

Alpha Laboratories Limited

Registered number: 01215816

Director's report and financial statements

For the year ended 30 September 2020



ALPHA LABORATORIES LIMITED

COMPANY INFORMATION

Directors	Mrs A M Giles Mr N S Giles Mrs 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

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Analysis of Net Debt	13
Notes to the Financial Statements	14 - 32

ALPHA LABORATORIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

Introduction

The Directors present their Strategic Report for Alpha Laboratories Limited for the year ended 30 September 2020.

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. In the year, the Company started supplying new, related products, partly driven by a customer requirement due to the global pandemic.

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 forecast a small decline in sales when compared with 18/19 due to a change in demand for some products. However, the Company continued to forge new relationships and bring new products to the market. The potential effect of the COVID-19 pandemic was not underestimated, forecasts were lowered as certain testing stopped and Universities closed. Overheads were closely monitored, and a revised cash flow was updated on a weekly basis. The Company responded positively to the situation and started supplying a range of products to help fight against COVID-19. The Company did take advantage of the VAT deferral scheme for the quarter Jan to Mar 2020. The majority of staff were asked to work from home and were given assistance to ensure they could be as comfortable and efficient as possible.

The business is now fully engaged with 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 of this approach is now complete. 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 even more focus on mining data has been introduced.

ALPHA LABORATORIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Principal risks and uncertainties

Historically a significant amount of the Company's purchases have been in US Dollars and Swiss Francs so the Pound/US Dollar and Pound/CHF exchange rates have been a constant risk which has been managed using forward exchange contracts and options. Significantly, as a consequence of the change in product mix there has been a larger requirement for Euros. A Sterling depreciation can therefore be planned for and adjustments to operating practises or costs made appropriately. Due to the ongoing 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 was 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 have been increased as Brexit nears. Short term extension of payment terms with some suppliers have been negotiated. Due to the proactive approach the Company has taken the impact of Brexit has been minimal.

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 some cash balances.

Foreign exchange risk

The Company has transactional currency exposure chiefly in U.S. dollars and Swiss Francs, although 2020 has seen a shift towards a Euro requirement due to a change in product mix. Depending upon the market it uses forward currency contracts to alleviate the currency exposure. At 30 September 2020 the Company didn't have any forward contracts in place due to the unfavourable market conditions.

Financial performance and Key Performance Indicators

Statement of Comprehensive Income

Sales increased by 24.8%. Gross Profit margins were maintained despite poor sterling performance throughout the year. Administrative costs increased by 17.6% as although scaled down, the repairs and maintenance program continued. Also development and project management costs relating to the new ERP system were charged in the year.

Profit for the financial year after taxation and fair value adjustments £2,438,260.

ALPHA LABORATORIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Financial performance and Key Performance Indicators (continued)

Statement of Financial Position

Net Current Assets increased by 48.3% largely due to a significant increase in cash reserves and debtors. Stock levels increased by 22.8%. This was a continuation of our planned increase due to Brexit uncertainty.

Overall Net Assets increased by 39.8% when compared to the previous year.

Future developments

Since the year end some of the demand that decreased in the summer of 2020 has started to slowly recover and the supply of the COVID related products will continue for the duration of the Company year. Both divisions of the business 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 progress of its Key Account Management approach to sales. The investment in a new ERP/CRM system and Web site continues.

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


N S GILES (Mar 22, 2021 12:08 GMT)

Mr N S Giles
Director

Date: Mar 12, 2021

ALPHA LABORATORIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their report and the audited financial statements for the year ended 30 September 2020.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 £2,447,240 (2019: £1,298,235).

The final dividend of £154,000 in relation to the year ended 30 September 2019 was paid in the year. The Directors propose a final dividend of £440,000 in relation to the current financial year.

Directors

The Directors who served during the year and to the date of this report were:

Mrs A M Giles
Mr N S Giles
Mrs 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 2020**

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 by:


N S GILES (Mar 12, 2021 12:08 GMT)

Mr N S Giles
Director

Date: Mar 12, 2021

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 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Analysis of Net Debt 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 2020 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.

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.

