

SC Johnson Limited

Report and Financial Statements

53 Week Period Ending 3 July 2020

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COMPANIES HOUSE

Directors

J M Hayes
T P Howard
L Limpo de Abreu Andrade

Secretary

J M Hayes

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading RG1 1YE

Bankers

Barclays
London Service Centre
PO Box 69961
1 Churchill Place
London E14 1NP

Citibank NA
Citigroup Centre
25 Canada Square
Canary Wharf
London E14 5LB

Registered Office

Frimley Green
Camberley
Surrey GU16 7AJ

Strategic report

The directors present their strategic report for the fifty three weeks ended 3 July 2020.

Review of the business

The principal activity of the company is a limited risk distributor of SC Johnson Europe Sarl, marketing and selling household cleaning products and air fresheners. There has been no significant change to the principal activity of the company during the period.

The key financial indicators during the period were as follows:

	2020 £000	2019 £000	Change %
Turnover	133,845	129,013	3.7%
Operating profit	3,481	5,186	(32.9%)
Profit before tax	4,104	5,768	(28.8%)
Equity shareholders' funds	58,306	54,951	6.1%
Current assets as % of current liabilities ('quick ratio')	317%	343%	(7.4%)
Average number of employees	46	43	7.0%

The European household products market remains intensely competitive. UK consumers continue to shift their shopping behaviour to the online and discount channels, reducing purchases from traditional retailers. Despite a tough trading environment the UK business remained stable due to continued strong marketing campaigns.

The SC Johnson consumer business has seen strong home cleaning sales in particular through the COVID-19 pandemic as end consumers having increased concern for the cleanliness of their homes, which has translated into increased demand for our products and accounts for the increase in turnover. The decrease in operating profit and profit before tax can be attributed to additional investment to drive e-commerce channels.

Section 172 (1) Statement

In accordance with Section 172 (1) the directors act in a way they consider in good faith would be the most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequence of any decisions in the long term,
- The interest of the company's employees,
- The need to foster the company's business relationships with suppliers, customers and others,
- The impact of the company's operations on the community and the environment,
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

Goodwill has never been negotiable – in family, in business or in our products. Since the ultimate parent's founding in 1886, SC Johnson has been guided by our commitment to keep earning the goodwill of the people around us. It matters to us that we do right by employees, consumers, the public and our communities and the world at large, and treat everyone with integrity and respect. These values are our principles.

Strategic report (continued)

Section 172 (1) Statement (continued)

Our People		
In a 1927 speech to employees, Herbert F Johnson Sr said 'The goodwill of people is the only enduring thing in any business. It is the sole substance. The rest is shadow.' These principles were formalised in 1976 in a document known as This We Believe. This was long before companies had values statements or even codes of conduct. We believe that the fundamental vitality and strength of our company worldwide lies in our people.		
Interests and concerns	How we engaged in the period to 3 July 2020	Considerations and outcomes
We maintain good relations among all employees around the world based on a common sense of participation, mutual respect and an understanding of common objectives.	We maintain open two-way communications through various channels, including regular department meetings, briefings and company communication meetings, which promote an understanding of the financial and economic factors affecting the company's performance.	The UK company regularly participates and has been recognised in the 'Great Places to Work', in 2019 featuring in both the 'Great Places to Work' and 'Great Places to Work for Women'
Our customers		
We believe in earning the enduring goodwill of our customers and end consumers by committing to provide useful products and services, monitoring closely the changing wants and needs of consumers and users, developing new products and services that are recognised by consumers and users as being significantly superior overall to major competition, and ensuring our products and services are readily available to consumers and users.		
Interests and concerns	How we engaged in the period to 3 July 2020	Considerations and outcomes
Our customers expect first class products that can be trusted and meet the everyday needs of consumers.	We have engaged at all levels of our organisation as well as cross functionally to align with customers' needs and build relationships that put the customer and the consumer at the heart of everything we do.	We measure our performance externally and internally and have a culture that prides itself on continuous improvement.
Our suppliers		
We conduct our business in a fair and ethical manner by treating our suppliers fairly and reasonably, according to sound commercial practices. We encourage the use of local suppliers and services offering competitive quality and prices.		
Interests and concerns	How we engaged in the period to 3 July 2020	Considerations and outcomes
Our suppliers need to be assured they be treated fairly, and most importantly paid on time for the goods they supply to us.	We actively engage where necessary with our suppliers to ensure a good relationship is maintained.	We strive to pay our suppliers on time and work with them actively where necessary to ensure any challenges that have are addressed.

