Spectrum Brands (UK) Limited

Strategic report, Directors' report and financial statements

Registered number 2394603

Year ended 30 September 2019

Directors

T Wright
B Goodman
F Yeomans

Secretary

B Goodman

Auditors

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Registered Office

Regent Mill
Fir Street
Failsworth
Manchester
M35 0HS

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Directors' report

The directors present their directors' report and financial statements for the year ended 30 September 2019.

Principal activities

The principal activity of the Company is the marketing and sale of its own range of branded consumer products which consists mainly of small electrical household and personal care appliances. For part of the year, the Company also manufactured and distributed its own range of batteries and related products, together with its own brand of aquaria fish foods, care products and companion animal products.

Employee relations

During the period under review, the Company employed an average of 274 employees *(2018: 555)*. We recognise that the success of the business is dependent on the consistent performance of our employees in delivering timely products and services to our customers.

Environment

As the Company's appliance manufacturing is outsourced, our UK activities are considered to be low risk. Nonetheless, we strive to minimise the environmental impact of these activities and to operate within recognised and accepted standards.

Health and safety

The Company recognises and accepts its responsibilities for health and safety. The utilisation of the mechanical and manual handling methods at our warehouses in the UK and our battery manufacturing plant at Washington requires continuous training of staff and the strict adoption by management of health and safety standards. During the period under review there were 2 reportable incidents *(2018: none)*.

Covid-19

The company has reviewed its position in light of the Covid-19 situation. At the date of signing of these financial statements, revenues have shown growth year on year. The Director's believe this is due to the essential nature of the product offering with sales in male grooming, pet and staple kitchen items contributing to this growth as end consumers inevitably spend more time at home. It is not possible to predict when the COVID-19 outbreak will end but we believe at this stage that its impact will not be material to the longer term position of the company based on performance since the outbreak began.

Going concern

The Directors have prepared the accounts using the going concern assumption. Details of this can be found in note 1 to the financial statements.

Directors and directors' interests

The directors who held office during the year, and subsequent to the year end, were as follows:

T Wright	
C Berry	(resigned on 19 December 2019)
B Goodman	(appointed on 2 January 2019)
F Yeomans	(appointed on 19 December 2019)

Political and charitable contributions

During the period, the Company donated £151 *(2018: £175)* for charitable purposes.

Dividends

No dividends were paid during the year *(2018: £309,492,000)*.

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this report of the board confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

Covid-19 is considered to be a post balance sheet event. The Directors have considered the impact of the virus on the Company, more details of which are set out in the going concern basis of preparation accounting policy on page 12.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

F Yeomans
Director

29 July 2020

Fir Street
Failsworth
Manchester
M35 0HS
England

Strategic report

The operating results for the year are shown on page 8.

Strategy

The Company's strategy is to be a key supplier to all major retailers by offering a comprehensive range of products combined with quality, value and service.

Key to this are:

- The development of partnership relationships with trade customers offering competitive margins and category management.
- Continuing to offer competitive brands supported by Point Of Sale and products that exceed competitors product performance.
- Ensuring prompt deliveries and reliable standards of quality and service.
- Significant investment in the development of new products assisted by our in-house product design team and global NPD team.

Review of the business

As stated in last year's report, Spectrum Brands Inc. ('the Group'), acquired the trade and assets relating to the Pet business back from Armored Auto UK Limited, on 28 January 2019, for a consideration of £1,850,000, which was equal to the net assets of the pet business at the date of the transaction. The company engages in the manufacture and sale of its own range of pet food and related products.

Following the legal restructuring, the Company reported profit before tax ('PBT') of (£13.5m) for the year (2018: £103.5m)

Operating profit for the year was £10.0m (2018: £25.8m), which was down on the prior year.

Net sales of £147m represented a 27% decrease over 2018. The decrease in the net sales can be attributed to the sale of the Batteries business in the 2018 year. The main brand in the UK, Russell Hobbs continues to lead the market in terms of market share and Remington has also seen good growth.

The Company continued to hedge against foreign exchange rate fluctuations using forward contracts to reduce risk but the movements year on year had an adverse effect which negatively affected margins.

