

Alpha Laboratories Limited

Registered number: 01215816

Directors' report and financial statements

For the year ended 30 September 2019

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ALPHA LABORATORIES LIMITED

COMPANY INFORMATION

Directors	Mrs A M Giles Mr N S Giles Ms T L Giles Mrs A Giles
Company secretary	Mrs A M Giles
Registered number	01215816
Registered office	40 Parham Drive Eastleigh Hampshire SO50 4NU
Independent auditor	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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ALPHA LABORATORIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

Introduction

The Directors present their Strategic Report for Alpha Laboratories Limited for the year ended 30 September 2019.

Principal activities

The principal activity of the Company during the year continued to be the marketing of equipment, diagnostics, reagents and disposable plastics to clinical and research laboratories. Recently this activity has been extended to National Health Service (NHS) Clinical Commissioning Groups and medical clinics.

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 business is now fully engaged with the implementation of a Key Account Management (KAM) approach to sales. We have recognised and indeed tested this approach which focuses on offering solutions to customers rather than trying to sell products. Implementation is ongoing and full rollout will be complete early 2020.

Primary customers are the NHS, private clinical laboratories, universities, medical schools, 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 or Japan and the rest are on mainland Europe and the UK.

The Company continued to invest in its Enterprise Resource Planning (ERP) system and a development of its website. Following our enhancement of our ERP environment more focus on mining data has been introduced. The Company upgraded to Microsoft Office 365 in preparation for Microsoft Dynamics implementation in 2020.

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. Due to the Brexit negotiations this approach is being truly tested.

In recent years the Diagnostic Market has become dominated by large multinational suppliers. This has enabled these enormous 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 continues to supply Scotland, Wales and Northern Ireland with Faecal Screening products and has a large share of the symptomatic market.

As with many companies, Brexit is considered a major risk to the business due to the possible transport/ custom delays in supplying products. As a reseller the only element we can control is the level of stock we hold. Stock of key lines will be increased in the months running up to Brexit. Short term extension of payment terms with key suppliers will be negotiated.

ALPHA LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Financial Risk Management

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 £816,825 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 and Swiss Francs. It uses forward currency contracts to alleviate the currency exposure. At 30 September 2019 the company's USD forward contracts, amounted to £0.9 million at an average exchange rate of £1 = 1.32 USD.

Financial performance

Profit & Loss

Sales increased by 3.2%. Gross Profit margins were maintained despite poor sterling performance throughout the year. Administrative costs were similar to the previous year as the repairs and maintenance program continued.

Profit for the financial year after taxation and fair value adjustments £1,260,725.

Balance Sheet

Net Current Assets increased by 27% largely due to a significant increase in cash reserves. Stock levels increased by 62%. This was a planned increase due to Brexit uncertainty.

Overall Assets & Liabilities were up 24% on the prior year due to the above and the increase in profits in 18/19.

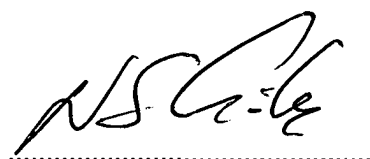
ALPHA LABORATORIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Future developments

Both divisions will continue to look for new and innovative product and product ranges that can accompany our existing portfolios and the Company will also focus on the implementation of its Key Account Management approach to sales. A huge investment in a new ERP system and Web site is planned for 2020.

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



.....
Mr N S Giles
Director

Date: 18 FEB 20

ALPHA LABORATORIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their report and the financial statements for the year ended 30 September 2019.

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 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 to 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 £1,298,235 (2018 - £1,072,246).

The final dividend of £154,000 in relation to the year ended 30 September 2018 was paid in the year. The Directors propose a final dividend of £154,000 in relation to the current financial year.

Directors

The Directors who served during the year were:

Mrs A M Giles
Mr N S Giles
Ms T L Giles
Mrs A Giles

Going concern

The Directors have made an assessment in preparing these financial statements as to whether the Company is a going concern and have concluded that there are no material uncertainties that may cast doubt on the company's ability to continue as a going concern.

ALPHA LABORATORIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Matters covered in the strategic report

The mandatory disclosures in relation to the principal 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 auditor

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 auditor is 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 auditor is aware of that information.

