Spectrum Brands (UK) Limited

Strategic report, Directors' report and financial statements

Registered number 2394603

Year ended 30 September 2018

Directors

T Wright
C Berry
B Goodman

Secretary

B Goodman

Auditors

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

Registered Office

Regent Mill
Fir Street
Failsworth
Manchester
M35 0HS

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 30 September 2018.

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.

The Pet and Batteries businesses have been disposed of in the year and have been classified as discontinued operations in the Profit and Loss account and Other Comprehensive Income. For more details, refer to note 2 on page 17.

Employee relations

During the period under review, the Company employed an average of 555 employees *(2017: 582)*. 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 no minor reportable incidents *(2017: none)*.

Going concern

The Company meets its day to day working capital requirements through cash generation from operations and a revolving intercompany loan arrangement with Spectrum Brands Europe GmbH that provides flexible intercompany financing and expects to operate within the arrangements that are currently in place. In addition, the Directors consider the Company to be in a strong position to build on the performance of 2018 and having prepared forecasts considering reasonable downside sensitivities have continued to adopt the going concern basis in preparing their annual report and accounts.

Directors and directors' interests

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

A Krueger	(resigned on 10 April 2018)
G Rutherford	(resigned on 2 January 2019)
M Schiller	(resigned on 10 April 2018)
T Wright	
C Berry	
B Goodman	(appointed on 2 January 2019)

Political and charitable contributions

During the period, the Company donated £175 *(2017: £300)* for charitable purposes.

Dividends

Dividends totalling £309,492,000 *(2017: £nil)* were paid during the year.

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

During the year, the Company disposed of the trade and assets relating to its Pet business to Armored Auto UK Limited, a wholly owned member of the group. As part of a wider group restructuring post year-end which included the sale of Armored Auto UK Limited outside of the group, on 25 January 2019, the Company acquired the trade and assets relating to the Pet business back from Armored Auto UK Limited 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.

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

C. Berry

C Berry
Director

28 June 2019

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 best retailer 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') had engaged in a process to divest of its Global Batteries and Appliances businesses. Pursuant to this plan, the Group has continued with the sale of the Global Battery Division to Energizer Holdings Inc. but, made the decision to take the Appliance Division off the market.

In preparation for the sale of these two Divisions, Spectrum Brands (UK) Ltd was subject to a legal restructuring plan which has had a dramatic impact on the results and position presented in these financial statements.

In summary, the Battery Division was transferred to a newly incorporated and wholly owned separate legal entity, Rayovac Europe Limited, on the 29 July 2018. In readiness for the anticipated sale of the Appliance Division, the Pet Division was also transferred into a separate legal entity, Armored Auto UK Limited, at the same time. Following this, the results of these two divisions have now been reported as Discontinued in these Accounts. The remaining trade in the Company at 30 September 2018 was therefore wholly related to the Appliances business, with the first 10 months results also including Pet and Battery trade.

It should be noted that, following the reversal of the decision to sell Appliances, the Pet Division was transferred back into Spectrum Brands (UK) Limited on 28 January 2019.

Following the legal restructuring, the Company reported a very strong profit before tax ('PBT') of £103.5m for the year (2017: £35.7m)

However, this included a profit of £59.3m on the disposal of the Battery Division and also exceptional dividend income of £13.5m

Operating Profit for the Continuing Operations was £12.1m (2017: £14.9m), which was down on the prior year.

Net sales for Continuing Operations of £120.0m were strong given the challenging economic and market conditions and these represented a 5% increase over 2017. 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:

	2018	2017
Turnover (£000)	**202,036**	215,186
Gross Profit (%)	**32.6%**	33.6%
Profit before taxation (£000)	**103,486**	35,746
Net current (liabilities)/assets (£000)	**(1,721)**	111,434
Shareholders' Funds (£000)	**29,931**	236,930
Average number of employees	**555**	582

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 risk

These 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.

Brexit

The UK Government have set out its intention to leave the single market in October 2019. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, uncertainties remain and make it difficult to forecast future years without knowing the terms of the exit. However, work is underway to consider the ongoing implications of Brexit and preparing mitigation plans. As the situation becomes clearer more detailed plans will be prepared but we are confident we have sufficient flexibility to manage the business through any worsening of the economic climate.