The Company's key financial and other performance indicators during the year were as follows:

	2019	2018
Turnover (£000)	**147,346**	202,036
Gross Profit (%)	**28.3%**	32.6%
(Loss)/profit before taxation (£000)	**(13,522)**	103,486
Net current assets /(liabilities) (£000)	**5,534**	(1,721)
Shareholders' Funds (£000)	**14,614**	29,931
Average number of employees	**274**	555

Strategic report *(continued)*

Review of the business *(continued)*

In addition to those listed above, Management also regard the following KPI's as key benchmarks in monitoring performance:

- sales by product line, in terms of both daily sales value and order intake
- seasonal product selections
- weekly cash generation and monitoring
- profitability performance against budget, latest estimates and previous year
- various working capital measures and control

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's long term performance and could cause actual results to differ materially from expected and historical results; these are:

- Challenging retail landscape
- Need to restructure certain divisions to deliver long term performance
- Currency- and financial instruments risk
- Cashflow- and liquidity risk

The challenging retail landscape as well as the need to restructure certain divisions, have been discussed in the business review. The Company is exposed to foreign exchange risk through its overseas sourcing; however, these are managed on a group wide basis. On an entity level the company is managing the currency risk by taking out derivative contracts to mitigate the risk. The increase in cash flow- and liquidity risks due to the impact of Covid-19 is manage by management at an entity- and group wide basis.

Brexit

Brexit is one of the most significant recent events to impact the UK economy and at the date of this report the effects of Brexit continue to be uncertain, with the consequences and impacts unknown. The company's management team continue to assess and review potential impacts, but with a predominantly UK customer base and outsourced manufacturing (mainly in Asia) we believe we are well placed to react to the unknowns that Brexit might bring. In conducting a going concern review some of the uncertainty that surrounds Brexit will not have been factored into our assessment of future prospects and performance as some of this risk is unknown.

By order of the board

F Yeomans

F Yeomans
Director

29 July 2020

Fir Street
Failsworth
Manchester
M35 0HS
England

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law UK Generally Accepted Accounting Practice, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Spectrum Brands (UK) Limited

Opinion

We have audited the financial statements of Spectrum Brands (UK) Limited ("the company") for the year ended 30 September 2019 which comprise the Profit and loss account and other comprehensive income, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent auditor's report to the members of Spectrum Brands (UK) Limited *(continued)*

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Christopher Martin

Christopher Martin (Senior Statutory Auditor)
for and behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
30 July 2020

Profit and loss account and other comprehensive income

for the year ended 30 September 2019

	Note	**Year ended 30 September 2019 £000**	Year ended 30 September 2018 £000
Turnover	*3*	**147,346**	202,036
Cost of sales		**(105,581)**	(136,222)
Gross profit		**41,765**	65,814
Sales and Distribution costs		**(23,578)**	(31,906)
Administrative expenses		**(7,909)**	(6,479)
Research and Development expenses		**(241)**	(1,610)
Operating profit	*4*	**10,037**	25,819
Income from shares in group undertakings		**-**	13,484
Other non-operating expense		**(31)**	-
Impairment of intangible assets	*10*	**(22,498)**	-
Profit on disposal of operations		**-**	59,254
(Loss)/profit before interest and taxation		**(12,492)**	98,557
Other interest receivable and similar income	*7*	**56**	6,101
Interest payable and similar expenses	*8*	**(1,086)**	(1,172)
(Loss)/profit before taxation		**(13,522)**	103,486
Tax on profit	*9*	**(2,145)**	(3,500)
(Loss)/ profit for the financial year		**(15,667)**	99,986
Other comprehensive income			
Remeasurement (loss)/gain recognised on defined benefit pension schemes		**(461)**	1,822
Movement on deferred tax relating to pension liability		**78**	(310)
Effect of unrecognised pension surplus		**(26)**	(2,416)
Deferred tax attributable to unrecognised surplus		**4**	411
Effective portion of changes in the fair value of hedging instruments		**910**	3,614
Income tax on other comprehensive income		**(155)**	(614)
Other comprehensive income for the year, net of income tax		**350**	2,507
Total comprehensive income for the year		**(15,317)**	102,493

The notes on pages 11 to 32 form part of these financial statements.

