

## **Zep UK Limited**

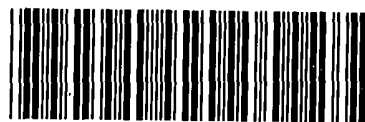
Annual Report and Financial Statements

Year Ended

31 August 2018

Company Number 01428569

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31/05/2019

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# **Zep UK Limited**

## **Company Information**

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

# **Zep UK Limited**

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# **Zep UK Limited**

## **Strategic Report For the Year Ended 31 August 2018**

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The directors present their strategic report together with the audited financial statements for the year ended 31 August 2018.

### **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 7% decrease in turnover and a 10% decrease in gross profit. The declining in turnover was as a result of a number of under performing market segments.

Distributions costs are in line with last year while administrative expenses grew by 8% primarily due to the write off of bad debts.

The loss for the financial year is £1,517k. Last year we reported a loss for the financial year of £1,154k, this was offset by the closure of the defined benefit scheme which generated other comprehensive income of £1,547k.

The balance sheet position is strong with net current assets of £1,965k (2017: £3,463k).

### **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. The decision to leave the EU taken in the referendum in June 2016 ("Brexit") has added uncertainty to the company's operations.

**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.

This report was approved by the board on 30/05/2019 and signed on its behalf.

**P Polegri**  
Director



# **Zep UK Limited**

## **Directors' Report For the Year Ended 31 August 2018**

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The directors present their report together with the audited financial statements for the year ended 31 August 2018.

### **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 £1,516,528 (2017 - £1,154,060).

The directors do not propose the payment of a dividend (2017 - £Nil).

### **Directors**

The directors who served during the year were:

R Novo  
P Reilly  
P Polegri (appointed 14 June 2018)  
A Brighenti (resigned 6 June 2018)

### **Disclosure of information to auditor**

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

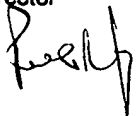
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor 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 30/05/2019 and signed on its behalf.

**P Polegri**  
Director



# **Zep UK Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 August 2018**

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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;
- 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.

# **Zep UK Limited**

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

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### **Opinion**

We have audited the financial statements of Zep UK Limited ("the company") for the year ended 31 August 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related 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 2018 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)**

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### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has 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)

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### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 at 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

30/05/2019

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 2018

|                                                       | Note | 2018<br>£          | 2017<br>£          |
|-------------------------------------------------------|------|--------------------|--------------------|
| Turnover                                              | 4    | 10,064,883         | 10,803,534         |
| Cost of sales                                         |      | (7,917,472)        | (8,407,274)        |
| <b>Gross profit</b>                                   |      | <b>2,147,411</b>   | <b>2,396,260</b>   |
| Distribution costs                                    |      | (1,512,768)        | (1,502,655)        |
| Administrative expenses                               |      | (2,167,266)        | (1,999,512)        |
| <b>Operating loss</b>                                 | 5    | <b>(1,532,623)</b> | <b>(1,105,907)</b> |
| Interest receivable and similar income                | 9    | 3,013              | -                  |
| <b>Loss before tax</b>                                |      | <b>(1,529,610)</b> | <b>(1,105,907)</b> |
| Tax on loss                                           | 10   | 13,082             | (48,153)           |
| <b>Loss for the financial year</b>                    |      | <b>(1,516,528)</b> | <b>(1,154,060)</b> |
| <b>Other comprehensive income for the year</b>        |      |                    |                    |
| Defined benefit scheme closure distribution           |      | -                  | 1,546,725          |
| <b>Total comprehensive (loss)/income for the year</b> |      | <b>(1,516,528)</b> | <b>392,665</b>     |

The notes on pages 10 to 27 form part of these financial statements.

