

Zep UK Limited

Annual Report and Financial Statements

Year Ended

31 August 2019

Company Number 01428569



Zep UK Limited

Company Information

Directors	R Novo P Reilly P Polegri
Registered number	01428569
Registered office	PO Box 12 Tanhouse Lane Widnes Cheshire WA8 0RD
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT
Bankers	Barclays Bank plc City Office Business Centre P O Box 357 57 Mosley Street Manchester M60 2AU

Zep UK Limited

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Zep UK Limited

Strategic Report For the Year Ended 31 August 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 August 2019.

Business review

The core business of the company continues to be production and commercialization of chemicals for detergents via business to business and retail channel.

The company has reported a 6% decrease (2018 - 7% decrease) in turnover and a 20% decrease (2018 - 10% decrease) in gross profit. The decline in turnover was as a result of a number of under performing market segments.

Distribution costs are in line with last year while administrative expenses decreased by 44% primarily due to an amount of £242,118 relating to doubtful debt being written off in the prior year. Further, corporate charges also decreased by £335,213 in the current year due to decline in trading in the current year compared to the prior year.

The loss for the financial year is £1,119k. Last year we reported a loss for the financial year of £1,517k.

The balance sheet position is strong with net current assets of £1,193k (2018: £1,965k).

Principal risks and uncertainties

The company is exposed to a variety of risk including price risk, credit risk, liquidity risk and exchange risk which reflect the conditions in the markets from which it procures and to which it supplies.

Price risk: economic, political and market conditions in supplier countries can affect the price we pay for raw materials which adversely affect our business.

Liquidity risk: due to our financial results recorded during these final years and our strict credit, we are diligent in managing our cash flows.

Exchange risk: as we continue to import raw material and finished goods for resale, we will experience increasing exchange rate volatility, resulting in, foreign currency gains and losses together with an increased chance of supply chain disruption.

Future developments

The company is moving part of the production supplied to EU clients, to its Italian production site to decrease the risks connected to the exit from EU Market. Moreover, it is also restructuring its selling organization to make it more efficient.

Post Balance Sheet events

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency in relation to the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.


As discussed in Note 1, COVID-19 has positively impacted sales because of the nature of the products the company supplies e.g. Quat disinfectants that are effective on enveloped virus, Corona virus is an enveloped virus. Management are actively monitoring the situation and taking actions where possible to ensure that the business can manage through any impact that it may face in the future.

Zep UK Limited

Strategic Report (continued) For the Year Ended 31 August 2019

This report was approved by the board on

and signed on its behalf.


P Polegri
Director
21-08-2020

Zep UK Limited

Directors' Report For the Year Ended 31 August 2019

The directors present their report together with the audited financial statements for the year ended 31 August 2019.

Principal activity

The principal activity of the company is manufacturing of soap and detergents.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 1 of these financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £1,118,682 (2018 - loss £1,516,528).

The directors do not propose the payment of a dividend (2018 - £Nil).

Directors

The directors who served during the year were:

R Novo
P Reilly
P Polegri

Matters covered in the Strategic Report

Details of the business review and future developments of the Company are presented in the Strategic Report on page 1.

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.

Auditor

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

This report was approved by the board on

and signed on its behalf.


P Polegri
Director
21-08-2020

Zep UK Limited

Directors' Responsibilities Statement For the Year Ended 31 August 2019

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 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; 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.

Zep UK Limited

Independent Auditor's Report to the Members of Zep UK Limited

Opinion

We have audited the financial statements of ZEP UK Limited ("the Company") for the year ended 31 August 2019 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the 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 31 August 2019 and of its loss 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.

Zep UK Limited

Independent Auditor's Report to the Members of Zep UK Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report 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 and 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.

Zep UK Limited

Independent Auditor's Report to the Members of Zep UK Limited (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 either 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 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.

BDO LLP

Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

21/08/2020

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

Zep UK Limited

Statement of Comprehensive Income For the Year Ended 31 August 2019

	Note	2019 £	As restated 2018 £
Turnover	4	9,269,249	9,831,544
Cost of sales		(7,547,678)	(7,684,133)
Gross profit		1,721,571	2,147,411
Distribution costs		(1,464,884)	(1,512,768)
Administrative expenses		(1,222,708)	(2,167,266)
Operating loss	5	(966,021)	(1,532,623)
Interest receivable and similar income	9	4,563	3,013
Loss before tax		(961,458)	(1,529,610)
Tax on loss	10	(157,224)	13,082
Loss for the financial year		(1,118,682)	(1,516,528)

There was no other comprehensive income for 2019 (2018:£ NIL).


