

4166155

# SC Johnson Limited

## Report and Financial Statements

30 June 2006



# SC Johnson Limited

---

Registered No 4166155

## **Directors**

P J O'Brien

L M Zunzunegui (Resigned 1 May 2006)

M I Escolme (Appointed 1 May 2006)

W L McCollum

G R Akavickas

## **Secretary**

J M Hayes (Resigned 1 October 2006)

A Eaton (Appointed 1 October 2006)

## **Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

## **Registered Office**

Frimley Green

Camberley

Surrey GU16 7AJ

## Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 30 June 2006

### Principal activities

The principal activity of the company is marketing household cleaning products and air fresheners. There has been no significant change to the principal activity of the company during the year.

### Business review

The European household products market remains intensely competitive with major multinational companies and retailer brands fighting for market share. To compete we need innovative products and compelling consumer communication via multi media sources and on-shelf. Therefore, in the year to June 30<sup>th</sup> 2006 we launched Glade Air Infusions, Glade Scented Oils and Glade Two Scents Candles, plus Raid Protector Flying Insect Killer. Successful promotional activity, encompassing targeted media campaigns as well as point of sale offers, has seen our revenues increase in the period. In the year to the 30th June 2006 our gross profit as a percentage of sales was 41.9%, an increase of 2.8%pts on the previous year.

The principal risks facing the company arise from the increasingly aggressive competitive environment. As our competitors promote their existing and new products more heavily, the company must also increase the absolute value and the effectiveness of its investment in brand equity in order to maintain or increase market share. Our sales and general administration costs as a percentage of sales represented 40.5% against 36.7% in the previous year. The company continues to review its cost base to ensure the appropriate level of expenditure to secure future cash flow for continued investment behind our power brands. This level of brand investment reduces contribution to net profits, as we invest behind innovative new products, resulting in the deterioration in the operating profit. Operating profit has declined from £3,195,000 in 2005 to £1,947,000 in 2006.

Our average headcount for the year rose to 77 from 75 in FY05 (see note 5) and this represents £1,781,000 revenue per employee compared to £1,810,000 in FY05.

Fixed assets reduced in the year by £917,000, the reduction being attributable to normal amortisation charges. As at June 2005 the accounts showed significant assets in the course of construction, being the imminent SAP implementation costs. Following the successful implementation in the assets were transferred to fully depreciating assets in 2006.

Inventory fell in FY06 and with a 9.0 inventory turn this represents the correct level of stock for our performance.

Debtor days decreased by 1.4% to 30.1 days in FY06, and total assets after current liabilities and excluding amounts owing to group undertakings fell to £23,498,000 from £26,658,000 in the previous year and included a cash balance of £64,000.

### Proposed dividend

The directors do not recommend the payment of a dividend and the profit after tax of £1,750,000 (2005 profit of £2,781,000) has been transferred to reserves.

### Employee policies and involvement

The company has continued its programme of open two-way communications through various channels, including regular department meetings, briefings and company communication meetings. It is the policy of the company to operate no discrimination in employment or career progression on the basis of sex, race or religion. It is the policy of the company to employ and train disabled persons whenever their ability and skills allow. If existing employees become disabled every effort is made to find them suitable work within the group and training is provided if necessary.

## **Directors' report** (continued)

### **Directors and directors' interests**

The directors who served during the year ended 30 June 2006 were those listed on page 1

The directors do not have any interests in the company required to be disclosed under Schedule 7 of the Companies Act 1985

### **Disclosure of Information to Auditors**

In accordance with section 234ZA(2) of the Companies Act 1985, the directors confirmed, so far as each is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that he ought to have taken as a Director in order to make himself aware of, and to establish that the auditors are aware of, any relevant audit information

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as the auditors of the company is to be proposed at the forthcoming Annual General Meeting

On behalf of the Board



M I Escolme

Director

27 April 2007

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which 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 1985. 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

# **Independent auditors' report**

## **to the members of SC Johnson Limited**

We have audited the company's financial statements for the year ended 30 June 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Independent auditors' report

to the members of SC Johnson Limited (continued)

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP  
Registered auditor  
London