**Zep UK Limited**  
Registered number: 01428569

**Statement of Financial Position**  
**As at 31 August 2018**

|                                                | Note | 2018<br>£        | 2018<br>£               | 2017<br>£        | 2017<br>£               |
|------------------------------------------------|------|------------------|-------------------------|------------------|-------------------------|
| <b>Fixed assets</b>                            |      |                  |                         |                  |                         |
| Intangible assets                              | 10   |                  | 140,866                 |                  | 281,729                 |
| Tangible assets                                | 11   |                  | 1,978,164               |                  | 1,868,448               |
| Investments                                    | 12   |                  | 1                       |                  | 1                       |
|                                                |      |                  | <u>2,119,031</u>        |                  | <u>2,150,178</u>        |
| <b>Current assets</b>                          |      |                  |                         |                  |                         |
| Stocks                                         | 13   | 2,103,000        |                         | 2,052,729        |                         |
| Debtors: amounts falling due within one year   | 14   | 2,747,811        |                         | 3,185,704        |                         |
| Cash at bank and in hand                       |      | 339,801          |                         | 2,020,496        |                         |
|                                                |      | <u>5,190,612</u> |                         | <u>7,258,929</u> |                         |
| Creditors: amounts falling due within one year | 15   | (3,225,587)      |                         | (3,795,441)      |                         |
| <b>Net current assets</b>                      |      |                  | <u>1,965,025</u>        |                  | <u>3,463,488</u>        |
| <b>Total assets less current liabilities</b>   |      |                  | <u>4,084,056</u>        |                  | <u>5,613,666</u>        |
| <b>Provisions for liabilities</b>              |      |                  |                         |                  |                         |
| Deferred tax                                   | 16   |                  | -                       |                  | (13,082)                |
| <b>Net assets</b>                              |      |                  | <u><u>4,084,056</u></u> |                  | <u><u>5,600,584</u></u> |
| <b>Capital and reserves</b>                    |      |                  |                         |                  |                         |
| Called up share capital                        | 17   |                  | 838,200                 |                  | 838,200                 |
| Revaluation reserve                            | 18   |                  | 1,026,862               |                  | 1,035,950               |
| Profit and loss account                        | 18   |                  | 2,218,994               |                  | 3,726,434               |
| <b>Total Equity</b>                            |      |                  | <u><u>4,084,056</u></u> |                  | <u><u>5,600,584</u></u> |

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

30/05/2019

P Polegri  
Director

The notes on pages 10 to 25 form part of these financial statements.

## Zep UK Limited

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

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

### Statement of Changes in Equity For the Year Ended 31 August 2017

|                                                                            | Called up<br>share<br>capital<br>£ | Revaluation<br>reserve<br>£ | Profit and<br>loss<br>account<br>£ | Total equity<br>£ |
|----------------------------------------------------------------------------|------------------------------------|-----------------------------|------------------------------------|-------------------|
| At 1 September 2016                                                        | 838,200                            | 1,044,325                   | 1,243,745                          | 3,126,270         |
| <b>Comprehensive income for the year</b>                                   |                                    |                             |                                    |                   |
| Loss for the year                                                          | -                                  | -                           | (1,154,060)                        | (1,154,060)       |
| Defined benefit scheme closure distribution                                | -                                  | -                           | 1,546,725                          | 1,546,725         |
| <b>Other comprehensive income for the year</b>                             | -                                  | -                           | 1,546,725                          | 1,546,725         |
| <b>Total comprehensive income for the year</b>                             | -                                  | -                           | 392,665                            | 392,665           |
| Transfer to/from profit and loss account                                   | -                                  | (8,375)                     | 8,375                              | -                 |
| Capital contribution - waiver of debt and interest owed to ultimate parent | -                                  | -                           | 2,081,649                          | 2,081,649         |
| <b>Total transactions with owners</b>                                      | -                                  | (8,375)                     | 2,090,024                          | 2,081,649         |
| <b>At 31 August 2017</b>                                                   | <b>838,200</b>                     | <b>1,035,950</b>            | <b>3,726,434</b>                   | <b>5,600,584</b>  |

The notes on pages 10 to 27 form part of these financial statements.

# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **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**

As there is a loss for the year of the company at the period end, the directors have considered the future of the trading company and have assessed that the company will remain a going concern for the foreseeable future.

The directors have obtained written confirmation of the intention of its ultimate parent to provide on-going financial support should it be needed and are confident that the company will be able to continue to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statement.

#### **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.

# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **2. Accounting policies (continued)**

#### **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;
- 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 2018 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

#### **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 Interest income**

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

# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **2. Accounting policies (continued)**

#### **2.7 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.

#### **2.8 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.

#### **2.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **2.10 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.

# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **2. Accounting policies (continued)**

#### **2.11 Debtors**

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

#### **2.12 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.



# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **2. Accounting policies (continued)**

#### **2.13 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, loans to related parties and investments in non-puttable ordinary shares.

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

#### **2.14 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.

#### **2.15 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.

#### **2.16 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 2018**

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### **2. Accounting policies (continued)**

#### **2.17 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.

##### **Defined benefit pension plan**

The company previously operated a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration.