Balance sheet

At 30 September 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets					
Goodwill	*10*		**1,936**		24,812
Other intangibles	*10*		**2,758**		2,942
Tangible assets	*11*		**9,340**		9,096
			14,034		36,850
Current assets					
Stocks	*13*	**13,187**		10,394	
Debtors	*14*	**34,949**		21,504	
Cash at bank and in hand		**18,105**		18,388	
		66,241		50,286	
Creditors: amounts falling due within one year	*15*	**(60,707)**		(52,007)	
Net current assets/ (liabilities)			**5,534**		(1,721)
Total assets less current liabilities			**19,568**		35,129
Creditors: amounts falling due after more than one year	*16*		**(4,695)**		(5,184)
Provisions for liabilities and charges					
Other provisions	*18*		**(259)**		(14)
Net assets			**14,614**		29,931
Capital and reserves					
Called up equity share capital	*20*		**-**		-
Profit and loss account	*20*		**12,827**		28,899
Cash flow hedging reserve	*20*		**1,787**		1,032
Capital contributions	*20*		**-**		-
Shareholders' funds			**14,614**		29,931

These financial statements were approved by the board of directors on 29 July 2020 and were signed on its behalf by:

FJ Yeomans

F Yeomans
Director
Company Registered number 2394603

The notes on pages 11 to 32 form part of these financial statements.

Statement of changes in equity

	Share capital	Profit and loss account	Capital contributions	Cash flow hedging reserve	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2017	100,599	110,478	27,821	(1,968)	236,930
Total comprehensive income for the period					
Profit for the year	-	99,986	-	-	99,986
Other comprehensive loss	-	(493)	-	3,000	2,507
Total comprehensive income for the period	-	99,493	-	3,000	102,493
Total transactions with owners, recognised directly in equity					
Bonus issue	146,821	(119,000)	(27,821)	-	-
Capital reduction	(247,420)	247,420	-	-	-
Dividends	-	(309,492)	-	-	(309,492)
Total transactions with owners, recognised directly in equity	(100,599)	(181,072)	(27,821)	-	(309,492)
Balance at 30 September 2018	-	28,899	-	1,032	29,931

	Share capital	Profit and loss account	Capital contributions	Cash flow hedging reserve	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2018	-	**28,899**	-	**1,032**	**29,931**
Total comprehensive income for the period					
Loss for the year	-	**(15,667)**	-	-	**(15,667)**
Other comprehensive loss	-	(405)	-	755	350
Total comprehensive income for the period	-	(16,072)	-	755	(15,317)
Balance at 30 September 2019	-	**12,827**	-	**1,787**	**14,614**

The notes on pages 11 to 32 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Spectrum Brands (UK) Limited is a company domiciled in England & Wales, registration number 2394603. The registered office is Regent Mill, Fir Street, Failsworth, Manchester, United Kingdom, M35 0HS.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the United Kingdom and Republic or Ireland ('FRS 102'), and with the Companies Act 2006. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Spectrum Brands Holdings, Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Spectrum Brands Holdings, Inc. are prepared in accordance with US Generally Accepted Accounting Practice and are available to the public and may be obtained from Spectrum Brands, Inc., 3001 Deming Way, Middleton, Wisconsin 53562, United States of America. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Spectrum Brands Holdings, Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The Company has taken advantage of the exemption under the terms of FRS 102 not to disclose related party transactions with wholly owned subsidiaries within the group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

Going concern

As set out in the Directors' Report, the company's principal activity is the marketing and sale of its own range of branded consumer products which consists mainly of small electrical household and personal care appliances. At 30 September 2019, the company had net current assets of £5,534,000, and net assets of £14,614,000. The directors consider the going concern basis of preparation to be appropriate for the following reasons.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

The directors have made an assessment of going concern for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Spectrum Brands Holdings Inc., to meet its liabilities as they fall due for that period.