27 Apr 2007

# Profit and loss account

for the year ended 30 June 2006

	Notes	2006 £000	2005 £000
<b>Turnover</b>	2	137,161	135,754
Cost of sales		(79,675)	(82,710)
<b>Gross Profit</b>		57,486	53,044
Selling and distribution		(39,443)	(39,513)
Administrative expenses		(16,096)	(10,336)
<b>Operating Profit</b>		1,947	3,195
Interest receivable and similar income on loans to group undertakings		1,147	963
<b>Profit on ordinary activities before taxation</b>	3	3,094	4,158
Tax on profit on ordinary activities	6	(1,344)	(1,377)
<b>Profit on ordinary activities after taxation</b>		1,750	2,781
<b>Retained profit for the year</b>	16	1,750	2,781



## **Statement of total recognised gains and losses**

**for the year ended 30 June 2006**

There are no recognised gains or losses other than the results as shown above. Accordingly, a statement of total recognised gains and losses has not been presented.

# Balance Sheet

at 30 June 2006

	Notes	2006 £000	2005 £000
<b>Fixed assets</b>			
Intangible assets	7	11,528	13,135
Tangible assets	8	4,648	3,958
		<u>16,176</u>	<u>17,093</u>
<b>Current assets</b>			
Stocks	9	7,856	9,926
Debtors – amounts falling due within one year	10	34,662	32,912
Debtors – amounts falling due after more than one year	12	-	56
Cash at bank and in hand		64	287
		<u>42,582</u>	<u>43,181</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(24,764)</u>	<u>(27,829)</u>
<b>Net current assets</b>		<u>17,818</u>	<u>15,352</u>
<b>Total assets less current liabilities</b>		<u>33,994</u>	<u>32,445</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(299)	-
<b>Provisions for liabilities and charges</b>	13	-	(500)
<b>Net assets</b>		<u>33,695</u>	<u>31,945</u>
<b>Capital and reserves</b>			
Called up share capital	14	22,871	22,871
Share premium account	15	2,414	2,414
Profit and loss account	15	8,410	6,660
<b>Equity shareholders' funds</b>	16	<u>33,695</u>	<u>31,945</u>



M I Escolme

Director

27 April 2007

The accompanying notes form an integral part of this balance sheet

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

#### Intangible fixed assets

Intangible fixed assets are shown at cost less accumulated amortisation and any provision for impairment. Amortisation is calculated to write off cost over the period in which the directors believe benefits may be expected to accrue. Purchased goodwill and trademarks are being amortised over a period of 20 years (2005 – 20 years). All other intangibles have been fully amortised over a period of 5 years (2005 – 5 years), except those added in 2003, which are being amortised over a period of 30 months.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. The carrying value of fixed assets is considered when impairing indicators arise.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write-off the cost, less estimated residual value, of each asset over the period of its estimated useful life on a straight-line basis. The principal rates of depreciation (based on original cost) are as follows -

Freehold buildings	10% – 50% per annum
Plant and equipment	10% – 20% per annum

Costs incurred during the year for a global Information Systems project have been included within assets in the course of construction and will not be depreciated until such time as the project assets are utilised.

Residual value is calculated on prices prevailing at the date of acquisition.

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow-moving and defective stocks.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

## Notes to the financial statements

at 30 June 2006

### 1. Accounting policies (continued)

#### Taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

All exchange gains and losses are included in the profit and loss account.

#### Pension scheme arrangements

The company is a participating employer of the Johnson Wax Retirement and Life Assurance Plan defined benefit group pension scheme, which is non-contributory and contracted out of the State Earnings Related Pension Scheme. The assets of the scheme are held separately from those of the group in separate trustee administered funds. The fund is valued every three years by a professionally qualified independent actuary on both a going concern and a discontinuance basis, the rate of contributions payable being determined on the advice of the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate. Pension costs are accounted for by charging the cost of providing pensions over the period during which the group expects to benefit from the employees' services. The effects of experience surpluses or deficiencies are spread over the expected average remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals.

The company also participates in a group defined contribution (money purchase) scheme established at 1 January 1999 for new employees joining the group from that date. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### Statement of cash flows

The company has taken advantage of the exemptions laid out in Financial Reporting Standard 1 (Revised) and has not prepared a cash flow statement.

## Notes to the financial statements

at 30 June 2006

### 2. Segmental analysis

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. All turnover relates to the company's principal activities.