The notes on pages 11 to 26 form part of these financial statements.

Zep UK Limited
Registered number: 01428569

Statement of Financial Position
As at 31 August 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		-		140,866
Tangible assets	12		1,929,509		1,978,164
Investments	13		1		1
			<u>1,929,510</u>		<u>2,119,031</u>
Current assets					
Stocks	14	1,981,923		2,103,000	
Debtors: amounts falling due within one year	15	2,839,585		2,747,811	
Cash at bank and in hand		318,395		339,801	
		<u>5,139,903</u>		<u>5,190,612</u>	
Creditors: amounts falling due within one year	16	(3,946,815)		(3,225,587)	
Net current assets			<u>1,193,088</u>		<u>1,965,025</u>
Total assets less current liabilities			<u>3,122,598</u>		<u>4,084,056</u>
Provisions for liabilities					
Deferred tax	17		(157,224)		-
Net assets			<u><u>2,965,374</u></u>		<u><u>4,084,056</u></u>
Capital and reserves					
Called up share capital	18		838,200		838,200
Revaluation reserve	19		1,017,449		1,026,862
Profit and loss account	19		1,109,725		2,218,994
Total Equity			<u><u>2,965,374</u></u>		<u><u>4,084,056</u></u>

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


P Polesni
Director
21-08-2020

The notes on pages 11 to 26 form part of these financial statements.

Zep UK Limited

Statement of Changes in Equity For the Year Ended 31 August 2019

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2018	838,200	1,026,862	2,218,994	4,084,056
Comprehensive loss for the year				
Loss for the year	-	-	(1,118,682)	(1,118,682)
Total comprehensive loss for the year	-	-	(1,118,682)	(1,118,682)
Transfer to/from profit and loss account	-	(9,413)	9,413	-
Total transactions with owners	-	(9,413)	9,413	-
At 31 August 2019	838,200	1,017,449	1,109,725	2,965,374

Statement of Changes in Equity For the Year Ended 31 August 2018

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2017	838,200	1,035,950	3,726,434	5,600,584
Comprehensive loss for the year				
Loss for the year	-	-	(1,516,528)	(1,516,528)
Total comprehensive loss for the year	-	-	(1,516,528)	(1,516,528)
Transfer to/from profit and loss account	-	(9,088)	9,088	-
Total transactions with owners	-	(9,088)	9,088	-
At 31 August 2018	838,200	1,026,862	2,218,994	4,084,056

The notes on pages 11 to 26 form part of these financial statements.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

1. General information

Zep UK Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the directors' report.

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:

2.2 Going concern

The Directors have performed a comprehensive review of the Company's ability to continue as a going concern. This review involved the Directors running various scenarios to understand how the financial position of the Company may look and therefore put themselves in a position to be able to conclude on the going concern nature of the business.

The Directors consider the liquidity of the Group to be strong. As at 31 August 2019, the Company had immediately available cash reserves of £318,395. As at 31 July 2020, the Company had immediately available cash reserves of £287,376. The Company also have an access to Group (Zep Inc.) funds that has an undrawn revolver facility of \$40 million.

The Company does not have any external debt and therefore is subject to no financial covenants.

In assessing their view of the likely future financial performance of the Company the Directors considered external market commentary, indicators as to how the markets may react moving forwards, trading patterns and discussions with customers. The key findings from these reports were used by the Directors in building their financial forecasts.

The Directors have prepared financial projections based on their best estimate of future trading conditions through to August 2021. This scenario showed continued liquidity throughout this period.

The Covid-19 pandemic did not result in a closure of any Zep UK locations to date. This success has been achieved by numerous measures which have been implemented to protect the safety of the workforce.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

To date, the lockdowns imposed by the Governments in the UK have allowed factories to keep a continuous operation, which is due to the quick reactions that the company has implemented to ensure social distancing and other government health & measures are adhered to.

Current trading is positive. COVID-19 has positively impacted sales because of the nature of the products the company supplies e.g. Quat disinfectants that are effective on enveloped virus, Corona Virus is an enveloped virus. Management are actively monitoring the situation and taking actions where possible to ensure that the business can manage through any impact that it may face in the future. Actual performance as of June 2020 was above the projected performance under both management best estimate case and also the downside scenario. July and August trading has also been positive.

On this basis, the Directors has a reasonable expectation that the Company has adequate resource and it is appropriate for the Company to prepare the financial statements on a going concern basis.