Strategic report (continued)

Principal risks and uncertainties

The principal risks facing the company arise from the increasingly aggressive competitive environment. As competitors promote their existing and new products more heavily, the company must find ways of generating income from production efficiencies and cost savings to drive sales and increase market share.

In the UK, there are continuous legislative changes impacting the company which management need to remain aware of, in order to ensure the company remains compliant such as new payment practise and performance regulations. Compliance imposes additional costs and failure to comply with the legislation could result in fines for the company and reputational damage.

The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the company. The company also manages liquidity risk via revolving credit facilities and long term debt repayable on demand.

COVID-19 risk

The COVID-19 outbreak, which has been declared a global pandemic, has led to severe disruptions in the market and the UK economy that may continue for a prolonged duration and trigger a period of economic slowdown. In response, various governmental authorities and private enterprises have implemented numerous measures to contain the pandemic, such as travel bans and restrictions, quarantines and shutdowns.

SC Johnson Limited has seen strong home cleaning sales in particular as a reaction to COVID-19, as our consumers show increased concern for the cleanliness of their homes, therefore the company is showing strong sales, and to date the company has had no necessity to utilise UK Government support offered. The factories producing SC Johnson products around the world are continuing production with increased measures for monitoring and protecting the workforce.

We have implemented temporary social measures such as remote working for all employees based in the UK to ensure our employees are protected as far as possible, whilst ensuring our customers continue to be served to a high standard.

The demand for home cleaning products as a result of COVID-19 is expected to continue in the short term at a minimum, however with the possibility that the 2021 financial year may show flat or a slight decline if global macro-economic weakness persist as our customers may experience financial difficulty which may affect future revenue and profitability of the company.

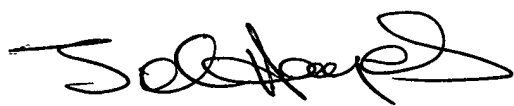
Brexit

Following the decision by the UK population to exit the Europe Union ("Brexit"), the Directors have continued to keep under consideration the expected impact of Brexit. The exact nature of the trading arrangements between the UK and the EU subsequent to the UK's exit from the EU currently remains uncertain and consequently the Directors have considered a number of scenarios and the company's potential responses to them.

The scenario planning has included anticipating changes to the operations and its supply chain, which are not considered to be significant or posing a heightened risk. The impact of Brexit on the current and future employees has also been considered and whilst there may be some disruption in the UK, these are currently not anticipated to materially affect the recruitment and retention of key personnel.

Overall the Directors do not consider Brexit to trigger a significant risk on the company's performance.

By order of the board



J M Hayes

16 December 2020

Directors' report

The directors present their report and the audited financial statements for the fifty three weeks ended 3 July 2020.

Directors of the company

The current directors are shown on page 1.

Proposed dividend

The directors do not recommend the payment of a dividend (2019 – interim dividend £3,700,000). The profit after tax of £3,355,000 (2019 - £4,671,000 profit) has been transferred to reserves.

Future developments

Market conditions remain challenging as the major retailers attempt to maintain market share against the growth of discounters. SC Johnson continues to innovate and develop to meet the needs of different channels and consumers. Competitor pressures remain intense and the decision to leave the EU brings further headwinds from currency and inflationary pressures.

Donations

As part of the company's commitment to the communities in which it operates, contributions totalling £288,000 (2019 - £250,000) were made to local and national charities.

Going concern

As outlined further in note 1 to the financial statements, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that could cast significant doubt about the ability of the company to continue as a going concern have been identified. This conclusion has been reached after receipt of a corporate support letters issued by the parent company. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' liability insurance and indemnities

S.C. Johnson & Son Inc., the company's parent company, maintains Directors' and Officers' Liability insurance in respect of legal action that might be brought against directors of companies within the group and the directors of the company are covered by this insurance. The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the auditor, 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.