A geographical analysis of the company's turnover by destination is set out below

	2006 £000	2005 £000
United Kingdom and Ireland	136,959	135,681
Rest of the World	202	73
	<u>137,161</u>	<u>135,754</u>

### 3. Profit on ordinary activities before taxation is stated after charging

	2006 £000	2005 £000
Depreciation of tangible fixed assets	395	33
Amortisation of intangible fixed assets	1,607	1,670
Rentals under operating leases – plant and machinery	281	275
– other	17	17
Auditors' remuneration – audit services	135	76
– non-audit services	19	11
	<u>2,454</u>	<u>2,102</u>

Auditors' remuneration is borne by the company on behalf of Johnson Wax Limited and subsidiary companies. An appropriate recharge of costs is levied within the group.

### 4. Directors' remuneration

	2006 £000	2005 £000
Emoluments	317	383
Defined contribution pension scheme	12	15
Defined benefit pension scheme	5	-
Long term incentive scheme	51	81
	<u>385</u>	<u>479</u>
Emoluments of the highest paid director	299	383
Defined contribution pension scheme	12	15
Long term incentive scheme	34	81
	<u>345</u>	<u>479</u>

The remuneration of the highest paid director was paid by other group companies and recharged in respect of directors' services.

Two directors, who served during the year, are members of the group's defined benefit scheme, the contributions for one of which are borne by a fellow group company. No directors are members of the money purchase scheme.

# Notes to the financial statements

at 30 June 2006

## 5. Staff costs

	2006 £000	2005 £000
Wages and salaries	4,336	4,157
Social security costs	433	453
Pension costs (see note 17a)	673	635
	<u>5,442</u>	<u>5,245</u>

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

	2006 No	2005 No
Selling and distribution	49	48
Administration	28	27
	<u>77</u>	<u>75</u>

## 6. Tax on profit on ordinary activities

The tax charge comprises

	2006 £000	2005 £000
<i>Current tax</i>		
UK Corporation tax – prior year	(157)	(105)
Group relief payable	1,146	1,348
Total current tax	<u>989</u>	<u>1,243</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	355	134
Total deferred tax	<u>355</u>	<u>134</u>
<b>Total tax on profit on ordinary activities</b>	<u><u>1,344</u></u>	<u><u>1,377</u></u>

# Notes to the financial statements

at 30 June 2006

## 6. Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2006 £000	2005 £000
<b>Profit on ordinary activities before tax</b>	3,094	4,158
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	928	1,247
Effect of		
Expenses not deductible for tax purposes	464	458
Capital allowances in excess of depreciation	(147)	(234)
Other short term timing differences	(99)	(123)
Prior year adjustment	(157)	(105)
<b>Current tax charge for the year</b>	989	1,243

Deferred tax has not been provided in respect of gains realised that have been rolled into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £477,000 (2005 – £477,000)

## 7. Intangible fixed assets

	<i>Purchased goodwill</i> £000	<i>Trademarks</i> £000	<i>Other intangibles</i> £000	<i>Total</i> £000
Cost				
At 30 June 2005 and 2006	17,327	9,904	1,025	28,256
Amortisation				
At 30 June 2005	8,616	5,485	1,020	15,121
Charge for the year	1,013	589	5	1,607
At 30 June 2006	9,629	6,074	1,025	16,728
Net book value				
At 30 June 2006	7,698	3,830	-	11,528
At 30 June 2005	8,711	4,419	5	13,135

## Notes to the financial statements

at 30 June 2006

### 8. Tangible fixed assets

	<i>Assets in course of construction</i> £000	<i>Freehold buildings</i> £000	<i>Plant and equipment</i> £000	<i>Total</i> £000
Cost				
At 30 June 2005	3,862	89	203	4,154
Additions	-	-	1,129	1,129
Transfers	(3,862)	-	3,862	-
Disposals	-	-	(187)	(187)
At 30 June 2006	-	89	5,007	5,096
Depreciation				
At 30 June 2005	-	37	159	196
Charge for the year	-	13	382	395
Disposals	-	-	(143)	(143)
At 30 June 2006	-	50	398	448
Net book value				
At 30 June 2006	-	39	4,609	4,648
At 30 June 2005	3,862	52	44	3,958

### 9. Stocks

	<i>2006</i> £000	<i>2005</i> £000
Finished goods and goods for resale	7,856	9,926

### 10. Debtors: amounts falling due within one year

	<i>2006</i> £000	<i>2005</i> £000
Trade debtors	11,313	11,354
Amounts owed by fellow group undertakings	20,007	20,840
UK corporation tax	1,216	-
Called up share capital not paid	460	460
Other debtors	37	194
Prepayments and accrued income	1,629	64
	34,662	32,912

Included in amounts owed by fellow group undertakings are £20,050,000 (2005 – £20,062,000) loan notes receivable on demand. Interest accrues at a rate of LIBOR plus 0.5% (2005 – LIBOR plus 0.5%).



