

Alpha Laboratories Limited

Registered number: 01215816

Directors' report and financial statements

For the year ended 30 September 2016

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ALPHA LABORATORIES LIMITED

COMPANY INFORMATION

Directors

Mr D Giles
Mrs A M Giles
Mr N S Giles

Company secretary

Mrs A M Giles

Registered number

01215816

Registered office

40 Parham Drive
Eastleigh
Hampshire
SO50 4NU

Independent auditors

Mazars LLP
Chartered Accountants & Statutory Auditor
5th Floor Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Bankers

Barclays Bank Plc
Level 27
1 Churchill Place
London
E14 5HP

ALPHA LABORATORIES LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

Introduction

The directors present their strategic report for Alpha Laboratories Limited for the year ended 30 September 2016.

The principal activity of the company during the year continued to be the marketing of equipment, reagents and disposable plastics for laboratories although NHS Clinical Commissioning Groups are also involved.

Business review

Alpha Laboratories sources and supplies Laboratory Equipment/Consumables and Clinical Diagnostics. Sales activity is global for Laboratory Equipment/Consumables, mainly under the Alpha Label. In contrast, the Diagnostics are proprietary, bear the manufacturer's label and are sold only in the British Isles. The company is divisionalised accordingly. The company is running a pilot of a Key Account Management approach. This new focus will be tested and then potentially rolled out across the country.

Primary customers are the NHS, Teaching establishments, private laboratories, life science industry and in the case of the export business, distributors.

The business relies on strong working relationships with numerous suppliers some of whom have supplied the company for more than 30 years. Many suppliers are based in the United States and the rest are on mainland Europe and the UK. One supplier is currently based in China and a key supplier is based in Japan.

The company continued to invest in its ERP system and development of its website. Following our enhancement of our ERP environment there has been a focus on mining data. An implementation of Business Objects 4.2 is underway.

Principal risks and uncertainties

A significant amount of the company's purchases are in US Dollars and Swiss Francs so the Pound/US Dollar and Pound/CHF exchange rates are a constant risk which is managed using forward exchange contracts and options. A Sterling depreciation can therefore be planned for and adjustments to operating practises or costs made appropriately. Post Brexit this approach has been truly tested.

In recent years the Diagnostic Market has become dominated by large multinational suppliers. This has enabled these large companies to establish, for many clinical laboratories, Managed Service Contracts (MSCs). As these do not attract VAT they save the Hospital Trust 20% but lock users into the multinational outfit's range of products. Most MSCs are for a period of 10-15 years. Alpha continues to work with these organisations rather than compete.

The company has been supplying the four countries in the National Bowel Cancer Screening programme for the last 14 years. For two recent Tenders the company offered new technology. As a result the company won the Scottish tender and a place on the framework for England. England are now planning to move to the new technology adopted in Scotland and we expect to know the result of our bid in July 2017.

ALPHA LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

Key performance indicators

As a result of normal company operations there are a variety of financial risks to which the company could be exposed. To control the possible effects of such risks, the board of directors constantly monitor the situation, relying on the controls and policies that are implemented by the company's finance department.

Credit Risk

The company deals mainly with numerous quasi-government organisations so it has limited exposure to credit risk.

Liquidity risk

The company retains sufficient cash to ensure it has adequate funds available for operations.

Interest rate risk

The company earns interest at a floating rate on cash balances. The company has a mortgage of £972,000 secured on its freehold premises. The interest rate is fixed by an interest rate swap. The company does not have any other interest bearing debt and therefore the directors do not consider the company to have any exposure to interest rate risk on liabilities.

Foreign exchange risk

The company has transactional currency exposure chiefly in U.S. dollars. It uses forward currency contracts to alleviate the currency exposure. At 30 September 2016 the company's forward contracts, amounting to £2.1 million, for NHS Laboratories at an average exchange rate of £1 = \$1.4487. The fair value of these contracts is disclosed in note 20.

Financial performance

Profit & Loss

Sales increased by 5.0%. However Gross Profit margin was slightly down mainly due to the competitive nature of the market and the devaluation of sterling. Administrative expenses have decreased by 8.5% and the increase in sales by 5% has resulted in an operating profit of £602k (before fair value adjustments).

Profit for the financial year after taxation is £430k up by 70.5%.

Balance Sheet

Saleable stock has decreased by 23.2%. This is the result of greater control over the purchasing function. Debtors have increased by 22.6%, but a significant factor here is the inclusion of Financial Instruments totalling £255.2k. This is material as this figure was a £30.5k creditor in the previous year.