ALPHA LABORATORIES LIMITED

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

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 (Mar 12, 2021 13:06 GMT)

Lesley Fox (Senior statutory auditor)
for and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor Merck House
Seldown Lane
Dorset
BH15 1TW

Date: Mar 12, 2021

ALPHA LABORATORIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	17,816,371	14,274,211
Cost of sales		(10,682,791)	(9,192,276)
Gross profit		<u>7,133,580</u>	<u>5,081,935</u>
Administrative expenses		(4,045,824)	(3,438,862)
Operating profit	5	<u>3,087,756</u>	<u>1,643,073</u>
Interest receivable and similar income	8	8,218	22,856
Interest payable and similar expenses	9	(54,891)	(62,284)
Profit before tax		<u>3,041,083</u>	<u>1,603,645</u>
Tax on profit	10	(593,843)	(305,410)
Profit for the financial year		<u>2,447,240</u>	<u>1,298,235</u>
Fair value adjustments		(8,980)	(37,510)
Total comprehensive income for the year		<u>2,438,260</u>	<u>1,260,725</u>

The Statement of Comprehensive Income has been prepared on the basis that all operation are continuing operations.

The notes on pages 14 to 32 form part of these financial statements.

ALPHA LABORATORIES LIMITED
REGISTERED NUMBER: 01215816

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	1,831,883	1,877,132
		<u>1,831,883</u>	<u>1,877,132</u>
Current assets			
Stocks	13	2,371,971	1,931,397
Debtors: amounts falling due within one year	14	5,293,548	1,948,152
Cash at bank and in hand	15	5,354,234	3,009,627
		<u>13,019,753</u>	<u>6,889,176</u>
Creditors: amounts falling due within one year	16	(6,017,930)	(2,169,636)
Net current assets		<u>7,001,823</u>	<u>4,719,540</u>
Total assets less current liabilities		<u>8,833,706</u>	<u>6,596,672</u>
Creditors: amounts falling due after more than one year	17	(703,468)	(763,027)
Provisions for liabilities			
Deferred tax	20	(111,399)	(99,066)
		<u>(111,399)</u>	<u>(99,066)</u>
Net assets		<u>8,018,839</u>	<u>5,734,579</u>
Capital and reserves			
Called up share capital	21	22,000	22,000
Share premium account	22	28,966	28,966
Capital redemption reserve	22	3,000	3,000
Cash flow hedge reserve	22	(107,175)	(98,195)
Profit and loss account	22	8,072,048	5,778,808
Total equity		<u>8,018,839</u>	<u>5,734,579</u>

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


Mr N S Giles (Mar 22, 2021 12:08 GMT)

Mr N S Giles
 Director

Date: Mar 12, 2021

The notes on pages 14 to 32 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Cash flow hedge reserve £	Profit and loss account £	Total equity £
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 movement	-	-	-	(37,510)	-	(37,510)
Dividends: Equity capital	-	-	-	-	(154,000)	(154,000)
At 1 October 2019	22,000	28,966	3,000	(98,195)	5,778,808	5,734,579
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,447,240	2,447,240
Fair value movement	-	-	-	(8,980)	-	(8,980)
Dividends: Equity capital	-	-	-	-	(154,000)	(154,000)
At 30 September 2020	22,000	28,966	3,000	(107,175)	8,072,048	8,018,839

The notes on pages 14 to 32 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	2,447,240	1,298,235
Adjustments for:		
Depreciation of tangible assets	189,609	126,367
Loss on disposal of tangible assets	-	93,304
Interest paid	54,891	62,284
Interest received	(8,218)	(22,856)
Taxation charge	593,843	305,410
Increase in stocks	(440,574)	(719,655)
(Increase)/decrease in debtors	(3,388,446)	333,740
Increase in creditors	3,584,678	315,140
Corporation tax paid	(287,528)	(246,396)
Net cash generated from operating activities	<u>2,745,495</u>	<u>1,545,573</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(144,743)	(297,376)
Sale of tangible fixed assets	383	-
Interest received	8,218	22,856
Net cash from investing activities	<u>(136,142)</u>	<u>(274,520)</u>
Cash flows from financing activities		
Repayment of loans	(55,855)	(51,560)
Dividends paid	(154,000)	(154,000)
Interest paid	(54,891)	(62,284)
Net cash used in financing activities	<u>(264,746)</u>	<u>(267,844)</u>
Net increase in cash and cash equivalents	2,344,607	1,003,209
Cash and cash equivalents at beginning of year	3,009,627	2,006,418
Cash and cash equivalents at the end of year	<u>5,354,234</u>	<u>3,009,627</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,354,234	3,009,627
	<u>5,354,234</u>	<u>3,009,627</u>

The notes on pages 14 to 32 form part of these financial statements.