Energy and carbon reporting

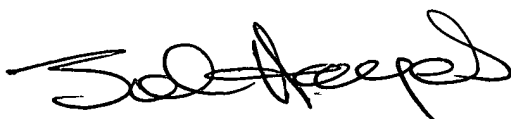
The Frimley site and facilities are managed by SCJ EurAFNE Limited who incur the facilities energy usage and whose accounts disclose the energy and carbon reporting information.

Directors' report (continued)

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution is proposed at the Annual General Meeting to re-appoint Ernst & Young LLP as the auditors of the company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J M Hayes', written over a horizontal line.

J M Hayes

Director

16 December 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, 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 estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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.

Independent auditor's report

to the members of SC Johnson Limited

Opinion

We have audited the financial statements of SC Johnson Limited for the year ended 3 July 2020 which comprise of the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 17, 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 FRS 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 company's affairs as at 3 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report

to the members of SC Johnson Limited (continued)

Other information (continued)

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 the 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 set out on page 7, 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.

Independent auditor's report

to the members of SC Johnson 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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



Joe Yglesia (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

18th December 2020

Statement of Comprehensive Income

for the fifty three weeks ended 3 July 2020

	Notes	2020 £000	2019 £000
Turnover	2	133,845	129,013
Cost of Sales		<u>(119,349)</u>	<u>(114,691)</u>
Gross profit		14,496	14,322
Selling and distribution costs		(6,341)	(4,730)
Administrative expenses		<u>(4,674)</u>	<u>(4,406)</u>
Operating profit	3	3,481	5,186
Interest receivable and similar income on loans to group undertakings	6	623	582
Profit on ordinary activities before taxation		<u>4,104</u>	<u>5,768</u>
Tax on profit on ordinary activities	7	<u>(749)</u>	<u>(1,097)</u>
Profit for the financial period		<u>3,355</u>	<u>4,671</u>
Total comprehensive income		<u>3,355</u>	<u>4,671</u>

All results relate to continuing operations.

Statement of changes in equity

for the fifty three weeks ended 3 July 2020

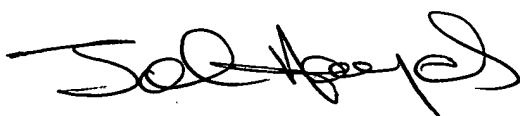
	<i>Called-up share capital £000</i>	<i>Share Premium £000</i>	<i>Profit and loss account £000</i>	<i>Total Equity £000</i>
At 29 June 2018	22,871	2,414	28,695	53,980
Total comprehensive income for the year	-	-	4,671	4,671
Equity dividends paid (note 13)	-	-	(3,700)	(3,700)
At 28 June 2019	22,871	2,414	29,666	54,951
Total comprehensive income for the year	-	-	3,355	3,355
At 3 July 2020	22,871	2,414	33,021	58,306

Statement of financial position

at 3 July 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	8	241	113
Current assets			
Debtors: amounts falling due within one year	9	86,673	78,167
Cash at bank and in hand		59	5
		<u>86,732</u>	<u>78,172</u>
Creditors: amounts falling due within one year	10	<u>(27,358)</u>	<u>(22,816)</u>
Net current assets		59,374	55,356
Total assets less current liabilities		<u>59,615</u>	<u>55,469</u>
Provisions for liabilities	11	(1,309)	(518)
Net assets		<u>58,306</u>	<u>54,951</u>
Capital and reserves			
Called up share capital	13	22,871	22,871
Share premium account	15	2,414	2,414
Profit and loss account	15	<u>33,021</u>	<u>29,666</u>
		<u>58,306</u>	<u>54,951</u>

Signed on behalf of the Board
16 December 2020



J M Hayes
Director
Company registration number 4166155

Notes to the financial statements

at 3 July 2020

1. Accounting policies

Statement of compliance

SC Johnson Limited is a private company limited by shares, incorporated in England. The Registered Office is Frimley Green Road, Frimley Green, Camberley, Surrey GU16 7AJ.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the fifty three weeks ended 3 July 2020.