Overall the balance sheet continues to strengthen with net current assets of £2.5 million, a 33.8% increase when compared to the previous year.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2016

Future developments

A focus on management data including dashboards and exception reports will highlight to managers significant areas requiring attention remedial or otherwise.

The Laboratory Products division requires additional management input to increase profitable sales and investment in niche products. Divisionalisation is being scrutinised and a Key Account Management thrust considered as an alternative.

The plan for the coming year is to increase sales by 5.8% on the prior year.

This report was approved by the board and signed on its behalf.



.....
Mr D Giles
Director

Date:



**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The directors present their report and the financial statements for the year ended 30 September 2016.

Directors' responsibilities statement

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 elected to prepare 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'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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.

Results and dividends

The profit for the year, after taxation, amounted to £429,549 (2015 - £252,269).

The final dividend of £88,000 in relation to the year ended 30 September 2015 was paid in the year. The directors propose a final dividend of £88,000 in relation to the current financial year.

Directors

The directors who served during the year were:

Mr D Giles
Mrs A M Giles
Mr N S Giles

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2016

Matters covered in the Strategic Report

The mandatory disclosures in relation to the principle risks and uncertainties, research and development and the future developments of the company are considered by the directors to be of strategic importance. These have therefore been included in the Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....
Mrs A M Giles
Director

Date: 23 June 17

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPHA LABORATORIES LIMITED

We have audited the financial statements of Alpha Laboratories Limited for the year ended 30 September 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 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 the other matter prescribed by the Companies Act 2006

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

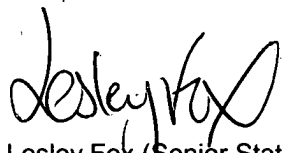
ALPHA LABORATORIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPHA LABORATORIES LIMITED

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.



Lesley Fox (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date:

23 June 2017

ALPHA LABORATORIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Note	2016 £	2015 £
Turnover	4	11,590,203	11,039,858
Cost of sales		(8,335,441)	(7,763,417)
Gross profit		<u>3,254,762</u>	<u>3,276,441</u>
Administrative expenses		(2,674,228)	(2,901,022)
Other operating income	5	21,700	21,700
Operating profit	6	<u>602,234</u>	<u>397,119</u>
Interest receivable and similar income	9	460	596
Interest payable and expenses	10	(69,494)	(72,735)
Profit before tax		<u>533,200</u>	<u>324,980</u>
Tax on profit	11	(103,651)	(72,711)
Profit for the year		<u>429,549</u>	<u>252,269</u>
Other comprehensive income for the year			
Fair value adjustments		257,501	(76,811)
Other comprehensive income for the year		<u>257,501</u>	<u>(76,811)</u>
Total comprehensive income for the year		<u>687,050</u>	<u>175,458</u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

The notes on pages 12 to 29 form part of these financial statements.

BALANCE SHEET
AS AT 30 SEPTEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	1,768,184	1,864,019
		<u>1,768,184</u>	<u>1,864,019</u>
Current assets			
Stocks	14	1,096,862	1,427,196
Debtors: amounts falling due within one year	15	2,165,910	1,766,154
Cash at bank and in hand	16	975,976	568,878
		<u>4,238,748</u>	<u>3,762,228</u>
Creditors: amounts falling due within one year	17	(1,752,760)	(1,903,327)
Net current assets		<u>2,485,988</u>	<u>1,858,901</u>
Total assets less current liabilities		<u>4,254,172</u>	<u>3,722,920</u>
Creditors: amounts falling due after more than one year	18	(921,710)	(974,736)
Provisions for liabilities			
Deferred tax	21	(58,070)	(72,842)
		<u>(58,070)</u>	<u>(72,842)</u>
Net assets		<u><u>3,274,392</u></u>	<u><u>2,675,342</u></u>
Capital and reserves			
Called up share capital	22	22,000	22,000
Share premium account		28,966	28,966
Capital redemption reserve		3,000	3,000
Cash flow hedge reserve		(47,109)	(304,610)
Profit and loss account		3,267,535	2,925,986
		<u><u>3,274,392</u></u>	<u><u>2,675,342</u></u>

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

D. W. Giles
.....
Mr D Giles
Director

Date:

23 June 17
The notes on pages 12 to 29 form part of these financial statements.

ALPHA LABORATORIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Called up share capital £	Share premium account £	Capital redemption reserve £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 October 2014 (As restated)	22,000	28,966	3,000	(227,799)	2,783,717	2,609,884
Comprehensive income for the year						
Profit for the year	-	-	-	-	252,269	252,269
Fair value adjustments	-	-	-	(76,811)	-	(76,811)
Dividends: Equity capital	-	-	-	-	(110,000)	(110,000)
At 1 October 2015 (As restated)	22,000	28,966	3,000	(304,610)	2,925,986	2,675,342
Comprehensive income for the year						
Profit for the year	-	-	-	-	429,549	429,549
Fair value adjustments	-	-	-	257,501	-	257,501
Dividends: Equity capital	-	-	-	-	(88,000)	(88,000)
At 30 September 2016	22,000	28,966	3,000	(47,109)	3,267,535	3,274,392

The notes on pages 12 to 29 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	429,549	252,269
Adjustments for:		
Depreciation of tangible assets	121,960	126,935
Loss on disposal of tangible assets	(2,626)	-
Interest paid	69,494	72,735
Interest received	(460)	(596)
Taxation charge	103,651	72,711
Decrease/(increase) in stocks	330,336	(154,123)
(Increase) in debtors	(144,571)	(280,301)
(Decrease)/increase in creditors	(198,230)	145,430
Corporation tax (paid)	(61,946)	(94,183)
Net cash generated from operating activities	<u>647,157</u>	<u>140,877</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(30,401)	(104,629)
Sale of tangible fixed assets	6,900	-
Interest received	460	596
Net cash from investing activities	<u>(23,041)</u>	<u>(104,033)</u>
Cash flows from financing activities		
Repayment of loans	(59,524)	(40,607)
Dividends paid	(88,000)	(110,000)
Interest paid	(69,494)	(72,735)
Net cash used in financing activities	<u>(217,018)</u>	<u>(223,342)</u>
Net increase/(decrease) in cash and cash equivalents	407,098	(186,498)
Cash and cash equivalents at beginning of year	568,878	755,376
Cash and cash equivalents at the end of year	<u>975,976</u>	<u>568,878</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	975,976	568,878
	<u>975,976</u>	<u>568,878</u>

The notes on pages 12 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

1. General information

Alpha Laboratories Limited (No. 01215816) is a private company limited by shares incorporated in England and Wales. The registered office is 40 Parham Drive, Eastleigh, Hampshire, SO50 4NU.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention modified for the fair value of certain financial instruments and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 27.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 30 September 2016. The company transitioned from previously extant UK GAAP to FRS 102 as at 1 October 2014.

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

2. Accounting policies (continued)

2.2 Revenue

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

Turnover is attributable to one activity, the distribution of laboratory equipment, reagents and disposable plastics.

Turnover is recognised in accounting periods in which the goods are dispatched.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. Accounting policies (continued)

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years straight line
Motor vehicles	- 4 years straight line
Equipment	- 2 to 5 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss account.

2.4 Stocks

Stocks are valued on a FIFO basis at the lower of cost and net realisable value after making due allowances for obsolete and slow-moving stocks.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. Accounting policies (continued)

2.7 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. Accounting policies (continued)

2.9 Hedge accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its interest rates. These derivatives are measured at fair value at each balance sheet date.

The Company uses foreign currency forward contracts to manage its exposure to cash flow risk on its suppliers in foreign currency. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in other comprehensive income.

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss account within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the Profit and Loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. Accounting policies (continued)

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and Loss account on a straight line basis over the lease term.

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

2.14 Pensions

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 in the Profit and Loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Interest income

Interest income is recognised in the Profit and Loss account using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in the Profit and Loss account in the year in which they are incurred.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.19 Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following key judgements and estimation uncertainties.

Debt provisions

Provisions for bad or doubtful debts are made by management of Alpha Laboratories Limited based on specific knowledge of customers and the balances owed when events or circumstances are identified that would cast significant doubt over the recovery of the balance. The balance of this liability held at 30 September was £38,378 (2015: £38,227).

Stock provisions

Provisions for stock and work in progress are made by the management of the company based on the age and condition of stock, related costs and prevailing market conditions. The balance of this liability held at 30 September was £325.4k (2015: £361.4k).