Future developments

During the year, the Company disposed of the trade and assets relating to its Pet business to Armored Auto UK Limited, a wholly owned member of the group. As part of a wider group restructuring post year-end which included the sale of Armored Auto UK Limited outside of the group, on 25 January 2019, the Company acquired the trade and assets relating to the Pet business back from Armored Auto UK Limited 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.

By order of the board

C. Berry

C Berry
Director

28 June 2019

Fir Street
Failsworth
Manchester
M35 0HS
England

Statement of directors' responsibilities in respect of the strategic report and 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.

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, 2018 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 2018 and of its profit 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of assets and liabilities, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

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.

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

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.

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; or

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.

Will Baker (Senior Statutory Auditor)
for and behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE 28 June 2019

Profit and loss account and other comprehensive income

for the year ended 30 September 2018

	Note	Continued £000	Discontinued £000	Total £000	Continued £000 As restated	Discontinued £000 As restated	Total £000
Turnover	3	**120,041**	**81,995**	**202,036**	113,807	101,379	215,186
Cost of sales		**(85,908)**	**(50,314)**	**(136,222)**	(80,437)	(62,453)	(142,890)
Gross profit		**34,133**	**31,681**	**65,814**	33,370	38,926	72,296
Sales and Distribution costs		**(14,909)**	**(16,997)**	**(31,906)**	(14,008)	(21,076)	(35,084)
Administrative expenses		**(6,185)**	**(294)**	**(6,479)**	(4,017)	(550)	(4,567)
Research and Development expenses		**(905)**	**(705)**	**(1,610)**	(447)	(824)	(1,271)
Operating profit	4	**12,134**	**13,685**	**25,819**	14,898	16,476	31,374
Income from shares in group undertakings		**13,484**	**-**	**13,484**	-	-	-
Profit on disposal of operations	2	**-**	**59,254**	**59,254**	-	-	-
Profit before interest and taxation		**25,618**	**72,939**	**98,557**	14,898	16,476	31,374
Other interest receivable and similar income	7	**6,088**	**13**	**6,101**	5,421	107	5,528
Interest payable and similar expenses	8	**(1,063)**	**(109)**	**(1,172)**	(1,156)	-	(1,156)
Profit before taxation		**30,643**	**72,843**	**103,486**	16,463	19,283	35,746
Tax on profit	9	**(2,681)**	**(819)**	**(3,500)**	(1,629)	(988)	(2,617)
Profit for the financial year		**27,143**	**72,843**	**99,986**	17,534	15,595	33,129
Other comprehensive income							
Remeasurement gain recognised on defined benefit pension schemes				**1,822**			2,810
Movement on deferred tax relating to pension liability				**(310)**			(478)
Effect of unrecognised pension surplus				**(2,416)**			(154)
Deferred tax attributable to unrecognised surplus				**411**			26
Effective portion of changes in the fair value of hedging instruments				**3,614**			(6,043)
Income tax on other comprehensive income				**(614)**			1,027
Other comprehensive income for the year, net of income tax				**2,507**			(2,812)
Total comprehensive income for the year				**102,493**			30,317

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

Balance sheet

At 30 September 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets					
Goodwill	*10*		**24,812**		29,300
Other intangibles	*10*		**2,942**		3,126
Tangible assets	*11*		**9,096**		25,539
Investments	*12*		**-**		76,578
			36,850		134,543
Current assets					
Stocks	*14*	**10,394**		19,857	
Debtors (including £nil *(2017: £107,327,000)* due after more than one year)	*15*	**21,504**		155,069	
Cash at bank and in hand		**18,388**		14,798	
		50,286		189,724	
Creditors: amounts falling due within one year	*16*	**(52,007)**		(78,290)	
Net current (liabilities)/assets			**(1,721)**		111,434
Total assets less current liabilities			**35,129**		245,977
Creditors: amounts falling due after more than one year	*17*		**(5,184)**		(7,650)
Provisions for liabilities and charges					
Other provisions	*20*		**(14)**		-
Pensions and similar obligations	*21*		**-**		(1,397)
Net assets			**29,931**		236,930
Capital and reserves					
Called up equity share capital	*22*		**-**		100,599
Profit and loss account	*22*		**28,899**		110,478
Cash flow hedging reserve	*22*		**1,032**		(1,968)
Capital contributions	*22*		**-**		27,821
Shareholders' funds			**29,931**		236,930