Basis of preparation and change in accounting policy

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

With regard to the current COVID-19 pandemic, the company and the wider SC Johnson group has not been negatively impacted financially due to its positioning as a manufacturer and distributor of products for the home.

The Directors have considered the impact of the pandemic on the company's business operations and future prospects. The factories producing SC Johnson products around the world are continuing production with increased measures for monitoring and protecting the workforce. Taking into consideration the current environment and the company and wider group's product and customer base, the Directors expect the group and company to remain profitable and generate positive cash flows giving the company the ability to continue to operate for the foreseeable future.

The global SC Johnson organisation has considerable financial resources and continues to trade profitably. The Directors assume that the demand for consumer goods supplied by the company will continue, with consumers purchasing air care items to maintain their home ambience and also developing enhanced cleaning routines which may extend beyond the current pandemic. Observing lockdown measures taken by the UK government, supermarkets have remained and are expected to continue to remain accessible for consumers during the crisis. The wider SC Johnson group production facilities as well as supply chains have adapted with several countermeasures in order to uphold production and supply. The UK consumer company's service levels to its external customers has been best in class amongst its competitive set and there have been very few issues with supply.

The company is dependent on the wider SC Johnson group for product supply and cash resources via the group cash pooling facility. In view of this the directors have confirmed that SC Johnson & Son Inc, intends to make funds available to the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

In view of the circumstances referred to above, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the company's financial statements.

Statement of cash flows

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its parent company, Johnson Wax Limited, includes the company's cash flows in its own consolidated financial statements.

Related party transactions

The company has taken advantage of the exemption, under FRS 102 paragraph 33.1A, from disclosing transactions with related parties that are part of the Johnson Wax Limited Group, as the company is a 100% subsidiary of a group whose financial statements are publicly available.

Notes to the financial statements

at 3 July 2020

1. Accounting policies (continued)

Judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from these estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

The company uses operating leases to acquire its motor vehicle fleet and also holds various residential operating leases and an operating lease on a commercial property used as a regional sales force base. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Company's key sources of estimation uncertainty:

Trade spend

Trade spend, which consists of customer pricing allowances, placement fees and promotional allowances are recognised based on agreements with trade customers. Estimates and judgements on trade spend are based on a variety of factors including historical experience and market conditions to reflect the anticipated liability.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is made for separation pay in accordance with the detailed terms of the separation pay policy on the basis of accrued length of service.

Notes to the financial statements

at 3 July 2020

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid using 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 which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

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

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.

Turnover

Turnover is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, trade spend deductions, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalty income

Included in turnover is royalty income arising on sales of Mr Muscle products in the United Kingdom and Ireland. Royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and short term deposits.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

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 company 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.

Notes to the financial statements

at 3 July 2020

1. Accounting policies (continued)

Pension scheme arrangements (continued)

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in the period.

The company participated in a defined contribution (money purchase) scheme established at 1 January 1999 for new employees joining the group from that date. After consultation with active members, from 1 March 2018 the company moved new contributions to an external Master Trust arrangement and existing investments with the former defined contributions scheme transitioned to the Master Trust from 13 June 2018. 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 period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Operating lease commitments

The company has entered into a number of leases as a lessee to obtain the use of its motor vehicle fleet and also holds various residential operating leases and an operating lease on a commercial property used as a regional sales force base. The rentals payable for the leases have been determined to represent operating leases and are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

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 impairment 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:

Plant and equipment 10% – 20% per annum

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

Impact of COVID-19

Management have considered the impact on accounting policies, judgements and estimates in light of COVID-19 restrictions and in particular a shift in channel dynamics such as growth in major supermarkets and convenience and lower footfall in discounters. As a result, management are monitoring any change in payment behaviour for signs of distress and adjusting credit limits or moving to payment on order placement.

