

Zep UK Limited

Annual Report and Financial Statements

Year Ended

31 August 2021

Company Number 01428569



Zep UK Limited

Company Information

Directors

P Polegri
M L Duncan
K S Kolde
H Dumortier

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 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 August 2021.

Business review

Following the high demand of disinfectants and sanitizers after the global economic disruption from COVID 19, the company revenue and demand of the product are now back to normal level. Turnover decreased 6.2% year over year while gross profit fell by 13% as a result of higher raw material costs during the pandemic, particularly in alcohols and disinfectants. The Company maintains core relationships with a set of customers through personalized and attentive customer service, which sets it apart from competitors and provides continuity in sales year after year. The Company is actively working with its existing customer base and maintaining the relationship with these customers in the future. The Company made an operating loss of £1,237,333 (2020: operating profit of £40,286) mainly due to the higher distribution cost and cost of material during pandemic.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to several risks. The principal risks and uncertainties faced by the company are operational risk and reputational risk. To a lesser extent the company also faces credit and liquidity risk.

Operational risk is managed and mitigated through the maintenance of appropriate systems, processes and controls, and training of staff to maintain the quality of the production and sale of industrial cleaning products. Operational risk is further mitigated by business insurance.

As with any company that provides a product, the public perception of the quality of the product is a risk. By maintaining high-quality production practices coupled with excellent customer support, the reputational risk is greatly reduced. We continuously strive to improve the quality and reliability of our products to reduce this risk, however where appropriate, provisions have been calculated and included in the financials to mitigate the possible financial impact.

Credit risk is managed by ensuring the credit worthiness of clients and institutions where cash is deposited.

Liquidity risk is mitigated by monitoring of cash requirements to ensure sufficient cash is on hand to meet actual and forecast requirements for the company.

Future developments

The company is developing the retail market by looking to enter in a series of deals to expand the business. The company has also carried out the refurbishment work which will help them to reduce the cost of production in the future. In fiscal year 2022 management of the ultimate parent company, Zep Inc, started a project to move the production (mainly Food & Beverage business) of fellow subsidiary companies, AFCO C&S Limited and J and W Whewell Limited to Zep Limited. This transfer will help the company to improve Zep's production and cost reduction.

Zep UK Limited

Strategic report (continued)
For the year ended 31 August 2021

Going concern

The Directors have performed a comprehensive review of the company's ability to continue as a going concern by reviewing performance during the period and forecasting for fiscal 2021-22. 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.

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 Company does not have any customer base in Russia or Ukraine and therefore does not have any material impact due to ongoing conflict.

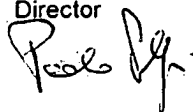
The Directors have prepared financial projections based on their best estimate of future trading conditions through to May 2023. This scenario showed continued liquidity throughout this period. Current trading is positive. COVID-19 has positively impacted the sales of certain products lines the company supplies e.g. detergents, cleaners and sanitizers. However, 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.

The ultimate parent company of Zep UK has confirmed its support to the Company to ensure it can meet its obligations as they fall due. The Directors have received written confirmation that Zep Inc. will support the Company for at least 12 months after these financial statements are approved and will not recall any intercompany balance if Zep UK does not have sufficient cash to pay the intercompany balance.

On this basis, the Directors have 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.

This report was approved by the board on 26/04/2022 and signed on its behalf.

P Polegri
Director



Zep UK Limited

Directors' report For the year ended 31 August 2021

The directors present their report together with the audited financial statements for the year ended 31 August 2021.

Principal activity

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

Results and dividends

The loss for the year, after taxation, amounted to £1,319,769 (2020 - profit £19,650).

The directors do not propose the payment of a final dividend (2020 - £Nil).

Directors

The directors who served during the year were:

P Polegri
M L Duncan
K S Kolde
H Dumortier (appointed 2 November 2020)

Qualifying third party indemnity provisions

The company maintains appropriate Directors' and Officers' Liability Insurance on behalf of the Directors and Company Secretary. In addition, individual qualifying third party indemnities are given to the Directors and Company Secretary which comply with the provisions of Section 234 of the Companies Act 2006, and were in force throughout the year and up to the date of signing the Directors' Report.