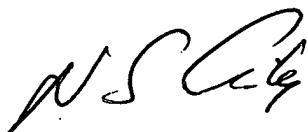
Post balance sheet events

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

Auditor

The auditor, 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.



.....
Mr N S Giles
Director

Date: 18 FEB 20

ALPHA LABORATORIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA LABORATORIES LIMITED

Opinion

We have audited the financial statements of Alpha Laboratories Limited (the 'Company') for the year ended 30 September 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1.

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However the terms of the future trade and other relationships with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

ALPHA LABORATORIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA LABORATORIES LIMITED

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

ALPHA LABORATORIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA LABORATORIES LIMITED

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

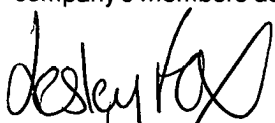
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.



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: 25/2/2020

ALPHA LABORATORIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	14,274,211	13,826,258
Cost of sales		(9,192,276)	(8,922,254)
Gross profit		5,081,935	4,904,004
Administrative expenses		(3,438,862)	(3,514,700)
Other operating income	5	-	4,022
Operating profit	6	1,643,073	1,393,326
Interest receivable and similar income	9	22,856	10,198
Interest payable and expenses	10	(62,284)	(63,950)
Profit before tax		1,603,645	1,339,574
Tax on profit	11	(305,410)	(267,328)
Profit for the financial year		1,298,235	1,072,246
Other comprehensive income for the year			
Fair value adjustments		(37,510)	284,297
Other comprehensive income for the year		(37,510)	284,297
Total comprehensive income for the year		1,260,725	1,356,543

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 13 to 29 form part of these financial statements.

ALPHA LABORATORIES LIMITED
REGISTERED NUMBER: 01215816

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	1,877,132	1,799,427
		<u>1,877,132</u>	<u>1,799,427</u>
Current assets			
Stocks	14	1,931,397	1,211,742
Debtors: amounts falling due within one year	15	1,948,152	2,332,016
Cash at bank and in hand	16	3,009,627	2,006,418
		<u>6,889,176</u>	<u>5,550,176</u>
Creditors: amounts falling due within one year	17	(2,169,636)	(1,826,085)
Net current assets		<u>4,719,540</u>	<u>3,724,091</u>
Total assets less current liabilities		<u>6,596,672</u>	<u>5,523,518</u>
Creditors: amounts falling due after more than one year	18	(763,027)	(814,480)
Provisions for liabilities			
Deferred tax	21	(99,066)	(81,184)
		<u>(99,066)</u>	<u>(81,184)</u>
Net assets		<u><u>5,734,579</u></u>	<u><u>4,627,854</u></u>
Capital and reserves			
Called up share capital	22	22,000	22,000
Share premium account	23	28,966	28,966
Capital redemption reserve	23	3,000	3,000
Cash flow hedge reserve	23	(98,195)	(60,685)
Profit and loss account	23	5,778,808	4,634,573
		<u><u>5,734,579</u></u>	<u><u>4,627,854</u></u>

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



Mr N S Giles
 Director

Date: 18 FEB 20

The notes on pages 13 to 29 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
At 1 October 2017	22,000	28,966	3,000	(344,982)	3,694,327	3,403,311
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,072,246	1,072,246
Fair value movement	-	-	-	284,297	-	284,297
Dividends: Equity capital	-	-	-	-	(132,000)	(132,000)
At 1 October 2018	22,000	28,966	3,000	(60,685)	4,634,573	4,627,854
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,298,235	1,298,235
Fair value movements	-	-	-	(37,510)	-	(37,510)
Dividends: Equity capital	-	-	-	-	(154,000)	(154,000)
At 30 September 2019	22,000	28,966	3,000	(98,195)	5,778,808	5,734,579