These financial statements were approved by the board of directors on 28 June 2019 and were signed on its behalf by:

C Berry
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 2016	100,599	74,521	27,821	3,672	206,613
Total comprehensive income for the period					
Profit for the year	-	33,129	-	-	33,129
Other comprehensive loss	-	2,204	-	(5,016)	(2,812)
Reclassification	-	624	-	(624)	-
Total comprehensive income for the period	-	35,957	-	(5,640)	30,317
Balance at 30 September 2017	**100,599**	**110,478**	**27,821**	**(1,968)**	**236,930**

	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**

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 were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. 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

In undertaking a going concern review, the directors have made enquiries of the directors of the ultimate parent company and reviewed financial and other relevant information of the Company including budgets and cash flow forecasts for a period of at least 12 months from the date of signing these financial statements. The ultimate parent company, Spectrum Brands Holdings, Inc. has indicated its intention to provide financial support as necessary for the Company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Having included reasonable downside sensitivities in their forecasts, the directors have concluded that they have no reason to believe that uncertainties exist that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Discontinued operations

Discontinued operations are components of the company that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

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 Disposals of businesses in the current period

Discontinued operation

The Pet and Batteries businesses have been disposed of in the year and have been classified as discontinued operations in the Profit and Loss account.

On 29 July 2018, the Company disposed of the trade and assets relating to the pet business to Armored Auto UK Limited, a wholly owned member of the group for a consideration of £1,314,000, which was equal to the book value of the Pet business at the date of disposal.

On the same date, the Company disposed of the trade and assets relating to the Battery business to Rayovac Europe Limited, a wholly owned member of the group for a consideration of £110,329,000, which was equal to the market value of the business at the date of the transaction. This resulted in a profit on disposal of £59,254,000.

3 Turnover

	2018 **£000**	2017 £000
Sale of goods	**202,036**	215,186
	202,036	215,186
By activity:		
Sale of branded consumer products	**202,036**	215,186
	202,036	215,186
By geographical market:		
European	**184,437**	198,175
Non-European	**17,599**	17,011
	202,036	215,186

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit/loss are the following:	**2018**	2017
	£000	£000
Restructuring costs expensed as incurred – Included in administrative expenses	**214**	260
Research and development expenses as incurred	**1,612**	1,271

Auditor's remuneration:	**2018**	2017
	£000	£000
Audit of these financial statements	**110**	114

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	
	2018	2017
Production	**189**	227
Administration and marketing	**164**	134
Selling and distribution	**178**	176
Technical	**24**	45
	555	582

The aggregate payroll costs of these persons were as follows.

	2018	2017
	£000	£000
Wages and salaries	**19,007**	20,248
Social security costs	**1,796**	1,999
Other pension costs	**945**	1,116
	21,748	23,363

6 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	**1,015**	790
Amounts receivable under long term incentive schemes	**499**	438
Company contributions to money purchase pension schemes	**33**	36
	1,547	1,264

Notes *(continued)*

6 Directors' remuneration *(continued)*

	Number of directors 2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money Purchase scheme	**3**	3

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £823,000 *(2017: £591,400)*, and company pension contributions of £14,000 *(2017: £13,000)* were made to a money purchase scheme on his behalf.

7 Other interest receivable and similar income

	2018 £000	2017 £000
Other loan interest from group undertakings	**6,019**	5,273
Other interest receivable	**82**	-
Exchange gain	**-**	255
	6,101	5,528

8 Interest payable and similar expenses

	2018 £000	2017 £000
Bank loans and overdrafts	**-**	48
Other financial losses on pension scheme	**19**	171
Other loan interest to group undertakings	**154**	323
Interest charge on finance lease liabilities	**558**	614
Exchange loss	**441**	-
	1,172	1,156

9 Taxation

	2018 £000	2018 £000	2017 £000	2017 £000
UK Corporation Tax				
Current tax on income for the year	**2,627**		4,227	
Adjustment in respect of prior year	**96**		(1,070)	
Total current tax		**2,723**		3,157
Deferred tax (see note 20)				
Origination of timing differences	**439**		(144)	
Adjustments in respect of prior periods	**(175)**		179	
		264		35
Tax on profit		**2,987**		3,192