ALPHA LABORATORIES LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	At 1 October 2019 £	Cash flows £	Other changes £	At 30 September 2020 £
Cash at bank and in hand	3,009,627	2,344,607	-	5,354,234
Non-current debt	(763,027)	59,559	-	(703,468)
Current debt	(2,268,702)	(3,884,926)	21,736	(6,131,892)
Liquid investments	-	-	-	-
	<u>(22,102)</u>	<u>(1,480,760)</u>	<u>21,736</u>	<u>(1,481,126)</u>

The notes on pages 14 to 32 form part of these financial statements.

ALPHA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

The functional currency of the Company is Pounds Sterling as this is the currency of the primary economic environment in which the Company operates. Monetary amounts in these financial statements are rounded to the nearest £.

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:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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.

2.3 Intangible assets

Costs incurred in the development of internally generated intangible assets are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

ALPHA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.4 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 profit or loss.

2.5 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.

2.6 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.

2.7 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 2020**

2. Accounting policies (continued)

2.8 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 and loans to related parties.

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 Statement of Comprehensive Income.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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 the Statement of Comprehensive Income.

2.9 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.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)**2.10 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 statement of financial position 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 statement of financial position 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 the Statement of Comprehensive Income 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.

2.11 Foreign currency translation: 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 profit or loss 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 Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.13 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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.

2.15 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 Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.18 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 Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

ALPHA LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 reporting 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 Statement of Financial Position 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 reporting date.

2.20 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 £343,302 (2019: £249,100).

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 19 and in the Strategic Report.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

4. Turnover

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

	2020 £	2019 £
Sale of goods	17,738,700	14,203,953
Rendering of services	77,671	70,258
	<u>17,816,371</u>	<u>14,274,211</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	16,636,640	13,246,911
Rest of Europe	1,070,888	861,700
Rest of the world	108,843	165,600
	<u>17,816,371</u>	<u>14,274,211</u>

5. Operating profit

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

	2020 £	2019 £
Depreciation of tangible fixed assets	189,609	126,367
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	16,000	15,000
- Taxation compliance services	3,195	3,100
- Preparation of the financial statements	1,550	1,500
Exchange differences	41,365	(214,867)
Other operating lease rentals	115,102	115,375
Defined contribution pension costs	105,286	105,951

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

6. Employees

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

	2020	2019
	£	£
Wages and salaries	2,831,586	2,604,353
Social security costs	297,996	277,535
Cost of defined contribution scheme	105,286	105,951
	<u>3,234,868</u>	<u>2,987,839</u>

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

	2020	2019
	No.	No.
Distribution staff	43	43
Administrative staff	6	5
Management staff	8	8
	<u>57</u>	<u>56</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	185,090	163,682
Company contributions to defined contribution pension schemes	40,017	39,600
	<u>225,107</u>	<u>203,282</u>

During the year retirement benefits were accruing to 2 Directors (2019: 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £123,912 (2019: £83,796).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £36,300 (2019: £39,600).

The total accrued pension provision of the highest paid director at 30 September 2020 amounted to £nil (2019: £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 £806,894 (2019: £711,822), this comprises £688,021 (2019: £656,508) in wages and £118,872 (2019: £55,374) in pension contributions.

8. Interest receivable and similar income

	2020 £	2019 £
Other interest receivable	<u>8,218</u>	<u>22,856</u>

9. Interest payable and similar expenses

	2020 £	2019 £
Bank loans	<u>54,891</u>	<u>62,284</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	584,073	287,528
Adjustments in respect of previous periods	(2,563)	-
Total current tax	<u>581,510</u>	<u>287,528</u>
Deferred tax		
Origination and reversal of timing differences	9,968	17,882
Adjustments in respect of prior periods	2,365	-
Total deferred tax	<u>12,333</u>	<u>17,882</u>
Taxation on profit on ordinary activities	<u>593,843</u>	<u>305,410</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>3,041,083</u>	<u>1,603,645</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	577,806	304,693
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,394	3,498
Capital allowances for year in excess of depreciation	4,746	(22,508)
Capitalised revenue expenditure on allowable account basis	(5)	-
Adjustment to tax charge in respect of previous periods	(2,563)	-
Adjustment to tax charge in respect of previous periods - deferred tax	2,365	-
Changes in provisions leading to an increase/(decrease) in the tax charge	(1,868)	1,845
Deferred tax movement	9,968	17,882
Total tax charge for the year	<u>593,843</u>	<u>305,410</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

11. Dividends

	2020 £	2019 £
Ordinary		
Dividends paid	154,000	154,000

In August 2020 the Directors proposed a dividend of £440,000.