Derivatives

The directors have made key assumptions in the determination of the fair value of derivative financial instruments. Further details can be seen in note 20.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Sale of goods	11,540,203	10,982,258
Rendering of services	50,000	57,600
	<u>11,590,203</u>	<u>11,039,858</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	10,485,561	10,039,882
Rest of Europe	1,018,758	924,408
Rest of the world	85,884	75,568
	<u>11,590,203</u>	<u>11,039,858</u>

5. Other operating income

	2016 £	2015 £
Rents receivable	21,700	21,700
	<u>21,700</u>	<u>21,700</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	121,960	126,935
Profit on sale of fixed asset	2,626	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,250	11,000
- Taxation compliance services	2,475	2,300
Exchange differences	(87,397)	(17,354)
Other operating lease rentals	129,475	123,448
Defined contribution pension cost	85,899	85,623
	<u></u>	<u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

7. Employees

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

	2016 £	2015 £
Wages and salaries	2,231,996	2,169,234
Social security costs	247,358	249,111
Cost of defined contribution scheme	85,899	85,623
	<u>2,565,253</u>	<u>2,503,968</u>

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

	2016 No.	2015 No.
Distribution staff	43	42
Administrative staff	4	4
Management staff	8	8
	<u>55</u>	<u>54</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	178,988	179,395
Company contributions to defined contribution pension schemes	39,600	45,300
	<u>218,588</u>	<u>224,695</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £105,500 (2015 - £106,500).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015 - £NIL).

The total accrued pension provision of the highest paid director at 30 September 2016 amounted to £NIL (2015 - £NIL).

The key management personnel of the company are the directors.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

9. Interest receivable

	2016 £	2015 £
Other interest receivable	460	596
	<u>460</u>	<u>596</u>

10. Interest payable and similar charges

	2016 £	2015 £
Bank loans	69,494	72,735
	<u>69,494</u>	<u>72,735</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	118,423	61,946
	<u>118,423</u>	<u>61,946</u>
Total current tax	<u>118,423</u>	<u>61,946</u>
Deferred tax		
Origination and reversal of timing differences	(14,772)	10,765
Total deferred tax	<u>(14,772)</u>	<u>10,765</u>
Taxation on profit on ordinary activities	<u>103,651</u>	<u>72,711</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.5%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	533,200	324,980
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.5%)	106,640	66,621
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	662	1,806
Capital allowances for year in excess of depreciation	10,888	(4,997)
Fixed asset profit on disposals	(525)	-
Changes in provisions leading to an increase (decrease) in the tax charge	758	-
Deferred tax movement	(14,772)	10,765
Marginal relief	-	(1,484)
Total tax charge for the year	103,651	72,711

12. Dividends

	2016 £	2015 £
Dividends paid	88,000	110,000
	88,000	110,000

On 30 September 2016 the directors propose a dividend of £88,000.

ALPHA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

13. Tangible fixed assets

	Land and Buildings £	Equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2015	1,843,896	1,165,073	104,919	3,113,888
Additions	-	30,401	-	30,401
Disposals	-	(606,000)	(13,994)	(619,994)
At 30 September 2016	<u>1,843,896</u>	<u>589,474</u>	<u>90,925</u>	<u>2,524,295</u>
Depreciation				
At 1 October 2015	225,298	969,789	54,782	1,249,869
Charge for the period on owned assets	29,450	71,514	20,996	121,960
Disposals	-	(605,224)	(10,496)	(615,720)
At 30 September 2016	<u>254,748</u>	<u>436,079</u>	<u>65,282</u>	<u>756,109</u>
Net book value				
At 30 September 2016	<u>1,589,148</u>	<u>153,395</u>	<u>25,643</u>	<u>1,768,186</u>
At 30 September 2015	<u>1,618,598</u>	<u>195,284</u>	<u>50,137</u>	<u>1,864,019</u>

14. Stocks

	2016 £	2015 £
Finished goods	1,096,862	1,427,196
	<u>1,096,862</u>	<u>1,427,196</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

15. Debtors

	2016	2015
	£	£
Trade debtors	1,819,349	1,638,083
Other debtors	8,854	9,500
Prepayments and accrued income	82,522	118,571
Financial instruments	255,185	-
	<u>2,165,910</u>	<u>1,766,154</u>

16. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	975,976	568,878
	<u>975,976</u>	<u>568,878</u>

17. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Bank loans	51,052	57,551
Trade creditors	786,129	937,868
Corporation tax	118,423	61,946
Other taxation and social security	240,817	262,324
Other creditors	28,664	46,055
Accruals and deferred income	225,381	232,972
Financial instruments	302,294	304,611
	<u>1,752,760</u>	<u>1,903,327</u>

Interest is calculated on a Base Rate Basis: at a rate equal to the aggregate of the bank's margin and the base rate.