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the strategic report in accordance with S414C(11) as the directors considers them to be of strategic importance to the company.

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.

Zep UK Limited

Directors' report (continued)
For the year ended 31 August 2021

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 26/04/2022 and signed on its behalf.

P Polegri
Director



Zep UK Limited

Directors' responsibilities statement For the year ended 31 August 2021

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 on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2021 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.

We have audited the financial statements of Zep UK Limited ("the Company") for the year ended 31 August 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 Strategic Report, Directors' Report and the Directors' Responsibilities Statement 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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.

Zep UK Limited

Independent Auditor's report to the members of Zep UK Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operated we considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as Company accounting policies, UK GAAP, the Companies Act 2006, relevant tax legislation and Health and Safety.

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and revenue cut off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue transactions within a specified cut off window pre and post year end to determine if they have been recorded in the correct period;
- Performing test of controls on revenue transactions and verifying sample of revenue transactions to supporting documents;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Zep UK Limited

Independent Auditor's report to the members of Zep UK Limited (continued)

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.

DocuSigned by:

Steven Roberts

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Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
28 April 2022

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 2021

	Note	2021 £	2020 £
Turnover	4	10,919,477	11,635,846
Cost of sales		(9,042,876)	(9,469,690)
Gross profit		1,876,601	2,166,156
Distribution costs		(1,606,391)	(1,059,810)
Administrative expenses		(1,628,467)	(1,129,975)
Other operating income	5	120,924	63,915
Operating (loss)/profit	6	(1,237,333)	40,286
Interest payable and similar expenses	10	(29,774)	(1,185)
(Loss)/profit before tax		(1,267,107)	39,101
Tax on (loss)/profit	11	(52,662)	(19,451)
(Loss)/profit for the financial year		(1,319,769)	19,650

There was no other comprehensive income for 2021 (2020: £NIL).

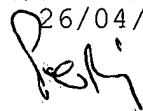
The notes on pages 13 to 29 form part of these financial statements.

Zep UK Limited
Registered number: 01428569

Statement of financial position
As at 31 August 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		-		-
Tangible assets	13		2,723,806		2,336,096
Investments	14		1		1
			<u>2,723,807</u>		<u>2,336,097</u>
Current assets					
Stocks	15	2,521,846		3,479,238	
Debtors: amounts falling due within one year	16	2,967,767		4,225,694	
Cash at bank and in hand		525,589		817,814	
		<u>6,015,202</u>		<u>8,522,746</u>	
Creditors: amounts falling due within one year	17	(6,844,417)		(7,697,144)	
Net current (liabilities)/assets			<u>(829,215)</u>		<u>825,602</u>
Total assets less current liabilities			<u>1,894,592</u>		<u>3,161,699</u>
Provisions for liabilities					
Deferred tax	18		(229,337)		(176,675)
Net assets			<u>1,665,255</u>		<u>2,985,024</u>
Capital and reserves					
Called up share capital	19		838,200		838,200
Revaluation reserve	20		998,004		1,007,326
Profit and loss account	20		(170,949)		1,139,498
Total equity			<u>1,665,255</u>		<u>2,985,024</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26/04/2022



P Polegri
Director

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

Zep UK Limited

Statement of changes in equity For the year ended 31 August 2021

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2020	838,200	1,007,326	1,139,498	2,985,024
Comprehensive loss for the year				
Loss for the year	-	-	(1,319,769)	(1,319,769)
Total comprehensive loss for the year	-	-	(1,319,769)	(1,319,769)
Transfer to/from profit and loss account	-	(9,322)	9,322	-
At 31 August 2021	838,200	998,004	(170,949)	1,665,255

Statement of changes in equity For the year ended 31 August 2020

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2019	838,200	1,017,449	1,109,725	2,965,374
Comprehensive income for the year				
Profit for the year	-	-	19,650	19,650
Total comprehensive income for the year	-	-	19,650	19,650
Transfer to/from profit and loss account	-	(10,123)	10,123	-
Total transactions with owners	-	(10,123)	10,123	-
At 31 August 2020	838,200	1,007,326	1,139,498	2,985,024

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

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

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 company's presentational currency is GBP. All amounts in these financial statements have been rounded to the nearest £1.