2. Segmental analysis

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

	2020 £000	2019 £000
United Kingdom & Ireland	<u>133,845</u>	<u>129,013</u>

Notes to the financial statements

at 3 July 2020

3. Operating profit

This is stated after charging:

	2020 £000	2019 £000
Rentals under operating leases – plant and machinery	128	126
– other	98	96
Foreign exchange differences	16	2
Auditors remuneration – audit services	112	112
– non-audit services	-	-

4. Directors' remuneration

	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services	752	757

One director is a member of the group's defined benefit scheme. No directors are members of the money purchase scheme. The above amounts for remuneration include £752,000 (2019 – £757,000) in respect of the highest paid director. Two directors of the company are also directors or officers of other Johnson Wax group companies, and the emoluments have been borne by those companies. The directors' services to the company do not occupy a significant amount of their time, as such the directors do not consider that they have received any remuneration for their incidental services to the company for the period ended 3 July 2020.

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	3,804	3,285
Social security costs	490	476
Pension costs (see note 14)	247	596
	4,541	4,357

Included in pension costs are £nil (2019: £337,000) in respect of contributions made to the defined benefit scheme and £247,000 (2019: £259,000) in respect of defined contribution costs.

The monthly average number of employees during the period was as follows:

	2020 No.	2019 No.
Selling and distribution	24	22
Administration	22	21
	46	43

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6. Interest receivable

	2020 £000	2019 £000
Interest received from group undertakings	623	582
	<u>623</u>	<u>582</u>

7. Tax on profit on ordinary activities

(a) Analysis of the charge in the period

The tax charge comprises:

	2020 £000	2019 £000
<i>Current tax:</i>		
UK corporation tax on profit for the year	358	-
Adjustments in respect of prior periods	-	151
Group relief – current period	389	1,003
Group relief – adjustments in respect of prior periods	4	(84)
Total current tax charge	<u>751</u>	<u>1,070</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	37	100
Impact of change in UK tax rate	(34)	(11)
Adjustments in respect of prior periods	(5)	(62)
Total deferred tax charge	<u>(2)</u>	<u>27</u>
Total tax charge on profit on ordinary activities	<u>749</u>	<u>1,097</u>

(b) Factors affecting tax charge for period

The tax assessed on the profit on ordinary activities for the period is lower (2019 – higher) than the standard rate of corporation tax in the UK of 19% (2019 – 19.00%). The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>4,104</u>	<u>5,768</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2019: 19.00%)	780	1,096
Effect of:		
Expenses not deductible for tax purposes	4	7
Impact of change in UK tax rate	(34)	(10)
Adjustments in respect of prior periods	(1)	4
Total tax charge	<u>749</u>	<u>1,097</u>

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7. Tax on profit on ordinary activities (continued)

c) Factors affecting future tax charges

The Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020.

Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively been enacted at the balance sheet date. The 2020 UK Budget on 11 March reversed the reduction in the corporation tax rate from 19% to 17%. This reversal was substantively enacted on 17 March 2020 via Budget resolutions. The Finance Act 2020 received Royal Assent on 22 July 2020.

Since this anticipated reversal of the rate reduction was substantively enacted at the balance sheet date, deferred tax has been provided at 19%. Accordingly, 19% has been applied when calculating deferred tax assets and liabilities as at 3 July 2020.

8. Tangible fixed assets

	<i>Assets under construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At 28 June 2019	113	113
Additions	128	128
At 3 July 2020	<u>241</u>	<u>241</u>
Net book value at 3 July 2020	<u>241</u>	<u>241</u>
Net book value at 28 June 2019	<u>113</u>	<u>113</u>

9. Debtors: amounts falling due within one year

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	17,259	15,090
Amounts owed by fellow group undertakings	68,029	62,170
Called up share capital not paid	460	460
Prepayments and accrued income	54	23
Other taxation and social security	-	137
Other debtors	582	-
Deferred tax (note 12)	289	287
	<u>86,673</u>	<u>78,167</u>

Included in amounts owed by fellow group undertakings are £67,585,000 (2019 – £56,591,000) loan notes receivable on demand with an interest rate of 0.98% (2019: 0.97%)

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10. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	587	715
Amounts owed to fellow group undertakings (payable on demand)	15,551	11,743
Group relief payable	277	920
Corporation tax	326	534
Accruals and deferred income	9,776	8,904
Other taxation and social security	841	-
	<u>27,358</u>	<u>22,816</u>

11. Provisions for liabilities

	Separation pay £000	Customer claims £000	Total £000
At 28 June 2019	13	505	518
Provided	-	1,032	1,032
Utilised	-	(200)	(200)
Released	-	(41)	(41)
At 3 July 2020	<u>13</u>	<u>1,296</u>	<u>1,309</u>

Separation pay is payable on the retirement of employees who commenced work for the company before 31 December 1993 and is based on the number of years continuous service with the company. The youngest eligible member has 18 years to plan retirement age.