Normally an asset or liability would be recognised in the statement of financial position in respect of the defined benefit plan at the present value of the defined benefit obligation at the end of the statement of financial position date less the fair value of plan assets at the statement of financial position date (if any) out of which the obligations are to be settled.

The defined benefit asset/obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **2. Accounting policies (continued)**

#### **2.17 Pensions (continued)**

The scheme has not included any current employees for a number of years and was in a significant surplus position however this net surplus position was not been reflected in the statement of financial position of the company as the criteria to recognise a defined benefit pension scheme net asset had not been met as at the reporting date. i.e. the surplus will not be realised by a reduction in future contributions or a refund from the scheme.

The company exited the scheme during the prior year as explained in note 15.

#### **2.18 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.

### **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 intangible and tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- 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.

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

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

Analysis of turnover by country of destination:

|                   | 2018<br>£         | 2017<br>£         |
|-------------------|-------------------|-------------------|
| United Kingdom    | 8,715,854         | 8,966,934         |
| Europe            | 1,308,434         | 1,404,459         |
| Rest of the world | 40,595            | 432,141           |
|                   | <u>10,064,883</u> | <u>10,803,534</u> |

### 5. Operating loss

The operating loss is stated after charging:

|                                                       | 2018<br>£      | 2017<br>£      |
|-------------------------------------------------------|----------------|----------------|
| Depreciation of tangible fixed assets                 | 133,791        | 126,084        |
| Amortisation of intangible assets, including goodwill | 140,863        | 140,866        |
| Exchange differences                                  | (25,650)       | 216,725        |
| Operating lease rentals - vehicle                     | 81,241         | 49,163         |
| Operating lease rentals - equipment                   | 56,083         | 51,301         |
|                                                       | <u>285,328</u> | <u>584,139</u> |

Equipment rentals are on a short term basis and there is no material lease commitment at 31 August 2018 or 31 August 2017.

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 6. Auditor's remuneration

|                                                                                                                     | 2018<br>£     | 2017<br>£     |
|---------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | <u>22,500</u> | <u>21,450</u> |
| <b>Fees payable to the company's auditor and its associates in respect of:</b>                                      |               |               |
| Taxation compliance services                                                                                        | 6,000         | 7,100         |
| Other services relating to taxation                                                                                 | <u>650</u>    | <u>650</u>    |

### 7. Employees

Staff costs were as follows:

|                       | 2018<br>£        | 2017<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 1,643,796        | 1,792,173        |
| Social security costs | 183,635          | 163,252          |
| Other pension costs   | 57,640           | 53,921           |
|                       | <u>1,885,071</u> | <u>2,009,346</u> |

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

|                      | 2018<br>No. | 2017<br>No. |
|----------------------|-------------|-------------|
| Production           | 30          | 21          |
| Sales & Distribution | 31          | 22          |
|                      | <u>61</u>   | <u>43</u>   |

### 8. Directors' remuneration

None of the directors received any emoluments in relation to their services to the company (2017 - £Nil).

The directors are considered to be key management personnel.

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 9. Interest receivable and similar income

|                               | 2018<br>£    | 2017<br>£ |
|-------------------------------|--------------|-----------|
| Loans from group undertakings | <u>3,013</u> | <u>-</u>  |

### 10. Taxation

|                                                         | 2018<br>£       | 2017<br>£       |
|---------------------------------------------------------|-----------------|-----------------|
| <b>Corporation tax</b>                                  |                 |                 |
| Adjustments in respect of previous periods              | -               | (13,132)        |
| <b>Total current tax</b>                                | <u>-</u>        | <u>(13,132)</u> |
| <b>Deferred tax</b>                                     |                 |                 |
| Origination and reversal of timing differences          | (13,082)        | 33,282          |
| Adjustment for prior periods                            | -               | 26,815          |
| Effect of tax rate change on opening balance            | -               | 1,188           |
| <b>Total deferred tax</b>                               | <u>(13,082)</u> | <u>61,285</u>   |
| <b>Taxation on (loss)/profit on ordinary activities</b> | <u>(13,082)</u> | <u>48,153</u>   |

