

RSR LTD
STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

HODGE BAKSHI
CHARTERED ACCOUNTANTS &
STATUTORY AUDITORS
CHURCHGATE HOUSE
CHURCH ROAD
CARDIFF
CF14 2DX

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Page
Company Information	1
Strategic Report	2
Report of the Directors	5
Report of the Independent Auditors	8
Income Statement	11
Other Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Cash Flow Statement	15
Notes to the Cash Flow Statement	16
Notes to the Financial Statements	17

COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2019

DIRECTORS:

Dr B Rees-Smith
Miss J Bradbury
Dr S Chen
Dr J Furmaniak
Dr M Powell
Dr J Sanders

REGISTERED OFFICE:

7 Robin Lane
High Bentham
Lancaster
Lancashire
LA2 7AB

REGISTERED NUMBER:

03766047 (England and Wales)

AUDITORS:

HODGE BAKSHI
CHARTERED ACCOUNTANTS &
STATUTORY AUDITORS
CHURCHGATE HOUSE
CHURCH ROAD
CARDIFF
CF14 2DX

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their strategic report for the year ended 30 September 2019.

REVIEW OF BUSINESS

The principal activity of the group in the year under review was that of manufacturing and distributing medical diagnostic kits.

Details of the company's performance for the financial year are set out in detail on page 11. Its results and future prospects are considered to be satisfactory.

Financial performance in the year

The company recorded an increase in turnover by 5.26% which was in line with expectations from management.

The company achieved a gross profit margin of 70.8% (2018: 67.4%). This has been as a result of an decrease in cost of sales in spite of an increase in productivity and strong control on input costs. The Directors will continue to focus on improving margins and driving costs down in the company for the forthcoming year.

Financial position at the reporting date

The balance sheet on page 13 shows that the company's net assets have increased by £2.7m when compared to the prior year.

However, uncertainties related to the effects of Brexit and COVID-19 are relevant to understanding the financial statements. However, the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit and COVID-19 are the most significant economic and social events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. However, when assessing the company's future prospects no accounts should be expected to predict unknowable factors of all possible future implications for a company and this is particularly the case in relation to Brexit and COVID-19.

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Management continually monitor the key risks facing the company together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the company are as follows;

Economic downturn - the company acknowledges the importance of maintaining close relationships with its key customers in order to be able to identify the early signs of potential financial difficulties. Sales trends in its major markets are constantly reviewed to enable early action to be taken in the event of sales declining.

Competitive pressure - in the general economic environment is a continuing risk to the group as is the ability of suppliers to keep pace with the competition. The group manages this risk by providing fast response times in fulfilling sales orders and by maintaining strong relationships with key customers and suppliers throughout the world.

Reliance on key suppliers - the company's purchasing activities could expose it to over reliance on certain suppliers and inflationary pricing pressure. The company's manages this risk by ensuring there is enough breadth in its supplier base and by constantly seeking to find potential alternative suppliers that may be used, if necessary.

Loss of key personnel - this would present significant operational difficulties for the company. Management seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should be identical to that of other employees.

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

EMPLOYEE CONSULTATION

The company is committed to employee involvement and encourages the development of co-operation with employees. To this end, the company's policy is to ensure that employees are kept informed on matters which affect them, through direct communication and established procedures for joint consultation.

The company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities and established procedures for joint consultation.

ON BEHALF OF THE BOARD:

Dr B Rees-Smith - Director

29 June 2020

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report with the financial statements of the company for the year ended 30 September 2019.

DIVIDENDS

The total distribution of dividends for the year ended 30 September 2019 will be £ 15,000,000 .

RESEARCH AND DEVELOPMENT

The company will continue its policy of research and development in order to retain a competitive position in the market. All research and development expenditure is written off to the profit and loss account as it is incurred.

FUTURE DEVELOPMENTS

The directors consider that the forthcoming financial year will be another challenging one. Their aim is to continue to implement the management policies which have been introduced in recent years and has assisted in successfully overcoming the difficulties and uncertainties in the market place in the year. Overall, the directors believe that the company is well placed in terms of strategic and market position to maximise its ability to generate sales and satisfy customer demand, in spite of the difficult economic conditions currently facing the business.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2018 to the date of this report.

Dr B Rees-Smith
Miss J Bradbury
Dr S Chen
Dr J Furmaniak
Dr M Powell
Dr J Sanders

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

FINANCIAL INSTRUMENTS

Treasury operations and financial instruments

The company operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities. In addition the company has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Liquidity risk

The company manages its cash requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the company has sufficient liquid resources to meet the operating needs of its business.