The assessment is dependent on Spectrum Brands Holdings Inc. not seeking repayment of the amounts currently due to the group, which at 30 September 2019 amounted to £7,999,000. Spectrum Brands Holdings Inc., has indicated its intention to continue to provide such support to the company as needed, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes *(continued)*

1 Accounting policies *(continued)*

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Other financial instruments

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Land, buildings and short leasehold improvements - 0-20% per annum, or life of lease
- Plant and motor vehicles - 10-50% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Brand names - 25 years

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 of FRS 102 *Impairment of assets* when there is an indication that goodwill or an intangible asset may be impaired.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets (continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Turnover

Turnover which excludes Value Added Tax, trade discounts and customer rebates, represents the invoiced value of goods and services provided in the normal course of business. It is recognised when the customer accepts the goods.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation (continued)

Deferred tax is provided on timing differences which 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2 Acquisitions of businesses

Acquisitions in the current period

On 25 January 2019, the Company acquired the trade and assets relating to the pet business from Armored Auto UK Limited for a consideration of £1,850,000. The company engages in the manufacture and sale of its own range of pet food and related products.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date	
Tangible fixed assets	**338**
Intangible assets	**586**
Stocks	**3,126**
Trade and other debtors	**8,307**
Cash	**-**
Trade and other creditors	**(11,994)**
Deferred tax asset	**9**
Net identifiable assets and liabilities	**372**
Consideration paid	**1,850**
Goodwill on acquisition	**1,478**

3 Turnover

	2019 £000	2018 £000
Sale of goods	**147,346**	202,036
By activity:		
Sale of branded consumer products		
	147,346	202,036
By geographical market:		
European	**139,087**	184,437
Non-European	**8,259**	17,599
	147,346	202,036

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit/loss are the following:	**2019** **£000**	2018 £000
Restructuring costs expensed as incurred – Included in administrative expenses	**-**	214
Research and development expenses as incurred	**333**	1,612

Auditor's remuneration:	**2019** **£000**	2018 £000
Audit of these financial statements	**110**	110

5 Staff numbers and cost

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees **2019**	2018
Production	**-**	189
Administration and marketing	**139**	164
Selling and distribution	**119**	178
Technical	**16**	24
	274	555

The aggregate payroll costs of these persons were as follows.

	2019 **£000**	2018 £000
Wages and salaries	**10,000**	19,007
Social security costs	**1,028**	1,796
Other pension costs	**638**	945
	11,666	21,748

6 Directors' remuneration

	2019 **£000**	2018 £000
Directors' remuneration	**510**	1,015
Amounts receivable under long term incentive schemes	**49**	499
Company contributions to money purchase pension schemes	**28**	33
	587	1,547

Notes *(continued)*

6 Directors' remuneration *(continued)*

	Number of directors 2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money Purchase scheme	**2**	3

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £402,000 *(2018:* £823,000*)*, and company pension contributions of £11,000 *(2018: £14,000)* were made to a money purchase scheme on his behalf.

7 Other interest receivable and similar income

	2019 £000	2018 £000
Other loan interest from group undertakings	**45**	6,019
Other interest receivable	**-**	82
Exchange gain	**11**	-
	56	6,101

8 Interest payable and similar expenses

	2019 £000	2018 £000
Other financial losses on pension scheme		19
Other loan interest to group undertakings	**193**	154
Interest charge on finance lease liabilities	**495**	558
Exchange loss	**398**	441
	1,086	1,172

9 Taxation

	2019 £000	**2019 £000**	2018 £000	2018 £000
UK Corporation Tax				
Current tax on income for the year	**2,025**		2,627	
Adjustment in respect of prior year	**(219)**		96	
Total current tax		**1,806**		2,723
Deferred tax (see note 18)				
Origination of timing differences	**259**		439	
Adjustments in respect of prior periods	**-**		(175)	
		259		264
Tax on profit		**2,065**		2,987

Notes *(continued)*

9 Taxation *(continued)*

	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax
Recognised in profit and loss account	**1,961**	**184**	**2,145**	3,337	163	3,500
Recognised in other comprehensive income	**(155)**	**75**	**(80)**	(614)	101	(513)
Total tax	**1,806**	**259**	**2,065**	2,723	264	2,987

Analysis of current tax recognised in profit and loss

	2019 £000	2018 £000
UK corporation tax	**1,961**	3,337
Total current tax recognised in profit and loss	**1,961**	3,337

Reconciliation of effective tax rate

	2019 £000	2018 £000
(Loss)/profit for the year	**(15,667)**	99,986
Total tax expense	**2,145**	3,500
Profit excluding taxation	**(13,522)**	103,486
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**(2,569)**	19,662
Reduction in tax rate on deferred tax balances		-
(Income)/expenses not deductible for tax purposes	**4,537**	(12,792)
Depreciation for period less than capital allowances	**(89)**	(80)
Group relief (received for nil payment)	**-**	(2,360)
Other timing differences	**183**	(793)
Patent box relief	**-**	(475)
Deferred tax on pension movement	**82**	338
Total tax expenses included in profit or loss	**2,145**	3,500

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 September 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on Spectrum Brands (UK) Limited's future tax charge.