Notes *(continued)*

9 Taxation *(continued)*

	2018			2017		
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	**3,337**	**163**	**3,500**	2,130	487	2,617
Recognised in other comprehensive income	**(614)**	**101**	**(513)**	1,027	(452)	575
Total tax	**2,723**	**264**	**2,987**	3,157	35	3,192

Analysis of current tax recognised in profit and loss

	2018	2017
	£000	£000
UK corporation tax	**3,337**	2,130
Total current tax recognised in profit and loss	**3,337**	2,130

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Profit for the year	**99,986**	33,129
Total tax expense	**3,500**	2,617
Profit excluding taxation	**103,486**	35,746
Tax using the UK corporation tax rate of 19% *(2017: 19.5%)*	**19,662**	6,970
Reduction in tax rate on deferred tax balances	**-**	-
(Income)/expenses not deductible for tax purposes	**(12,792)**	494
Depreciation for period less than capital allowances	**(80)**	(204)
Group relief (received for nil payment)	**(2,360)**	(3,035)
Other timing differences	**(793)**	(521)
Patent box relief	**(475)**	(458)
R&D relief	**-**	(46)
Over provided in prior years	**-**	(891)
Deferred tax on pension movement	**338**	308
Total tax expenses included in profit or loss	**3,500**	2,617

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2018 has been calculated based on these rates.

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £000	Trademarks £000	Total £000
Cost			
At beginning of year	55,657	4,598	60,255
Disposals	(9,387)	-	(9,387)
At end of year	46,270	4,598	50,868
Amortisation			
At beginning of year	26,357	1,472	27,829
Disposals	(7,461)	-	(7,461)
Charge for the year	2,562	184	2,746
At end of year	21,458	1,656	23,114
Net book value			
At 30 September 2018	**24,812**	**2,942**	**27,754**
At 30 September 2017	29,300	3,126	32,426

Amortisation and impairment charge

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

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	16,546	24,639	5,172	46,357
Additions	71	1,397	1,155	2,623
Disposals	(3,405)	(19,859)	(2,739)	(26,003)
Reclassifications	425	3,098	(3,523)	-
At end of year	13,637	9,275	65	22,977
Depreciation				
At beginning of year	6,042	14,776	-	20,818
Charge for the year	600	1,913	-	2,513
Disposals	(950)	(8,500)	-	(9,450)
Reclassifications	55	(55)	-	-
At end of year	5,747	8,134	-	13,881
Net book value				
At 30 September 2018	**7,890**	**1,141**	**65**	**9,096**
At 30 September 2017	10,504	9,863	5,172	25,539

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Leased plant and machinery

At 30 September, 2018 the net carrying amount of tangible fixed assets leased under a finance lease was £5,659,000 *(2017: £7,932,000)*. The leased equipment secures lease obligations *(see note 19)*.

Land and Buildings

The net book value of land and buildings comprises:

	2018	2017
	£000	£000
Freehold	**2,734**	2,668
Short leasehold	**5,156**	7,836
	7,890	10,504

12 Fixed asset investment

	Investments in Group undertakings £000
Cost	
At beginning and end of the year	76,578
Return of investment	(76,578)
Net book value	
At 30 September 2018	**-**
At 30 September 2017	76,578

On 23 April 2018, Rayovac UK Limited, a wholly owned subsidiary of the Company declared a dividend comprising its intercompany receivable due from Spectrum Brands (UK) Holdings Limited, the parent of the Company. As a result of this dividend, the net assets of Rayovac UK Limited were reduced to £1 and accordingly, the investment value presented above has been reduced. The total dividend of £85,276,000 has initially been offset against the value of the investment above, with the remaining £8,698,000 being presented as income from shares in group undertakings in the income statement. The dividend passed through the books of the Company and an equal dividend is included within the total dividends in the statement of changes in equity.