Foreign exchange risk

The company's sources products from, and exports products to abroad, and is therefore subject to foreign exchange movements. This risk is managed by regular and consistent monitoring of exchange rates.

Interest rate risk

This risk is managed by regular and consistent monitoring of interest rates.

Credit risk

Investments of cash surpluses are made through banks which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis and provision is made for doubtful debts where necessary.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, therefore it continues to adopt the going concern basis for accounting in preparing the annual financial statements.

DIRECTORS INDEMNITY

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

DISCLOSURE IN THE STRATEGIC REPORT

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, HODGE BAKSHI, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Dr B Rees-Smith - Director

29 June 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF **RSR LTD**

Opinion

We have audited the financial statements of RSR Ltd (the 'company') for the year ended 30 September 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 Financial Reporting Standard 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 Auditors' 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.

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

Uncertainties related to the effects of Brexit and COVID-19 are relevant to understanding our audit of the financial statements. All audit assess and challenge the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit and COVID-19 are the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors of all possible future implications for a company and this is particularly the case in relation to Brexit and COVID-19.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
RSR LTD

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the 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 Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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 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 either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
RSR LTD

Auditors' 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 a Report of the Auditors 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 Report of the Auditors.

Use of our 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 a Report of the Auditors 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.

Pankaj Bakshi (Senior Statutory Auditor)
for and on behalf of HODGE BAKSHI
CHARTERED ACCOUNTANTS &
STATUTORY AUDITORS
CHURCHGATE HOUSE
CHURCH ROAD
CARDIFF
CF14 2DX

29 June 2020

INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
TURNOVER	3	21,023,482	19,972,081
Cost of sales		<u>6,152,308</u>	<u>6,515,315</u>
GROSS PROFIT		14,871,174	13,456,766
Administrative expenses		<u>3,414,812</u>	<u>3,577,343</u>
		11,456,362	9,879,423
Other operating income		<u>8,397,597</u>	<u>7,728,509</u>
OPERATING PROFIT	5	19,853,959	17,607,932
Interest receivable and similar income		<u>54,878</u>	<u>12,697</u>
		19,908,837	17,620,629
Interest payable and similar expenses	6	<u>5,212</u>	<u>12,202</u>
PROFIT BEFORE TAXATION		19,903,625	17,608,427
Tax on profit	7	<u>2,217,164</u>	<u>1,697,877</u>
PROFIT FOR THE FINANCIAL YEAR		<u>17,686,461</u>	<u>15,910,550</u>

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
PROFIT FOR THE YEAR		17,686,461	15,910,550
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>17,686,461</u>	<u>15,910,550</u>

BALANCE SHEET
30 SEPTEMBER 2019

	Notes	2019 £	£	2018 £	£
FIXED ASSETS					
Tangible assets	9		268,451		305,069
CURRENT ASSETS					
Stocks	10	1,185,606		948,701	
Debtors	11	7,792,089		7,726,141	
Cash at bank and in hand		<u>14,299,090</u>		<u>23,528,511</u>	
		23,276,785		32,203,353	
CREDITORS					
Amounts falling due within one year	12	<u>1,974,338</u>		<u>13,623,985</u>	
NET CURRENT ASSETS			<u>21,302,447</u>		<u>18,579,368</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,570,898</u>		<u>18,884,437</u>
CAPITAL AND RESERVES					
Called up share capital	14		100		100
Retained earnings	15		<u>21,570,798</u>		<u>18,884,337</u>
SHAREHOLDERS' FUNDS			<u>21,570,898</u>		<u>18,884,437</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2020 and were signed on its behalf by:

Dr B Rees-Smith - Director

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 October 2017	100	17,973,787	17,973,887
Changes in equity			
Dividends	-	(15,000,000)	(15,000,000)
Total comprehensive income	-	15,910,550	15,910,550
Balance at 30 September 2018	<u>100</u>	<u>18,884,337</u>	<u>18,884,437</u>
Changes in equity			
Dividends	-	(15,000,000)	(15,000,000)
Total comprehensive income	-	17,686,461	17,686,461
Balance at 30 September 2019	<u>100</u>	<u>21,570,798</u>	<u>21,570,898</u>