2.3 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hale Group (Widnes) Limited as at 31 August 2019 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

2. Accounting policies (continued)

2.5 Revenue

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.

2.6 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.7 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.8 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.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 Intangible assets

Goodwill

Goodwill relates to the gifting of the trade and assets of a subsidiary, Mykal Industries Limited, in 2015. It reflects the difference between the cost of investment and the fair value of the identifiable assets and liabilities. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight line basis to the statement of comprehensive income over its useful economic life, which has been assessed as 5 years.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as outlined below.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as outlined below.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Plant, machinery and equipment	- 20% reducing balance and 20% straight line
Motor vehicles	- 25% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 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.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019.

2. Accounting policies (continued)

2.16 Cash and cash equivalents

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

2.17 Financial instruments

The company only 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.18 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.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

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 judgements:

- Determine whether there are indicators of impairment in the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determine whether there are indicators of impairment of the company's trade and other debtors. When assessing impairment of trade and other debtors, management consider factors such as the ageing profile and historical experience as well as specific knowledge of individual debtors.
- Determine whether there are indicators of impairment in the company's stock. When assessing impairment of stock, management consider factors such as the ageing profile, latest market values and specific knowledge of factors impacting on individual stock lines.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	2019 £	As restated 2018 £
United Kingdom	6,902,988	8,482,515
Europe	1,950,875	1,308,434
Rest of the world	415,386	40,595
	<u>9,269,249</u>	<u>9,831,544</u>

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

5. Operating loss

The operating loss is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	146,513	133,791
Amortisation of intangible assets, including goodwill	140,866	140,863
Exchange differences	90,475	(25,650)
Operating lease rentals - vehicle	54,599	81,241
Operating lease rentals - equipment	70,511	56,083

Equipment rentals are on a short term basis and there is no material lease commitment at 31 August 2019 or 31 August 2018.

6. Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	26,200	22,500

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

7. Employees

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	1,760,598	1,643,796
Social security costs	172,402	183,635
Other pension costs	59,839	57,640
	<u>1,992,839</u>	<u>1,885,071</u>

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

	2019 No.	Restated 2018 No.
Production	28	30
Sales & Distribution	20	22
	<u>48</u>	<u>52</u>

The average monthly number of sales and distribution employees was incorrectly disclosed as being 31 in the prior year. This has been corrected as above.

8. Directors' remuneration

None of the directors received any emoluments in relation to their services to the company (2018 - £Nil).

The directors are considered to be key management personnel.

9. Interest receivable and similar income

	2019 £	2018 £
Loans to group undertakings	<u>4,563</u>	<u>3,013</u>

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

10. Taxation

	2019 £	2018 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	157,224	(13,082)
Taxation on loss	<u>157,224</u>	<u>(13,082)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Loss before tax	<u>(961,458)</u>	<u>(1,529,610)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	(182,677)	(290,626)
Effects of:		
Fixed asset differences	46,422	44,902
Expenses not deductible for tax purposes	18,293	16,083
Chargeable gains	130,039	-
Adjust closing deferred tax to average rate	44,154	43,872
Adjust opening deferred tax to average rate	(45,425)	(19,700)
Deferred tax not recognised	146,418	192,387
Total tax charge for the year	<u>157,224</u>	<u>(13,082)</u>

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 31 August 2019 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

The company has an unprovided deferred tax asset of £532,533 (2018 - unprovided asset of £372,456) in relation to tax losses which has not been recognised due to uncertainty over timing of realisation.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

11. Intangible assets

	Goodwill £
Cost	
At 1 September 2018	704,327
At 31 August 2019	<u>704,327</u>
Amortisation	
At 1 September 2018	563,461
Charge for the year	140,866
At 31 August 2019	<u>704,327</u>
Net book value	
At 31 August 2019	<u>-</u>
At 31 August 2018	<u>140,866</u>

Goodwill relates to the difference between the book value of the investment in Mykal Industries Limited and the fair value of its trade, assets and liabilities, which were transferred to the company from Mykal Industries Limited via a distribution in specie (£Nil consideration) on 1 September 2014.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

12. Tangible fixed assets

	Freehold property £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 September 2018	1,819,524	164,584	1,965,135	3,949,243
Additions	56,425	-	41,433	97,858
Disposals	-	(17,835)	-	(17,835)
At 31 August 2019	1,875,949	146,749	2,006,568	4,029,266
Depreciation				
At 1 September 2018	128,145	164,584	1,678,350	1,971,079
Charge for the year on owned assets	26,537	-	119,976	146,513
Disposals	-	(17,835)	-	(17,835)
At 31 August 2019	154,682	146,749	1,798,326	2,099,757
Net book value				
At 31 August 2019	1,721,267	-	208,242	1,929,509
At 31 August 2018	1,691,379	-	286,785	1,978,164