Notes *(continued)*

12 Fixed asset investment *(continued)*

The Company has the following investments in subsidiaries:

	Aggregate of capital and reserves	Profit or loss for the year	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
	€000	€000			%	%
Spectrum Brands Appliances (Ireland) Limited	737	442	Ireland	Ordinary	100	100

	Address	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
Varta Limited	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
Remington Consumer Products	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
Tetra (UK) Limited	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
Russell Hobbs Holdings Limited	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
DH Haden Limited	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
Russell Hobbs Limited	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
Rayovac (UK) Limited	Fir Street, Manchester, M35 0HS	United Kingdom	Ordinary	0	100
Salton Italia Srl	VIA ENRICO CERNUSCHI, 4, 20129, MILANO, Milano	Italy	Indirect	0	100

13 Current asset investments and other financial assets

	2018 £000	2017 £000
Other financial assets		
Derivatives	**1,252**	-
	1,252	-

14 Stocks

	2018 £000	2017 £000
Raw material and consumables	**36**	2,162
Work in progress	**-**	1,062
Finished goods and goods for resale	**10,358**	16,633
	10,394	19,857

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £116,998,000 *(2017: £125,085,000)*. The write-down of stocks to net realisable value amounted to £4,316,000 *(2017: £3,700,000)*. The reversal of write-downs amounted to £17,000 *(2017: £340,000)*. The write-down and reversal are included in cost of sales.

Notes *(continued)*

15 Debtors

	2018 £000	2017 £000
Trade debtors	**17,074**	24,325
Amounts owed by group undertakings	**1,017**	126,816
Deferred tax asset (see note 20)	**-**	222
Other debtors	**979**	1,104
Other financial assets (see note 13)	**1,252**	-
Prepayments	**1,182**	2,602
	21,504	155,069
Due within one year	**21,504**	47,742
Due after more than one year	**-**	107,327
	21,504	155,069

Included within debtors due after more than one year in the prior year, was a loan to a group company of £107,105,000, which attracted interest of 5.5% per annum. This was settled via the payment of a dividend in the year.

16 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**17,219**	19,744
Obligations under finance leases (see note 19)	**475**	537
Amounts owed to group undertakings	**8,892**	16,482
Other financial liabilities (see note 18)	**-**	2,116
Corporation tax payable	**1,145**	32
Accruals, deferred income and other creditors	**24,276**	39,379
	52,007	78,290

17 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Obligations under finance leases (see note 19)	**5,184**	7,395
Other financial liabilities (see note 18)	**-**	255
	5,184	7,650

Notes *(continued)*

18 Other financial liabilities

	2018 £000	2017 £000
Other financial liabilities		
Derivatives due within one year	-	2,116
Derivatives due after more than one year	-	255
	-	2,371

19 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.

	2018 £000	2017 £000
Creditors falling due more than one year		
Finance lease liabilities	**5,184**	7,395
	5,184	7,395
Creditors falling due within less than one year		
Finance lease liabilities	**475**	537
Loan from group company	-	10,134
	475	10,671

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2018 £000	2017 £000
Finance lease liabilities	GBP	6.8%	2029	Monthly	**5,659**	7,932
Loan from group company	GBP	3.1%	Not earlier than 2017	N/A	-	10,134
					5,659	18,066

Finance lease liabilities
Finance lease liabilities are payable as follows:

	Minimum lease payments 2018 £000	Minimum lease payments 2017 £000
Less than one year	**475**	537
Between one and five years	**1,911**	2,324
More than five years	**3,273**	5,071
	5,659	7,932

Notes *(continued)*

20 Analysis of deferred tax

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Employee benefits	**-**	237	**-**	-	**-**	237
Difference between accumulated depreciation and capital allowances	**181**	-	**-**	(430)	**181**	(430)
Other short term timing differences	**20**	415	**(215)**	-	**(195)**	415
Tax assets/(liabilities)	**201**	652	**(215)**	(430)	**(14)**	222
Net of tax (liabilities)/assets	**(201)**	(430)	**201**	430	**-**	-
Net tax assets/(liabilities)	**-**	222	**(14)**	-	**(14)**	222

The amount of the net reversal of deferred tax expected to occur next year is £18,000 *(2017: £353,000)*, relating to the reversal of existing timing differences on fixed assets and other short term timing differences.