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 by reviewing performance during the period and forecasting for fiscal 2021-22. 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.

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 Company does not have any customer base in Russia or Ukraine and therefore does not have any material impact due to ongoing conflict.

The Directors have prepared financial projections based on their best estimate of future trading conditions through to May 2023. This scenario showed continued liquidity throughout this period. Current trading is positive. COVID-19 has positively impacted the sales of certain products lines the company supplies e.g. detergents, cleaners and sanitizers. However, 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.

The ultimate parent company of Zep UK has confirmed its support to the Company to ensure it can meet its obligations as they fall due. The Directors have received written confirmation that Zep Inc. will support the Company for at least 12 months after these financial statements are approved and will not recall any intercompany balance if Zep UK does not have sufficient cash to pay the intercompany balance.

On this basis, the Directors have 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.

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

2. Accounting policies (continued)

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;
- 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 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover 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 turnover 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 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

2. Accounting policies (continued)

2.7 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.

2.8 Government grants

Payments received from the government for furloughed employees are a form of grant. This grant money is receivable as compensation for expenses already incurred, and where this is not in respect of future related costs, is recognised in income in the period in which it becomes receivable and the related expense is incurred.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP. All amounts in these financial statements have been rounded to the nearest £1.

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.

2.12 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 2021

2. Accounting policies (continued)

2.13 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.

On Transition to FRS 102 for the year-ended 31 August 2016, 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. Freehold land and property was subsequently measured at cost less accumulated depreciation and impairment.

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% 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 profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 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.

2.16 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 2021

2. Accounting policies (continued)

2.17 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.

2.18 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.

2.19 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 2021

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 that 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 13)

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:

	2021 £	2020 £
United Kingdom	9,198,571	9,020,122
Europe	1,359,488	2,200,595
Rest of the world	361,418	415,129
	<u>10,919,477</u>	<u>11,635,846</u>

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

5. Other operating income

	2021 £	2020 £
Government grants receivable for furloughed employees	38,751	63,915
Other income	82,173	-
	<u>120,924</u>	<u>63,915</u>

6. Operating (loss)/profit

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

	2021 £	2020 £
Depreciation of tangible fixed assets	284,674	135,402
Exchange differences	(126,360)	(67,209)
Other operating lease rentals	162,780	139,816
Trade debtors written off	37,362	13,662
	<u>37,362</u>	<u>13,662</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	25,500	24,300
	<u>25,500</u>	<u>24,300</u>

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

8. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	1,714,860	2,101,936
Social security costs	162,252	156,800
Other pension costs	58,578	57,704
	<u>1,935,690</u>	<u>2,316,440</u>

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

	2021 No.	2020 No.
Production	30	44
Sales and distribution	21	20
	<u>51</u>	<u>64</u>

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

9. Directors' remuneration

None of the directors received any emoluments in relation to their services to the company (2020 - £Nil).

10. Interest payable and similar expenses

	2021 £	2020 £
Loans from group undertakings	29,774	1,185

11. Taxation

	2021 £	2020 £
Current tax on profits for the year	-	-
Deferred tax		
Origination and reversal of timing differences	(44,276)	1,211
Adjustments in respect of prior periods	31,271	(230)
Effect of tax rate change on opening balance	65,667	18,470
Taxation on (loss)/profit	52,662	19,451

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £	2020 £
(Loss)/profit before tax	(1,267,107)	39,101
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	(240,750)	7,429
Effects of:		
Fixed asset differences	22,509	13,994
Expenses not deductible for tax purposes	10,429	3,000
Capital allowances for year in excess of depreciation	-	(28,410)
Adjustments to tax charge in respect of prior periods	31,271	(230)
Chargeable losses	(101,630)	-
Adjust opening deferred tax to average rate	(215,917)	(46,070)
Deferred tax not recognised	506,971	69,738
Group relief surrendered	39,779	-
Total tax charge for the year	52,662	19,451

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at 31 August 2021 has been calculated based on the tax rate as at the Statement of Financial Position date.