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	6,529,666	29,797,684
Interest paid		(5,212)	(12,202)
Tax paid		(651,460)	(2,844,673)
Net cash from operating activities		<u>5,872,994</u>	<u>26,940,809</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(158,294)	(238,826)
Sale of tangible fixed assets		1,000	-
Interest received		54,878	12,697
Net cash from investing activities		<u>(102,416)</u>	<u>(226,129)</u>
Cash flows from financing activities			
Equity dividends paid		(15,000,000)	(15,000,000)
Net cash from financing activities		<u>(15,000,000)</u>	<u>(15,000,000)</u>
(Decrease)/increase in cash and cash equivalents		<u>(9,229,422)</u>	<u>11,714,680</u>
Cash and cash equivalents at beginning of year	2	23,528,511	11,813,831
Cash and cash equivalents at end of year	2	<u>14,299,090</u>	<u>23,528,511</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2019****1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019	2018
	£	£
Profit before taxation	19,903,625	17,608,427
Depreciation charges	194,911	232,466
Profit on disposal of fixed assets	(1,000)	-
Finance costs	5,212	12,202
Finance income	(54,878)	(12,697)
	20,047,870	17,840,398
Increase in stocks	(236,905)	(12,658)
Increase in trade and other debtors	(342,131)	(788,886)
(Decrease)/increase in trade and other creditors	(12,939,168)	12,758,830
Cash generated from operations	6,529,666	29,797,684

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 September 2019

	30.9.19	1.10.18
	£	£
Cash and cash equivalents	14,299,090	23,528,511

Year ended 30 September 2018

	30.9.18	1.10.17
	£	£
Cash and cash equivalents	23,528,511	11,813,831

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

1. STATUTORY INFORMATION

RSR Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

As set out in the strategic report, the directors believe that the company is experiencing good level of sales and profitability, in spite of COVID-19 lockdown, and is well placed to manage its business risks successfully. Accordingly, they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Significant judgements and estimates

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Depreciation

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investment, economic utilisation and the physical condition of the asset.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is the amount derived from ordinary activities, and is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, and is stated net of VAT.

Revenue from the sale of diagnostic kits as specified in the strategic report is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - 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 economic benefits associated with the transaction will flow to the Company; and
 - the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs, which comprise direct production costs and an appropriate allocation of production overheads, are based on the method most appropriate to the type of inventory class, but usually on a first-in-first-out basis. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

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 where deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss account within "finance (expense)/income. All other foreign exchange gains and losses are presented in the the profit and loss account within "other operating (losses)/gains".

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. ACCOUNTING POLICIES - continued

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives are recognised in profit or loss over the term of the lease as an integral part of the total lease expense.

Royalties

The company receives and pays royalties. Royalty income and expenditure is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Interest income

Interest income is recognised using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. ACCOUNTING POLICIES - continued

Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision is not made for future operating losses

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

1. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitute a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective rate. The impairment loss is recognised in profit or loss.

2. Financial liabilities

Basic financial liabilities, including trade, other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. ACCOUNTING POLICIES - continued

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate.

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the assets cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Related parties

For the purposes of these financial statements, party is considered to be related to the Company if;

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- (ii) the company and the party are subject to common control;
- (iii) the party is an associate of the company or a joint venture in which the company is a venturer;
- (iv) the party is a member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or
- (vii) the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

Employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred. The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined benefit contribution pension plans and medical costs

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019	2018
	£	£
United Kingdom	1,092,162	959,324
Export	19,931,320	19,012,757
	<u>21,023,482</u>	<u>19,972,081</u>

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	4,960,562	4,696,494
Social security costs	526,492	491,096
Other pension costs	251,878	245,133
	<u>5,738,932</u>	<u>5,432,723</u>

The average number of employees during the year was as follows:

2019	2018
<u>122</u>	<u>118</u>

	2019	2018
	£	£
Directors' remuneration	620,889	611,690
Directors' pension contributions to money purchase schemes	<u>17,500</u>	<u>17,500</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>5</u>	<u>6</u>
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Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	161,979	165,430
Pension contributions to money purchase schemes	<u>3,500</u>	<u>3,500</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019**5. OPERATING PROFIT**

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

	2019	2018
	£	£
Depreciation - owned assets	194,912	232,466
Profit on disposal of fixed assets	(1,000)	-
Auditors' remuneration	13,000	12,000
Auditor's remuneration- Tax compliance and other services	62,911	75,000
Rent	<u>343,356</u>	<u>376,200</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Interest payable	<u>5,212</u>	<u>12,202</u>

7. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	2,245,008	1,697,877
Under/(Over) provision of tax	<u>(27,844)</u>	<u>-</u>
Tax on profit	<u>2,217,164</u>	<u>1,697,877</u>