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Total £
Cost				
At 1 October 2019	1,886,304	596,660	184,262	2,667,226
Additions	-	110,884	33,859	144,743
Disposals	-	(75,272)	-	(75,272)
At 30 September 2020	1,886,304	632,272	218,121	2,736,697
Depreciation				
At 1 October 2019	331,880	388,193	70,021	790,094
Charge for the year	26,101	109,178	54,330	189,609
Disposals	-	(74,889)	-	(74,889)
At 30 September 2020	357,981	422,482	124,351	904,814
Net book value				
At 30 September 2020	1,528,323	209,790	93,770	1,831,883
At 30 September 2019	1,554,424	208,467	114,241	1,877,132

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

13. Stocks

	2020	2019
	£	£
Finished goods	2,371,971	1,931,397
	<u>2,371,971</u>	<u>1,931,397</u>

Stocks are stated after a provision for impairment of £343,302 (2019: £207,691).

14. Debtors

	2020	2019
	£	£
Trade debtors	5,120,172	1,748,608
Other debtors	11,814	7,182
Prepayments and accrued income	157,066	144,817
Financial instruments	4,496	47,545
	<u>5,293,548</u>	<u>1,948,152</u>

Trade debtors are stated after a provision for bad debts of £9,949 (2019: £39,280).

15. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	5,354,234	3,009,627
	<u>5,354,234</u>	<u>3,009,627</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

16. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans	55,856	52,152
Trade creditors	3,576,545	840,425
Corporation tax	581,510	287,528
Other taxation and social security	1,128,936	345,833
Other creditors	85,124	65,072
Accruals and deferred income	478,288	432,886
Financial instruments	111,671	145,740
	<u>6,017,930</u>	<u>2,169,636</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.

17. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Bank loans	<u>703,468</u>	<u>763,027</u>

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

18. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loans	55,856	52,152
Amounts falling due 2-5 years		
Bank loans	223,423	208,613
Amounts falling due after more than 5 years		
Bank loans	480,045	554,414
	<u>759,324</u>	<u>815,179</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 2020**

19. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	5,358,730	3,057,172
Financial assets that are debt instruments measured at amortised cost	5,131,986	1,755,790
	<u>10,490,716</u>	<u>4,812,962</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(111,671)	(145,740)
Financial liabilities measured at amortised cost	(3,228,772)	(2,128,124)
	<u>(3,340,443)</u>	<u>(2,273,864)</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 of 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 2020**

20. Deferred taxation

	2020 £
At beginning of year	99,066
Charged to profit or loss	12,333
At end of year	111,399

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	112,394	99,066
Short term timing differences	(995)	-
	111,399	99,066

21. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		
22,000 (2019: 22,000) Ordinary shares of £1.00 each	22,000	22,000

The ordinary shares entitle each holder to one voting right and no right to fixed income.

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

22. Reserves**Share premium account**

This reserve represents the amount above the nominal value received for issued share capital, less transaction costs.

Capital redemption reserve

This reserve contains the nominal value of owned shares that have been acquired in the Company and cancelled.

Other reserves

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

Profit & loss account

This reserve comprises the cumulative profits and losses of the Company.

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 £105,286 (2019: £105,951). Contributions totalling £15,124 (2019: £15,070) were payable to the fund at the statement of financial position date and are included in creditors.

24. Commitments under operating leases

At 30 September 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	107,270	104,782
Later than 1 year and not later than 5 years	175,466	188,638
	<u>282,736</u>	<u>293,420</u>

25. Related party transactions

Dividends in the year that were paid to Directors totalled £145,103 (2019: £145,103) and dividends paid to key management personnel totalled £153,510 (2019: £153,510).

ALPHA LABORATORIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

26. Controlling party

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