The company has an unrecognised deferred tax asset of £1,128,993 (2020 - unrecognised asset of £618,326) 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 2021

12. Intangible assets

	Goodwill £
Cost	
At 1 September 2020	704,327
At 31 August 2021	704,327
Amortisation	
At 1 September 2020	704,327
At 31 August 2021	704,327
Net book value	
At 31 August 2021	-
At 31 August 2020	-

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

13. Tangible fixed assets

	Freehold property £	Motor vehicles £	Plant, machinery and equipment £	Total £
Cost				
At 1 September 2020	1,894,477	146,749	2,527,990	4,569,216
Additions	101,557	-	570,827	672,384
At 31 August 2021	1,996,034	146,749	3,098,817	5,241,600
Depreciation				
At 1 September 2020	181,928	146,749	1,904,443	2,233,120
Charge for the year	28,848	-	255,826	284,674
At 31 August 2021	210,776	146,749	2,160,269	2,517,794
Net book value				
At 31 August 2021	1,785,258	-	938,548	2,723,806
At 31 August 2020	1,712,549	-	623,547	2,336,096

Freehold land amounting to £530,000 (2020 - £530,000) has not been depreciated.

14. Fixed asset investments

	Investments in subsidiary companies £
Cost and net book value	
At 1 September 2020	1
At 31 August 2021	1

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

14. Fixed asset investments (continued)

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.

The company was dissolved on 5 October 2021.

15. Stocks

	2021 £	2020 £
Raw materials and consumables	1,787,405	1,486,895
Work in progress (goods to be sold)	179,494	26,055
Finished goods and goods for resale	554,947	1,966,288
	<u>2,521,846</u>	<u>3,479,238</u>

The impairment loss credited in the Statement of comprehensive income for the year in respect of slow-moving and obsolete stock was £6,062 (2020 - charge of £111,551).

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 2021

16. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	2,327,424	2,450,469
Amounts owed by group undertakings	268,122	679,850
Other debtors	15,691	1,499
VAT repayable	-	95,439
Prepayments and accrued income	122,599	121,362
Advances paid to suppliers	233,931	877,075
	<u>2,967,767</u>	<u>4,225,694</u>

Amounts owed by group undertakings are repayable on demand.

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	557,704	1,597,680
Amounts owed to group undertakings	5,643,973	5,145,262
Other taxation and social security	179,195	41,305
Other creditors	25,851	126,614
Accruals and deferred income	437,694	786,283
	<u>6,844,417</u>	<u>7,697,144</u>

Amounts owed to group undertakings are repayable on demand.

Loans amounting of £1,942,428 (2020: £1,608,648) owed to group undertakings accrue interest at a rate of 1.8% per annum.

Zep UK Limited

Notes to the financial statements For the year ended 31 August 2021

18. Deferred taxation

	2021 £
At beginning of year	176,675
Charged to profit or loss	52,662
At end of year	229,337

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	274,469	143,834
Capital gains	-	101,630
Short term timing differences	(45,132)	(68,789)
	229,337	176,675

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
838,200 (2020 - 838,200) ordinary shares of £1.00 each	838,200	838,200

20. 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 2021

21. 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 £58,578 (2020 - £57,704). Contributions amounting to £22,289 (2020 - £86,137) were payable to the fund and included in creditors.

22. Commitments under operating leases

At 31 August 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	53,461	21,876
Later than 1 year and not later than 5 years	44,456	16,624
Later than 5 years	32,643	8,312
	<u>130,560</u>	<u>46,812</u>

23. 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.

24. Ultimate parent undertaking and 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 and 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 publicly 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.