Freehold land amounting to £530,000 (2018 - £530,000) has not been depreciated.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2019 £	2018 £
Cost	1,191,532	1,135,107
Accumulated depreciation	(555,691)	(529,154)
Net book value	635,841	605,953

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

13. Fixed asset investments

	Investments in subsidiary companies £
Cost and net book value	
At 1 September 2018	1
At 31 August 2019	1

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Principal activity	Class of shares	Holding
Mykal Industries Limited	Dormant	Ordinary	100%

The registered office of Mykal Industries Limited is PO Box 12, Unit 1 Tanhouse Lane, Widnes, Cheshire, WA8 0RD.

14. Stocks

	2019 £	2018 £
Raw materials and consumables	651,757	686,759
Work in progress (goods to be sold)	79,935	232,185
Finished goods and goods for resale	1,250,231	1,184,056
	<u>1,981,923</u>	<u>2,103,000</u>

Stock recognised in cost of sales during the year as an expense was £5,309,522 (2018 - £5,501,424).

The impairment loss recognised in the Statement of Comprehensive income for the year in respect of slow-moving and obsolete stock was £7,600 (2018 - £4,998).

There is no material difference between the replacement cost of stock and the amounts presented above.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

15. Debtors

	2019 £	2018 £
Trade debtors	1,620,925	1,902,272
Amounts owed by group undertakings	1,099,749	727,723
Other debtors	4,415	5,539
Prepayments and accrued income	114,496	112,277
	<u>2,839,585</u>	<u>2,747,811</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2018 - £242,118).

Amounts owed by group undertakings are repayable on demand and interest free.

16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	613,581	579,258
Amounts owed to group undertakings	2,799,660	2,067,814
Other taxation and social security	83,922	76,026
Other creditors	25,466	24,512
Accruals and deferred income	424,186	477,977
	<u>3,946,815</u>	<u>3,225,587</u>

Amounts owed to group undertakings are repayable on demand and interest free.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

17. Deferred taxation asset / (provision)

	2019 £
At beginning of year	-
Credited to profit or loss	(157,224)
At end of year	(157,224)

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	(40,873)	-
Capital gains	(116,351)	-
	<u>(157,224)</u>	<u>-</u>

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
838,200 (2018 - 838,200) ordinary shares of £1.00 each	<u>838,200</u>	<u>838,200</u>

19. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital reserve represents the nominal value of the shares issued.

Revaluation reserve

Revaluation reserve is the net amount of unrealised revaluation gains in relation to fixed asset freehold land and buildings.

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid, pension scheme movements and other adjustments.

Zep UK Limited

Notes to the Financial Statements For the Year Ended 31 August 2019

20. Pensions

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £59,839 (2018 - £57,640). Contributions amounting to £23,080 (2018 - £22,228) were payable to the fund and included in creditors.

21. Prior year adjustment

A prior year adjustment has been made to reclassify a balance of £233,339, concerning rebates, which were presented in cost of sales but have been reclassified to turnover. As a result, prior year turnover has decreased from £10,064,883 to £9,831,544 and prior year cost of sales has also decreased from £7,917,472 to £7,684,133. There is no effect on the loss for the year or net assets.

22. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

23. Post balance sheet events

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency in relation to the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. As a result of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

As discussed in Note 1, COVID-19 has positively impacted sales because of the nature of the products the company supplies e.g. Quat disinfectants that are effective on enveloped virus, Corona Virus is an enveloped virus. Management are actively monitoring the situation and taking actions where possible to ensure that the business can manage through any impact that it may face in the future.

24. Controlling party

The company is controlled by Hale Group (Widnes) Limited. Hale Group (Widnes) Limited is ultimately controlled by Zep Inc, a company incorporated in the USA.

The company's immediate parent company is Hale Group (Widnes) Limited, a company incorporated in England & Wales. Hale Group (Widnes) Limited is registered at PO Box 12 Tanhouse Lane, Widnes, Cheshire, WA8 0RD.

The smallest and largest group for which consolidated accounts are publically available is the group headed by Hale Group (Widnes) Limited. Copies of the group financial statements are available to the public from Companies House, Cardiff, CF4 3UZ.