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £000	Trademarks £000	Total £000
Cost			
At beginning of year	46,270	4,598	50,868
Intangibles acquired	586	-	586
Other additions	1,478	-	1,478
At end of year	48,334	4,598	52,932
Amortisation			
At beginning of year	21,458	1,656	23,114
Impairment	22,498	-	22,498
Charge for the year	2,442	184	2,626
At end of year	46,398	1,840	48,238
Net book value			
At 30 September 2019	**1,936**	**2,758**	**4,694**
At 30 September 2018	24,812	2,942	27,754

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised administrative expenses in the profit and loss account.

During the year the goodwill for Remington and Russell Hobbs were written off. The impairment was based on the global valuation that were performed on these brands.

Notes *(continued)*

11 Tangible fixed assets

	Land, buildings and short leasehold improvements £000	Plant and motor vehicles £000	Assets in course of construction £000	Total £000
Cost				
At beginning of year	13,637	9,275	65	22,977
Tangible fixed assets acquired	338	-	-	338
Other additions	125	698	4	827
Reclassifications	-	65	(65)	-
At end of year	14,100	10,038	4	24,142
Depreciation				
At beginning of year	(5,747)	(8,134)	-	(13,881)
Charge for the year	(483)	(438)	-	(921)
At end of year	(6,230)	(8,572)	-	(14,802)
Net book value				
At 30 September 2019	**7,870**	**1,466**	**4**	**9,340**
At 30 September 2018	7,890	1,141	65	9,096

Leased plant and machinery

At 30 September, 2019 the net carrying amount of tangible fixed assets leased under a finance lease was £5,414,000 *(2018: £5,659,000)*. The leased equipment secures lease obligations *(see note 18)*.

Land and Buildings

The net book value of land and buildings comprises:

	2019 £000	2018 £000
Freehold	**2,995**	**2,734**
Short leasehold	**4,875**	**5,156**
	7,870	7,890

12 Current asset investments and other financial assets

	2019 £000	2018 £000
Other financial assets		
Derivatives	**2,085**	1,252

Notes *(continued)*

13 Stocks

	2019 £000	2018 £000
Raw material and consumables	**30**	36
Finished goods and goods for resale	**13,157**	10,358
	13,187	10,394

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £101,419,000 *(2018: £116,998,000)*. The write-down of stocks to net realisable value amounted to £3,839,000 *(2018: £4,316,000)*. The reversal of write-downs amounted to £25,000 *(2018: £17,000)*. The write-down and reversal are included in cost of sales.

14 Debtors

	2019 £000	2018 £000
Trade debtors	**24,200**	17,074
Amounts owed by group undertakings	**3,508**	1,017
Other debtors	**3,236**	979
Other financial assets (see note 12)	**2,085**	1,252
Prepayments	**1,920**	1,182
	34,949	21,504
Due within one year	**33,243**	21,504
Due after more than one year	**1,706**	-
	34,949	21,504

Included within debtors due after more than one year in the current year, was a loan to a group company of £1,706,000, which attracted interest of 4,0% per annum. This will be settled on 15 October 2020.