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 10. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%). The differences are explained below:

|                                                                                                                | 2018<br>£              | 2017<br>£            |
|----------------------------------------------------------------------------------------------------------------|------------------------|----------------------|
| Loss on ordinary activities before tax                                                                         | <u>(1,529,610)</u>     | <u>(1,105,907)</u>   |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%) | (290,626)              | (216,546)            |
| <b>Effects of:</b>                                                                                             |                        |                      |
| Fixed asset differences                                                                                        | 44,902                 | 46,628               |
| Expenses not deductible for tax purposes                                                                       | 16,083                 | 315                  |
| Adjustments to tax charge in respect of previous periods                                                       | -                      | (13,132)             |
| Adjustments to tax charge in respect of previous periods                                                       | -                      | 26,815               |
| Adjust closing deferred tax to average rate of 19.00%/19.58%                                                   | 43,872                 | 25,421               |
| Adjust opening deferred tax to average rate of 19.00%/19.58%                                                   | (19,700)               | (1,878)              |
| Deferred tax not recognised                                                                                    | 192,387                | 180,530              |
| <b>Total tax charge for the year</b>                                                                           | <u><u>(13,082)</u></u> | <u><u>48,153</u></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 2018 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 11. Intangible assets

|                       | Goodwill<br>£  |
|-----------------------|----------------|
| <b>Cost</b>           |                |
| At 1 September 2017   | 704,327        |
| At 31 August 2018     | <u>704,327</u> |
| <b>Amortisation</b>   |                |
| At 1 September 2017   | 422,598        |
| Charge for the year   | 140,863        |
| At 31 August 2018     | <u>563,461</u> |
| <b>Net book value</b> |                |
| At 31 August 2018     | <u>140,866</u> |
| At 31 August 2017     | <u>281,729</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 2018

### 12. Tangible fixed assets

|                          | Freehold<br>property<br>£ | Motor<br>vehicles<br>£ | Fixtures &<br>fittings<br>£ | Total<br>£ |
|--------------------------|---------------------------|------------------------|-----------------------------|------------|
| <b>Cost or valuation</b> |                           |                        |                             |            |
| At 1 September 2017      | 1,748,511                 | 164,584                | 1,792,641                   | 3,705,736  |
| Additions                | 71,013                    | -                      | 172,494                     | 243,507    |
| At 31 August 2018        | 1,819,524                 | 164,584                | 1,965,135                   | 3,949,243  |
| <b>Depreciation</b>      |                           |                        |                             |            |
| At 1 September 2017      | 103,061                   | 164,584                | 1,569,643                   | 1,837,288  |
| Charge for the year      | 25,084                    | -                      | 108,707                     | 133,791    |
| At 31 August 2018        | 128,145                   | 164,584                | 1,678,350                   | 1,971,079  |
| <b>Net book value</b>    |                           |                        |                             |            |
| At 31 August 2018        | 1,691,379                 | -                      | 286,785                     | 1,978,164  |
| At 31 August 2017        | 1,645,450                 | -                      | 222,998                     | 1,868,448  |

Freehold land amounting to £530,000 (2017 - £530,000) has not been depreciated.

On transition to FRS 102 the company took the option of taking the valuation of freehold land and property at transition date, having previously applied a revaluation policy, and using that amount as deemed cost. To determine the deemed cost at 1 September 2014, the company used the independent valuation performed on an existing use basis that was used in the preparation of the financial statements for the year ending 31 August 2014. Freehold land and property is subsequently be measured at cost less depreciation. Cost or valuation at 31 August 2018 is as follows:

|                                         | Land and<br>buildings<br>£ |
|-----------------------------------------|----------------------------|
| <b>At cost</b>                          | 1,135,107                  |
| <b>At valuation:</b>                    |                            |
| Increase in value of land and buildings | 684,417                    |
|                                         | <u>1,819,524</u>           |

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 12. Tangible fixed assets (continued)

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

|                          | 2018<br>£      |
|--------------------------|----------------|
| Cost                     | 1,135,107      |
| Accumulated depreciation | (529,154)      |
| <b>Net book value</b>    | <b>605,953</b> |

### 13. Fixed asset investments

|                          | Investments<br>in<br>subsidiary<br>companies<br>£ |
|--------------------------|---------------------------------------------------|
| <b>Cost or valuation</b> |                                                   |
| At 1 September 2017      | 1                                                 |
| At 31 August 2018        | 1                                                 |
| <b>Net book value</b>    |                                                   |
| At 31 August 2018        | 1                                                 |

#### **Subsidiary undertakings**

The following were subsidiary undertakings of the company:

| <b>Name</b>              | <b>Class of shares</b>     | <b>Holding</b> | <b>Principal activity</b> |
|--------------------------|----------------------------|----------------|---------------------------|
| Mykal Industries Limited | Ordinary shares of £1 each | 100 %          | Dormant                   |

Mykal Industries Limited is a dormant subsidiary and therefore has no trade or profits for the year under review.