## Notes to the financial statements

at 30 June 2006

### 11. Creditors: amounts falling due within one year

	2006 £000	2006 £000
Trade creditors	2,067	1,327
Amounts owed to fellow group undertakings	13,261	18,803
UK corporation tax	-	8
Other taxation and social security	3,172	3,058
Accruals and deferred income	6,264	4,633
	<u>24,764</u>	<u>27,829</u>

### 12. Deferred tax

Deferred tax is provided as follows

	2006 £000	2005 £000
Capital allowances	608	449
Other timing differences	(309)	(505)
Creditors / (debtors) falling due after more than one year	<u>299</u>	<u>(56)</u>

The movement on deferred taxation comprises

	£000
At 30 June 2005	56
Profit and loss account charge	(355)
At 30 June 2006	<u>(299)</u>

### 13. Provisions for liabilities and charges

	Customer claims £000
At 30 June 2005	500
Released during year	(500)
At 30 June 2006	<u>-</u>

Customer claims relate to demands by certain customers for lower prices and better trade terms, with such demands being applied retrospectively

## Notes to the financial statements

at 30 June 2006

### 14. Share capital

	2006 £000	2005 £000
<i>Authorised</i>		
50,000,000 ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>	£	£
22,410,652 ordinary shares of £1 each	22,411	22,411
<i>Not paid</i>		
460,188 ordinary shares of £1 each	460	460
	22,871	22,871

### 15. Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	2,414	6,660	9,074
Profit for year	-	1,750	1,750
	2,414	8,410	10,824

### 16. Reconciliation of movements in equity shareholders' funds

	£000
Profit for the financial year	1,750
Net additions to equity shareholders' funds	1,750
Opening shareholders' funds	31,945
Closing shareholders' funds	33,695

## Notes to the financial statements

at 30 June 2006

### 17. Guarantees and other financial commitments

#### (a) Pension costs

The group provides pension arrangements for the majority of full time employees through the Johnson Wax Retirement and Life Assurance Plan

The plan has both a defined benefit section (which is closed to new entrants) and a defined contribution section, but being a multi-employer scheme, it is accounted for as if it were a defined contribution scheme. The related costs of the plan are assessed in accordance with the advice of professionally qualified actuaries.

The most recent full actuarial valuation of the defined benefit scheme was conducted as at 1 January 2004 using a marketed approach. Full details are disclosed in the accounts of Johnson Wax Limited.

The pension cost charge for the year for the defined benefit scheme was £517,000 (2005 – £497,000). The pension costs charged for the year for the money purchase plan were £156,000 (2005 – £138,000).

#### FRS 17 Disclosures

Full disclosures in respect of the Johnson Wax Retirement and Life Assurance Plan are given in the accounts of Johnson Wax Limited. The valuation of the scheme at 30 June 2004, reviewed by the scheme actuary at 30 June 2006 and updated to reflect conditions at that date, showed a surplus of £5.3 million with assets of £118.6 million and liabilities of £113.3 million.

#### (b) Lease commitments

The group has the following annual financial commitments in respect of non-cancellable operating leases

	2006 £000	2005 £000
<i>Land and buildings</i>		
Leases which expire	17	17
<i>Other leases</i>		
Leases which expire		
- within one year	40	127
- within two to five years	156	148
- more than five years	85	-
	<u>298</u>	<u>292</u>

### 18. Related Party Transactions

The company has taken advantage of the exemptions laid out in Financial Reporting Standard 8 "Related party disclosures" and hence has not presented and disclosed details of transactions with other related parties belonging to the group headed by Johnson Wax Limited.

### 19. Ultimate parent company

The ultimate parent company is S C Johnson & Son Inc, incorporated in the USA and the immediate parent company is Johnson Wax Limited, a company incorporated in England and Wales. The smallest group in which the results of the company are consolidated is that headed by Johnson Wax Limited, copies of these accounts are available from Companies House. The largest group in which the results of the company are consolidated is that headed by S C Johnson & Son Inc, whose principal place of business is 1525 Howe Street, Racine, Wisconsin, 53403-2236, USA.