21 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

	2018
	£000
Defined benefit obligation	**(12,305)**
Plan assets	**14,367**
Net pension asset	**2,062**

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 2017	**13,821**
Interest expense	**366**
Remeasurement: actuarial gains	**(1,340)**
Benefits paid	**(542)**
At 30 September 2018	**12,305**

Notes *(continued)*

21 Employee benefits *(continued)*

Movements in fair value of plan assets

	£000
At 1 October 2017	**13,975**
Interest income	**379**
Remeasurement: actuarial losses	**(105)**
Contributions by employer	**660**
Benefits paid	**(542)**
At 30 September 2018	**14,367**

Expense recognised in the profit and loss account

	2018 £000	2017 £000
Net interest on net defined benefit liability	-	44
Other expenses	-	27
Losses on settlements	-	44
Total expense recognised in profit or loss	-	115

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

	2018 Fair value £000	2017 Fair value £000
Equities	-	-
Corporate bonds	**4,420**	3,974
Other including cash	**9,947**	10,001
	14,367	13,975
Actual return on plan assets	**(105)**	(689)

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

	2018 %	2017 %
Discount rate	**2.90**	2.70
Inflation (RPI)	**3.40**	3.40
Inflation (CPI)	**2.60**	2.60

The latest full actuarial valuation was carried out at 5 April 2018 and was updated for FRS 102 Section 28 *Employee Benefits* purposes to 30 September 2018 by a qualified independent actuary.

In valuing the liabilities of the pension fund at 30 September 2018, 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: 21.9 years (male), 23.8 years (female).
- Future retiree upon reaching 65: 22.9 years (male), 25.0 years (female).

Notes *(continued)*

21 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

	2018 £000
Defined benefit obligation	(35,902)
Plan assets	36,256
Net pension asset	354

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 2017	37,203
Interest expense	948
Remeasurement: actuarial gains	(749)
Benefits paid	(1,500)
At 30 September 2018	35,902

Movements in fair value of plan assets

	£000
At 1 October 2017	35,806
Interest income	929
Remeasurement: actuarial losses	(329)
Contributions by employer	1,350
Benefits paid	(1,500)
At 30 September 2018	36,256

Notes *(continued)*

21 Employee benefits *(continued)*

Expense recognised in the profit and loss account

	2018 **£000**	2017 £000
Net interest cost	**19**	83
Total expense recognised in profit or loss	**19**	83

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

	2018 **Fair value** **£000**	2017 Fair value £000
Corporate bonds	**10,599**	10,331
Other including cash	**25,657**	25,475
	36,256	35,806
Actual return on plan assets	**(329)**	(1,852)

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

	2018 **%**	2017 %
Discount rate	**2.80**	2.60
Inflation (RPI)	**3.50**	3.50
Inflation (CPI)	**2.70**	2.70
Rate of increase in pension payments and deferred pensions	**2.40**	2.40

The latest full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2017 and updated for FRS 102 Section 28 *Employee Benefits* purposes to 30 September 2018 by a qualified independent actuary.

In valuing the liabilities of the pension fund at 30 September 2018, 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: 21.2 years (male), 23.1 years (female).
- Future retiree upon reaching 65: 22.6 years (male), 24.7 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 £980,000 *(2017: £1,112,000)*. There are no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

22 Capital and reserves

	2018 £000	2017 £000
Allotted, called up and fully paid		
1 *(2017: 100,599,000)* Ordinary share of £1 each	-	100,599
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	-	100,599
	-	100,599

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.

Dividends

During the year dividends of £309,492,000 *(2017: £nil)* were paid to Spectrum Brands (UK) Holdings Limited.

Other comprehensive income

2018

	Capital contributions £000	**Cash flow hedging reserve £000**	**Profit and loss account £000**	**Total other comprehensive income £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)
Total other comprehensive income	-	3,000	(493)	2,507

2017

	Capital contributions £000	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
Effective portion of change in fair value of cash flow hedges	-	(6,043)	-	(6,043)
Remeasurements of the net defined benefit liability	-	-	2,810	2,810
Effect of unrecognised pension surplus	-	-	(154)	(154)
Income tax on other comprehensive income	-	1,027	(452)	575
Total other comprehensive income	-	(5,016)	2,204	(2,812)

Notes *(continued)*

23 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:

	2018	2017
	£000	£000
Derivatives	**1,252**	(2,371)
	1,252	(2,371)

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£000	£000
Less than one year	**13**	590
Between one and five years	**145**	806
More than five years	**-**	-
	158	1,396

During the year £500,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £571,000)*.

25 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £nil *(2017: £670,000)*.

Notes *(continued)*

26 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

27 Post balance sheet events

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, which was equal to the net assets of the pet business at the date of acquisition. The company engages in the manufacture and sale of its own range of pet food and related products.