15 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**25,248**	17,219
Obligations under finance leases (see note 17)	**489**	475
Amounts owed to group undertakings	**7,999**	8,892
Corporation tax payable	**1,664**	1,145
Accruals, deferred income and other creditors	**25,307**	24,276
	60,707	52,007

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Obligations under finance leases (see note 17)	**4,695**	5,184

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019 £000	2018 £000
Creditors falling due more than one year		
Finance lease liabilities	**4,695**	5,184
Creditors falling due within less than one year		
Finance lease liabilities	**489**	475

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Finance lease liabilities	**GBP**	**6.8%**	**2029**	**Monthly**	**5,184**	5,659

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2019 £000	Minimum lease payments 2018 £000
Less than one year	**489**	475
Between one and five years	**1,880**	1,911
More than five years	**2,815**	3,273
	5,184	5,659

Notes *(continued)*

18 Analysis of deferred tax

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Employee benefits	**-**	-	**-**	-	**-**	-
Difference between accumulated depreciation and capital allowances	**102**	181	**-**	-	**102**	181
Other short term timing differences	**9**	20	**(370)**	(215)	**(361)**	(195)
Tax assets/(liabilities)	**111**	201	**(370)**	(215)	**(259)**	(14)
Net of tax (liabilities)/assets	**(111)**	(201)	**111**	201	**-**	-
Net tax assets/(liabilities)	**-**	-	**((259)**	(14)	**((259)**	(14)

19 Employee benefits

Defined Benefit – ex Remington Consumer Products (Rayovac scheme)

A pension scheme providing benefits based on final pensionable pay was transferred into the company following the acquisition of Remington Consumer Products Limited on 29 March 2004. The scheme was closed to future accrual on 31 March 2011. No accounting entries have been made in the company's accounts relating to this scheme prior to the acquisition of Remington Consumer Products Limited.

Net pension asset

	2019
	£000
Defined benefit obligation	**(15,300)**
Plan assets	**17,237**
Net pension asset	**1,937**

The net pension asset has not been recognised as it is not deemed to be recoverable. The restriction is shown in other comprehensive income.

Movements in present value of defined benefit obligation

	£000
At 1 October 2018	**12,305**
Expenses	**19**
Interest expense	**355**
Remeasurement: actuarial losses	**2,785**
Benefits paid	**(201)**
Losses due to benefit changes	**37**
At 30 September 2019	**15,300**

Notes *(continued)*

19 Employee benefits *(continued)*

Movements in fair value of plan assets

	£000
At 1 October 2018	**14,367**
Interest income	**416**
Remeasurement: actuarial gains	**2,500**
Contributions by employer	**155**
Benefits paid	**(201)**
At 30 September 2019	**17,237**

Expense recognised in the profit and loss account

	2019 £000	2018 £000
Net interest on net defined benefit liability	-	-
Other expenses	**19**	-
Losses due to benefit changes	**37**	-
Total expense recognised in profit or loss	56	-

The fair value of the plan assets and the return on those assets were as follows:

	2019 Fair value £000	2018 Fair value £000
Equities	-	-
Corporate bonds	**4,766**	4,420
Other including cash	**12,471**	9,947
	17,237	14,367
Actual return on plan assets	**2500**	(105)

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2019 %	2018 %
Discount rate	**1.80**	2.90
Inflation (RPI)	**3.20**	3.40
Inflation (CPI)	**2.40**	2.60

The latest full actuarial valuation was carried out at (date 4 October 2019) was updated for FRS 102 Section 28 *Employee Benefits* purposes to 30 September 2019 by a qualified independent actuary.

In valuing the liabilities of the pension fund at 30 September 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.8 years (male), 23.6 years (female).
- Future retiree upon reaching 65: 22.7 years (male), 24.8 years (female).

Notes *(continued)*

19 Employee benefits *(continued)*

Pension scheme – ex Russell Hobbs (Salton scheme)

The Company also sponsors the Russell Hobbs Pension & Life Assurance Scheme which is a funded defined benefit arrangement, the scheme was closed to future accrual on 31 March 2011. This is the company's second pension scheme providing benefits based on final pensionable pay was transferred into the company following the acquisition of trade and assets of Russell Hobbs Limited on 4 January 2011. No accounting entries have been made in the company's accounts relating to this scheme prior to the acquisition of the trade and assets of Russell Hobbs Limited.

Net pension asset

	2019 £000
Defined benefit obligation	(40,504)
Plan assets	41,009
Net pension asset	505

The net pension asset has not been recognised as it is not deemed to be recoverable. The restriction is shown in other comprehensive income.