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

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 14. Stocks

|                                     | 2018<br>£        | 2017<br>£        |
|-------------------------------------|------------------|------------------|
| Raw materials and consumables       | 686,759          | 635,401          |
| Work in progress (goods to be sold) | 232,185          | 146,820          |
| Finished goods and goods for resale | 1,184,056        | 1,270,508        |
|                                     | <u>2,103,000</u> | <u>2,052,729</u> |

Stock recognised in cost of sales during the year as an expense was £5,501,424 (2017 - £6,704,536).

### 15. Debtors

|                                    | 2018<br>£        | 2017<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,902,272        | 2,161,790        |
| Amounts owed by group undertakings | 727,723          | 779,032          |
| Other debtors                      | 5,539            | 141,579          |
| Prepayments and accrued income     | 112,277          | 103,303          |
|                                    | <u>2,747,811</u> | <u>3,185,704</u> |

All amounts are receivable within one year.

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £242,118 (2017 - £56,993).

Since the year end, £253,013 included in amounts owed by group undertakings is now due greater than one year. The remaining balance in amounts owed by group undertakings is repayable on demand.

# Zep UK Limited

## Notes to the Financial Statements For the Year Ended 31 August 2018

### 16. Creditors: Amounts falling due within one year

|                                    | 2018<br>£        | 2017<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 579,258          | 858,662          |
| Amounts owed to group undertakings | 2,067,814        | 2,532,338        |
| Other taxation and social security | 76,026           | 43,492           |
| Other creditors                    | 24,512           | 11,737           |
| Accruals and deferred income       | 477,977          | 349,212          |
|                                    | <u>3,225,587</u> | <u>3,795,441</u> |

Included within amounts owed to group undertakings in 2016 was an on demand loan of £2,000,000, during the prior year this amount and related interest of £81,649 has been waived and is no longer payable. This transaction has been treated as a capital contribution and is shown in the statement of changes in equity in the prior year.

Amounts owed to group undertakings are repayable on demand.

### 17. Deferred taxation asset / (provision)

|                            | 2018<br>£       |
|----------------------------|-----------------|
| At beginning of year       | (13,082)        |
| Credited to profit or loss | 13,082          |
| <b>At end of year</b>      | <u><u>-</u></u> |

The deferred taxation balance is made up as follows:

|                                | 2018<br>£ | 2017<br>£       |
|--------------------------------|-----------|-----------------|
| Fixed asset timing differences | -         | (29,315)        |
| Short term timing differences  | -         | 16,233          |
|                                | <u>-</u>  | <u>(13,082)</u> |

The company has an unprovided deferred tax asset of £372,456 (2017 - unprovided asset of £159,991) 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 2018

### 18. Share capital

|                                           | 2018<br>£      | 2017<br>£      |
|-------------------------------------------|----------------|----------------|
| <b>Allotted, called up and fully paid</b> |                |                |
| 838,200 ordinary shares of £1 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.

### 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 £57,640 (2017 - £53,921). Contributions amounting to £22,228 (2017 - £9,715) were payable to the fund and included in creditors.

#### **Defined benefit pension scheme**

Zep UK Limited previously operated a final salary defined benefit pension plan in the UK, the Forward Chemicals Limited Pension & Life Assurance Scheme. The scheme has not included any current employees for several years.

The scheme was in a significant surplus position as at 31 August 2016 of £3,104,000 (assets of £3,577,000 less scheme liabilities of £473,000) however this net surplus position was not reflected in the statement of financial position of the company as the criteria to recognise a defined benefit pension scheme net asset had not been met as at that reporting date.

In August 2017 the company wound up the defined benefit pension scheme resulting in a cash payment to the company of £1,546,725, which reflected the net asset position of the scheme less the costs of winding up the scheme and transaction taxes (35% charge of £832,852, the gross receipt was £2,379,577). This gain has been reflected in the statement of changes in equity as other comprehensive income.

# **Zep UK Limited**

## **Notes to the Financial Statements For the Year Ended 31 August 2018**

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### **21. 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.

### **22. 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.

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.