The mortgage is secured on the Company's freehold premises.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

18. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Bank loans	921,710	974,736
	<u>921,710</u>	<u>974,736</u>

19. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year		
Bank loans	51,052	57,551
	<u>51,052</u>	<u>57,551</u>
Amounts falling due 2-5 years		
Bank loans	204,210	196,314
	<u>204,210</u>	<u>196,314</u>
Amounts falling due after more than 5 years		
Bank loans	717,500	778,422
	<u>717,500</u>	<u>778,422</u>
	<u>972,762</u>	<u>1,032,287</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

20. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	1,231,161	568,878
Financial assets that are debt instruments measured at amortised cost	1,828,203	1,647,583
	<u>3,059,364</u>	<u>2,216,461</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(302,294)	(304,611)
Financial liabilities measured at amortised cost	(1,998,466)	(2,234,118)
	<u>(2,300,760)</u>	<u>(2,538,729)</u>

Financial assets measured at fair value through profit or loss comprise forward exchange contracts.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps.

Financial liabilities measured at amortised cost comprise bank overdraft and other loans, trade creditors and other creditors.

21. Deferred taxation

	2016 £
At beginning of year	(72,842)
Charged to profit or loss	14,772
At end of year	<u>(58,070)</u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(58,070)	(72,842)
	<u>(58,070)</u>	<u>(72,842)</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

22. Share capital

	2016 £	2015 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
22,000 Ordinary shares of £1 each	22,000	22,000

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £85,899 (2015 - £85,623). Contributions totalling £8,048 (2015 - £7,805) were payable to the fund at the balance sheet date and are included in creditors.

24. Commitments under operating leases

At 30 September 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	95,386	102,561
Later than 1 year and not later than 5 years	154,644	57,229
	<u>250,030</u>	<u>159,790</u>

25. Related party transactions

There were no transactions that require to be reported under FRS 102 in either the current or previous periods.

26. Controlling party

The company is controlled by the majority shareholder and director Mr D Giles.

ALPHA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

27. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 October 2014. The impact of the transition to FRS 102 is as follows:

	Note	As previously stated 1 October 2014 £	Effect of transition 1 October 2014 £	FRS 102 (as restated) 1 October 2014 £	As previously stated 30 September 2015 £	Effect of transition 30 September 2015 £	FRS 102 (as restated) 30 September 2015 £
Fixed assets		1,886,325	-	1,886,325	1,864,019	-	1,864,019
Current assets		3,513,553	26,814	3,540,367	3,762,228	-	3,762,228
Creditors: amounts falling due within one year		(1,475,991)	(254,613)	(1,730,604)	(1,598,719)	(304,610)	(1,903,329)
Net current assets		2,037,562	(227,799)	1,809,763	2,163,509	(304,610)	1,858,899
Total assets less current liabilities		3,923,887	(227,799)	3,696,088	4,027,528	(304,610)	3,722,918
Creditors: amounts falling due after more than one year		(1,024,129)	-	(1,024,129)	(974,736)	-	(974,736)
Provisions for liabilities		(62,077)	-	(62,077)	(72,842)	-	(72,842)
Net assets		2,837,681	(227,799)	2,609,882	2,979,950	(304,610)	2,675,340
Capital and reserves		2,837,681	(227,799)	2,609,882	2,979,950	(304,610)	2,675,340

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

27. First time adoption of FRS 102 (continued)

		As previously stated 30 September 2015 £	Effect of transition 30 September 2015 £	FRS 102 (as restated) 30 September 2015 £
	Note			
Turnover		11,039,858	-	11,039,858
Cost of sales		(7,763,417)	-	(7,763,417)
		<u>3,276,441</u>	<u>-</u>	<u>3,276,441</u>
Administrative expenses		(2,901,022)	-	(2,901,022)
Other operating income		21,700	-	21,700
		<u>397,119</u>	<u>-</u>	<u>397,119</u>
Operating profit		397,119	-	397,119
Interest receivable and similar income		596	-	596
Interest payable and similar charges		(72,735)	-	(72,735)
Taxation		(72,711)	-	(72,711)
		<u>252,269</u>	<u>-</u>	<u>252,269</u>
Profit on ordinary activities after taxation and for the financial year		<u>252,269</u>	<u>-</u>	<u>252,269</u>

Explanation of changes to previously reported profit and equity:

- 1 The adjustments are in respect of the recognition of derivatives at fair value of the comparative period as permitted under FRS102.