Movements in present value of defined benefit obligation

	£000
At 1 October 2018	35,902
Interest expense	969
Expenses	19
Remeasurement: actuarial losses	6,355
Benefits paid	(2,849)
Losses due to benefit changes	108
At 30 September 2019	40,504

Movements in fair value of plan assets

	£000
At 1 October 2018	36,256
Interest income	983
Remeasurement: actuarial gains	6,104
Contributions by employer	515
Benefits paid	(2,849)
At 30 September 2019	41,009

Notes *(continued)*

19 Employee benefits *(continued)*

Expense recognised in the profit and loss account

	2019 £000	2018 £000
Net interest cost	-	19
Expenses	19	-
Losses due to benefit changes	108	-
Total expense recognised in profit or loss	127	19

The fair value of the plan assets and the return on those assets were as follows:

	2019 Fair value £000	2018 Fair value £000
Corporate bonds	12,476	10,599
Other including cash	28,533	25,657
	41,009	36,256
Actual return on plan assets	6,104	(329)

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2019 %	2018 %
Discount rate	1.80	2.80
Inflation (RPI)	3.30	3.50
Inflation (CPI)	2.50	2.70
Rate of increase in pension payments and deferred pensions	2.50	2.40

The latest full actuarial valuation of this scheme was carried out by a qualified independent actuary as at (date: 4 October 2019) and updated for FRS 102 Section 28 *Employee Benefits* purposes to 30 September 2019 by a qualified independent actuary.

In valuing the liabilities of the pension fund at 30 September 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.0 years (male), 22.9 years (female).
- Future retiree upon reaching 65: 22.4 years (male), 24.5 years (female).

Defined Contribution

The Company operates two defined contribution pension schemes. The pension costs charged for the period represents contributions payable by the Company to the scheme and amounted to £638,000 *(2018: £945,000)*. There are no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

20 Capital and reserves

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 12 April 2018 the Company capitalised £119,000,000 of its retained earnings, and £27,821,000 of its capital contribution reserve by way of a bonus issue, creating £146,821,000 of additional share capital. Immediately following this transaction, the Company issued a special resolution to cancel and extinguish 247,419,861 of ordinary shares of £1 each, leaving £1 of remaining share capital. This amount was credited to retained earnings.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other comprehensive income

2019

	Capital contributions	**Cash flow hedging reserve**	**Profit and loss account**	**Total other comprehensive income**
	£000	**£000**	**£000**	**£000**
Effective portion of change in fair value of cash flow hedges	-	910	-	910
Remeasurements of the net defined benefit liability	-	-	(461)	(461)
Effect of unrecognised pension surplus	-	-	(26)	(26)
Income tax on other comprehensive income	-	(155)	82	(73)
Total other comprehensive income	-	755	(405)	350

2018

	Capital contributions	Cash flow hedging reserve	Profit and loss account	Total other comprehensive income
	£000	£000	£000	£000
Effective portion of change in fair value of cash flow hedges	-	3,614	-	3,614
Remeasurements of the net defined benefit liability	-	-	1,822	1,822
Effect of unrecognised pension surplus	-	-	(2,416)	(2,416)
Income tax on other comprehensive income	-	(614)	101	(513)
	-	3,000	(493)	2,507

Notes *(continued)*

21 Financial instruments

Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2019	2018
	£000	£000
Derivatives	**2,085**	1,252

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	£000	£000
Less than one year	**245**	13
Between one and five years	**253**	145
More than five years	**-**	-
	498	158

During the year £381,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £500,000).*

23 Post balance sheet events

In March 2020 the UK economy was impacted by Covid19 (Coronavirus) and subsequent lockdown circumstances. The virus is regarded as a pandemic that has in some way impacted all categories and the longer term impacts are unknown. During the lockdown period the 2 principal categories of the company, appliances and pet care, were not significantly impacted with turnover showing growth against prior year. Potential reduction in turnover and sensitivities have been factored into the Going Concern review and management do not believe there is any long term risk to the performance of the company.

Notes *(continued)*

24 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Spectrum Brands Appliances Holdings B.V, registered in the Netherlands.

The smallest and largest group in which the results of the company are consolidated is that headed by the ultimate parent undertaking Spectrum Brands Holdings Inc., incorporated in the United States of America.

Copies of the Spectrum Brands Holdings Inc. group accounts can be obtained from:

Spectrum Brands Inc.
3001 Deming Way
Middleton
Wisconsin 53562
USA