UK corporation tax has been charged at 19% (2018 - 19%).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019**7. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>19,903,625</u>	<u>17,608,427</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	3,781,689	3,345,601
Effects of:		
Adjustments to tax charge in respect of previous periods	(27,844)	-
Depreciation & Balancing charge	36,916	44,169
Additional R&D claim	(495,886)	(445,992)
Effect of Capital allowances	(44,990)	(56,228)
Disallowable items	78	412
Patent Box deduction	(1,032,799)	(1,190,085)
Total tax charge	<u>2,217,164</u>	<u>1,697,877</u>

8. DIVIDENDS

	2019 £	2018 £
Dividend Paid	<u>15,000,000</u>	<u>15,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019**9. TANGIBLE FIXED ASSETS**

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 October 2018	2,578,882	569,527	138,298	117,585	3,404,292
Additions	158,294	-	-	-	158,294
Disposals	-	-	(18,800)	-	(18,800)
At 30 September 2019	<u>2,737,176</u>	<u>569,527</u>	<u>119,498</u>	<u>117,585</u>	<u>3,543,786</u>
DEPRECIATION					
At 1 October 2018	2,323,534	541,483	116,621	117,585	3,099,223
Charge for year	166,174	21,707	7,031	-	194,912
Eliminated on disposal	-	-	(18,800)	-	(18,800)
At 30 September 2019	<u>2,489,708</u>	<u>563,190</u>	<u>104,852</u>	<u>117,585</u>	<u>3,275,335</u>
NET BOOK VALUE					
At 30 September 2019	<u>247,468</u>	<u>6,337</u>	<u>14,646</u>	<u>-</u>	<u>268,451</u>
At 30 September 2018	<u>255,348</u>	<u>28,044</u>	<u>21,677</u>	<u>-</u>	<u>305,069</u>

10. STOCKS

	2019 £	2018 £
Stock of Raw Material	<u>1,185,606</u>	<u>948,701</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	3,297,573	4,292,925
Tax Recoverable	103,087	124,406
Due from Group Companies	4,041,696	3,006,134
Tax recoverable	-	276,183
Prepayments	<u>349,733</u>	<u>26,493</u>
	<u>7,792,089</u>	<u>7,726,141</u>

Amounts owed by group undertakings, of which there is no formal agreement, are unsecured, interest free, have no fixed repayment date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade creditors	406,057	264,021
Tax	1,289,521	-
Social security and other taxes	131,582	129,636
Other creditors	15,040	15,040
Due to group undertakings	24,684	12,809,172
Accrued Expenses	95,226	393,888
Directors' loan accounts	12,228	12,228
	<u>1,974,338</u>	<u>13,623,985</u>

Amounts owed to group undertakings, of which there is no formal agreement, are unsecured, interest free, have no fixed repayment date of repayment and are payable on demand.

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£	£
Within one year	328,200	376,200
Between one and five years	1,312,800	1,504,800
In more than five years	1,641,000	1,881,000
	<u>3,282,000</u>	<u>3,762,000</u>

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
			£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

15. RESERVES

	Retained earnings
	£
At 1 October 2018	18,884,337
Profit for the year	17,686,461
Dividends	(15,000,000)
At 30 September 2019	<u>21,570,798</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019**16. ULTIMATE PARENT COMPANY**

Dixondale Limited, which prepares group financial statements, is regarded by the directors as being the company's ultimate parent company.

17. CONTINGENT LIABILITIES

Counter Indemnity given by the company's bankers, HSBC Bank for £40,000 to HM Customs and Excise.

18. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to a director subsisted during the years ended 30 September 2019 and 30 September 2018:

	2019	2018
	£	£
Dr B Rees-Smith		
Balance outstanding at start of year	12,228	12,228
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>12,228</u>	<u>12,228</u>

19. RELATED PARTY DISCLOSURES**Entities with control, joint control or significant influence over the entity**

	2019	2018
	£	£
Purchases	343,356	376,200
Amount due from related party	<u>875,701</u>	<u>(12,784,489)</u>

Other related parties

	2019	2018
	£	£
Amount due from related party	3,165,993	3,006,134
Amount due to related party	<u>39,725</u>	<u>39,725</u>

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

20. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. ULTIMATE CONTROLLING PARTY

The controlling party is Dr B Rees-Smith.

22. CONTINGENT ASSETS

Regional Court of Düsseldorf held a guarantee dated 14th November 2016 for EUR 500,000 in connection with the company's claim against a competitor for contravening one of its patents in the manufacture of their products.

This monies were released back to RSR Limited as the court judgement went in favour of RSR Limited. The legal costs have been awarded by the court and are provided for in these accounts. The compensation receivable, if any, has still not yet been determined and therefore no provision has been made for the compensation in these accounts.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.