Customer claims relate to demands by certain customers for lower prices and better trade terms, with such demands being applied retrospectively. Provisions relating to individual years are expected to be utilised within five years.

12. Deferred tax

Deferred tax included in the balance sheet consists of the following amounts:

	2020 £000	2019 £000
Included within debtors (note 9)	<u>289</u>	<u>287</u>

Deferred tax is provided as follows:

	2020 £000	2019 £000
Timing differences in relation to tangible and intangible fixed assets	144	157
Other timing differences	145	130
	<u>289</u>	<u>287</u>

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12. Deferred tax (continued)

The movement on deferred taxation comprises:

	£000
At 28 June 2019	287
Origination and reversal of timing differences	(37)
Impact of change in UK tax rate	34
Adjustment in respect of prior period	5
At 3 July 2020	<u>289</u>

The amount of the net reversal of deferred tax expected to occur next year is £172,000 (2019: £153,000) relating to the reversal of existing timing differences on tangible and intangible fixed assets and other reserves.

13. Share capital

	2020 £000	2019 £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
	<u>22,871</u>	<u>22,871</u>
Dividends and other appropriations		
<i>Declared and paid during the year</i>		
Equity dividend on ordinary shares:		
Interim for 2019: 16.18p	-	3,700
	<u>-</u>	<u>3,700</u>

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14. Pensions and other post-retirement benefits

The Johnson Wax group provides pension arrangements for the majority of full time employees through the Johnson Wax Retirement and Life Assurance Plan. Johnson Wax Limited is the sponsoring employer and has legal responsibility for the Plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities therefore this is accounted for entirely in the Johnson Wax Limited accounts. As such, the Company accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in the period. The related costs of the plan are assessed in accordance with the advice of professionally qualified actuaries. Should the defined benefit obligation fall into a net liabilities position, SC Johnson Limited would be liable to pay additional contributions to the Plan in order to eliminate any deficit in relation to its employees.

The most recent full actuarial valuation of the defined benefit scheme was conducted as at 1 January 2019 using a marketed approach. The valuation of the scheme updated by the actuaries as at 3 July 2020 to reflect conditions at that date showed a surplus of £66.8 million with assets of £277.9 million and liabilities of £211.1 million. Full details are disclosed in the accounts of Johnson Wax Limited.

The pension cost charged for the period for the defined benefit scheme was £nil (2019 – £337,000). The pension cost charged for the period for the money purchase plan was £247,000 (2019 – £259,000).

15. Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital.

Profit and loss account – includes all current and prior period retained profits and losses.

16. Obligations under lease contracts and other commitments

The company uses operating leases to acquire its motor vehicle fleet. The leases do not transfer ownership to the Company, and although there is the option to purchase the car at the end of the lease term at market price, this has never been exercised. The Company has the option to cancel leases at any time.

The company also holds residential and commercial lease agreements. These leases do not transfer ownership of the asset at the end of the lease term, and there is no option to purchase the properties at the end of the lease term. The lease term is not for the major part of the economic life of the property, and the present value of the minimum lease payments are not substantially all of the fair value of the property.

Future minimum lease payments due under operating leases:

	2020 £000	2019 £000
Land and buildings - amounts payable:		
Not later than one year	100	103
Later than one year but not later than five years	122	114
Greater than 5 years	-	28
Other leases – amounts payable:		
Not later than one year	59	82
Later than one year but not later than five years	24	67
	<u>305</u>	<u>394</u>

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17. Ultimate and immediate parent companies

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, whose principal place of business is at Frimley Green, Camberley, Surrey GU16 7AJ. 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.