The notes on pages 13 to 29 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,298,235	1,072,246
Adjustments for:		
Depreciation of tangible assets	126,367	83,204
Loss / (Profit) on disposal of tangible assets	93,304	(20,445)
Interest paid	62,284	63,950
Interest received	(22,856)	(10,198)
Taxation charge	305,410	267,328
(Increase)/decrease in stocks	(719,655)	149,205
Decrease/(increase) in debtors	333,740	(439,719)
Increase/(decrease) in creditors	315,140	(253,825)
Corporation tax (paid)	(246,396)	(195,811)
Net cash generated from operating activities	<u>1,545,573</u>	<u>715,935</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(297,376)	(133,404)
Sale of tangible fixed assets	-	20,500
Interest received	22,856	10,198
Net cash from investing activities	<u>(274,520)</u>	<u>(102,706)</u>
Cash flows from financing activities		
Repayment of loans	(51,560)	(52,258)
Dividends paid	(154,000)	(132,000)
Interest paid	(62,284)	(63,950)
Net cash used in financing activities	<u>(267,844)</u>	<u>(248,208)</u>
Net increase in cash and cash equivalents	1,003,209	365,021
Cash and cash equivalents at beginning of year	2,006,418	1,641,397
Cash and cash equivalents at the end of year	<u>3,009,627</u>	<u>2,006,418</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,009,627	2,006,418
	<u>3,009,627</u>	<u>2,006,418</u>

The notes on pages 13 to 29 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

1. General information

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

The principal activity of the Company is the marketing of equipment, diagnostics, reagents and disposable plastics to clinical and research laboratories

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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.

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

The following principal accounting policies have been applied:

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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
Building improvements	- 10 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.

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 2019**

2. Accounting policies (continued)

2.7 Financial instruments

The Company primarily enters into basic financial instrument 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 the 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 of the recoverable amount, 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 and loss account.

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 2019**

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 2019**

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.

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 2019

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. Judgements 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.

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 £249.1k (2018: £254.9k).

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 and in the Strategic Report.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

4. Turnover

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

	2019 £	2018 £
Sale of goods	14,203,953	13,760,034
Rendering of services	70,258	66,224
	<u>14,274,211</u>	<u>13,826,258</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	13,246,911	12,781,928
Rest of Europe	861,700	923,896
Rest of the world	165,600	120,434
	<u>14,274,211</u>	<u>13,826,258</u>

5. Other operating income

	2019 £	2018 £
Rents receivable	-	4,022
	<u>-</u>	<u>4,022</u>

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	126,367	82,738
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	16,500	12,450
- Taxation compliance services	3,100	2,600
Exchange differences	(214,867)	74,815
Other operating lease rentals	115,375	108,497
Defined contribution pension costs	105,951	101,643
	<u>135,486</u>	<u>292,743</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

7. Employees

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

	2019	2018
	£	£
Wages and salaries	2,604,353	2,425,735
Social security costs	277,535	264,710
Cost of defined contribution scheme	105,951	101,643
	<u>2,987,839</u>	<u>2,792,088</u>

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

	2019	2018
	No.	No.
Distribution staff	43	42
Administrative staff	5	4
Management staff	8	8
	<u>56</u>	<u>54</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

8. Directors' remuneration

	2019 £	As restated 2018 £
Directors' emoluments	163,682	229,486
Company contributions to defined contribution pension schemes	39,600	39,600
	<u>203,282</u>	<u>269,086</u>

During the year retirement benefits were accruing to 1 Director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £83,796 (2018 - £82,404).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018 - £Nil).

The total accrued pension provision of the highest paid director at 30 September 2019 amounted to £Nil (2018 - £Nil).

The key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. We have identified Key Management Personnel and their total remuneration amounts to £711,882 (2018: £752,600), this comprises £656,508 (2018: £698,098) in wages and £55,374 (2018: £54,502) in pension contributions.

9. Interest receivable

	2019 £	2018 £
Other interest receivable	<u>22,856</u>	<u>10,198</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank loans	<u>62,284</u>	<u>63,950</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	287,528	246,396
Total current tax	<u>287,528</u>	<u>246,396</u>
Deferred tax		
Origination and reversal of timing differences	17,882	20,932
Total deferred tax	<u>17,882</u>	<u>20,932</u>
Taxation on profit on ordinary activities	<u>305,410</u>	<u>267,328</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,603,645</u>	<u>1,339,574</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	304,693	254,519
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,498	11,369
Capital allowances for year in excess of depreciation	(22,508)	(15,946)
Fixed asset profit on disposals	-	(3,884)
Adjustments to tax charge in respect of prior periods	-	52
Changes in provisions leading to an increase (decrease) in the tax charge	1,845	286
Deferred tax movement	17,882	20,932
Total tax charge for the year	<u>305,410</u>	<u>267,328</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

12. Dividends

	2019 £	2018 £
Ordinary		
Dividends paid	154,000	132,000

On 18 June 2019 the Directors proposed a dividend of £154,000.

13. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2018	1,886,304	555,564	104,902	2,546,770
Additions	-	218,016	79,360	297,376
Disposals	-	(176,920)	-	(176,920)
At 30 September 2019	1,886,304	596,660	184,262	2,667,226
Depreciation				
At 1 October 2018	305,779	413,164	28,400	747,343
Charge for the year on owned assets	26,101	58,645	41,621	126,367
Disposals	-	(83,616)	-	(83,616)
At 30 September 2019	331,880	388,193	70,021	790,094
Net book value				
At 30 September 2019	1,554,424	208,467	114,241	1,877,132
At 30 September 2018	1,580,525	142,400	76,502	1,799,427

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

14. Stocks

	2019	2018
	£	£
Finished goods	<u>1,931,397</u>	<u>1,211,742</u>

15. Debtors

	2019	2018
	£	£
Trade debtors	1,748,608	2,126,649
Other debtors	7,182	7,100
Prepayments and accrued income	144,817	100,598
Financial instruments	47,545	97,669
	<u>1,948,152</u>	<u>2,332,016</u>

16. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	<u>3,009,627</u>	<u>2,006,418</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	52,152	52,259
Trade creditors	840,425	698,600
Corporation tax	287,528	246,396
Other taxation and social security	345,833	271,572
Other creditors	65,072	49,848
Accruals and deferred income	432,886	349,055
Financial instruments	145,740	158,354
	<u>2,169,636</u>	<u>1,826,084</u>

Interest on Bank Loans 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.

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

	2019 £	2018 £
Bank loans	763,027	814,480
	<u>763,027</u>	<u>814,480</u>

Interest on Bank Loans is calculated on a Base Rate Basis: at a rate equal to the aggregate of the bank's margin and the base rate and is repayable by monthly installments over 25 years.

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

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

19. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	52,152	52,259
Amounts falling due 2-5 years		
Bank loans	208,613	209,036
Amounts falling due after more than 5 years		
Bank loans	554,414	605,444
	<u>554,414</u>	<u>605,444</u>

20. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	3,057,172	2,104,087
Financial assets that are debt instruments measured at amortised cost	1,755,790	2,133,749
	<u>4,812,962</u>	<u>4,237,836</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(145,740)	(158,354)
Financial liabilities measured at amortised cost	(2,128,124)	(1,939,420)
	<u>(2,273,864)</u>	<u>(2,097,774)</u>

Financial assets measured at fair value through profit or loss comprise of forward exchange contracts valued at quoted market price and cash.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors and other debtors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps valued at quoted market price.

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

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

21. Deferred taxation

	2019 £
At beginning of year	(81,184)
Charged to profit or loss	(17,882)
At end of year	<u>(99,066)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(99,066)	(81,184)
	<u>(99,066)</u>	<u>(81,184)</u>

22. Share capital

	2019 £	2018 £
Authorised, allotted, called up and fully paid		
22,000 (2018 - 22,000) Ordinary shares of £1.00 each	<u>22,000</u>	<u>22,000</u>

23. Reserves**Other reserves**

The cash flow hedge reserve relates to the accumulated fair value movements in the derivative financial instruments.

24. 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 £105,951 (2018 - £101,643). Contributions totalling £15,070 (2018 - £12,848) were payable to the fund at the balance sheet date and are included in creditors.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

25. Commitments under operating leases

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	104,782	93,297
Later than 1 year and not later than 5 years	188,638	167,775
	<u>293,420</u>	<u>261,072</u>

26. Related party transactions

Dividends in the year that were paid to Directors totalled £145,103 (2018: £124,374) and dividends paid to key management personnel totalled £153,510 (2018: £131,580).

27. Controlling party

The Company is controlled by the majority shareholder and director Mrs A M Giles.