/04/2010	05/04/2017

#### Options issued to SG Hambros Trust Company (Channel Islands) Limited under EBT Scheme

	At 1 January 2009 Number	Reduction upon issue of replacement shares Number	Options lapsed Number	At 31 December 2009 Number	Date granted	Exercise price US\$	Exercise date	Expiry date
Class C	31,973	30,084	944	944	17/05/2007	33.58	17/05/2010	17/05/2017
Class D	31,973	30,084	944	944	17/05/2007	33.58	17/05/2010	17/05/2017

A charge of £4,572 was recorded in the profit and loss account for the year ended 31 December 2009 (2008 £51,000). Set out below is the fair value of the options granted.

#### Options issued to employees under EMI Scheme

	Shares under option 2009 Number	Fair value (pence)	Expected life (years)
Class C	2,009	42.2	3
Class D	2,009	42.2	3



## Notes forming part of the financial statements *(continued)*

### 16 Share Options *(continued)*

Options issued to SG Hambros Trust Company (Channel Islands) Limited under EBT Scheme

	Shares under option 2009 Number	Fair value (pence)	Expected life (years)
Class C	944	41.4	3
Class D	944	41.4	3

Options issued to employees under the Unapproved Scheme

	Shares under option 2009 Number	Fair value £	Expected life (years)
2001 Plan	4,500	10.709	5.2

The pricing model used for the EMI and EBT options was the binominal model. The inputs to this model were:

Vesting period (years)	3.0
Expected volatility	30%
Option life (years)	7
Expected life (years)	3
Risk free rate	4.6%
Expected dividends expressed as a dividend yield	0%

No other features, such as a market condition, were incorporated into the measurement of fair value.

### 17 Ultimate parent company and parent undertaking of larger group of which the company is a member

Since 11 August 2009 the company's ultimate parent company is Alere Inc (formerly Inverness Medical Innovations Inc), a company incorporated in the United States of America. The company's immediate parent company is Concateno Plc, a company incorporated in the United Kingdom. Copies of the consolidated financial statements for the ultimate parent company can be obtained from Alere Inc, Head Office, 51 Sawyer Road, Suite 200, Waltham, MA 02453, USA.

### 18 Related party transactions

The company has taken advantage of the exemptions contained in Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions or balances with entities which form part of the group headed by Alere Inc (formerly Inverness Medical Innovations Inc) on the grounds that the voting rights are 100% controlled within the group and the company is included in the consolidated financial statements.

### 19 Post balance sheet events

Euromed Limited transferred trade to other group companies on 31 March 2010.