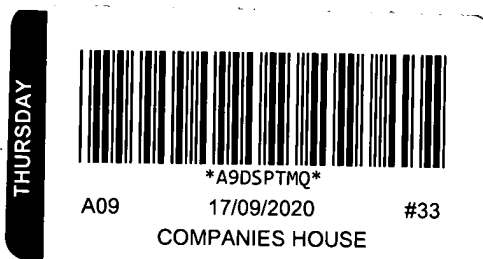


Registered number: 09490724

Duracell UK Limited

Strategic report, Directors' report and financial statements

For the year ended December 31, 2019



Duracell UK Limited

Company Information

Directors	R A Velutini (resigned 23 April 2020) Edward Charles Ryder (appointed 23 April 2020) Daniel Edward Haskins (appointed 23 April 2020) A Piaras
Registered number	09490724
Registered office	Spencer House (Third Floor) 23 Sheen Road Richmond Surrey TW9 1BN
Independent auditor	KPMG LLP
Banker	HSBC 62-76 Park Street London

Duracell UK Limited

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Duracell UK Limited

Strategic report
For the year ended December 31, 2019

Business review

The Duracell brand was first launched by Duracell Inc. in the United States in 1964 and is now available in approximately 200 countries and territories throughout the world, including the United Kingdom since 1965. Duracell is the world's leading brand of high-performance alkaline batteries.

Duracell UK Limited focuses on the distribution and commercialisation of a broad range of portable battery products including general purpose batteries (AA, AAA, C, D, 9V), rechargeable batteries, coin/button batteries, lithium batteries and chargers. Its products are in wide distribution across all channels.

Duracell UK Limited was incorporated on March 14, 2015 as a dormant entity under the ownership of The Procter & Gamble company and particularly Procter & Gamble International SARL. It remained dormant until February 29, 2016 when ownership transitioned from The Procter & Gamble company to Berkshire Hathaway Inc. and started its operations. Its direct shareholding ownership moved from Procter & Gamble International SARL to Duracell U.S. Holding LLC, who remains the 100% owner of its ordinary shares.

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

	2019	2018
Turnover	£107,864,634	£99,482,075
Profit before tax	£13,087,476	£9,193,782
Working capital % of turnover (excluding cash)	7.9%	10.9%

Turnover for the 12-month period of operating was £107,864,634 (2018: £99,482,075), £8,382,559 higher than the 12-month period of operating in 2018. Continued collaboration with our wholesalers allowed us to grow our volume base in the lower end of the trade, while de-escalation of promotional spend also drove turnover upwards. Profit before tax was £13,087,476 (2018: £9,193,782), £3,893,694 higher than the 12-month period of operating in 2018. Profit was again driven by revenue and cost savings drivers, with operating margin improving by 278bps. Focus on growing revenue per unit resulted in growing value sales ahead of volume sales for the fourth year, in line with Duracell's category value creation strategy. Cost savings and overhead efficiencies also contributed to profit growth. The after-tax profit for the year was £10,552,546 (2018: £7,410,179). Working Capital as % of turnover (excluding cash) is 7.9% (2018: 10.9%), 3% lower, because of lower trade debtor balances at the end of 2019 (caused by phasing on December orders in the wholesalers). Working Capital ratio remains unchanged to 1.4 (2018: 1.4), providing sufficient liquidity coverage.

The brand continues to demonstrate its commitment to develop and create more value in the battery category for consumers and customers behind its renewed focus, investment in innovation and marketing activities. Product upgrades in the alkaline and speciality platforms, and the launch of mobile Powerbanks continue to drive consumer and category value ahead of volume.

We remain confident on the health of the company, the market, the strength of the brand, its customer and consumer acceptance. While the macro-economic conditions have created consumer uncertainty and pressure on household income, Duracell is well positioned to respond to the diverse customer and consumer needs behind its strengthened innovation program, strategic partnerships, product portfolio of different price and product tiers.

Duracell UK Limited

**Strategic report
For the year ended December 31, 2019**

Principal risks and uncertainties

Socio-economic environment. A UK recession commencing H2 2020 is an economic certainty. What is unclear is the length and depth of the recession and the consequent impact this on Duracell UK Ltd's business. The business is studying the impact of past recessions to estimate the impact on trade and will look to mitigate plans for any lost operating income. In addition, this further political and economic uncertainty is driven by the completion of Brexit on 31 December 2020. This could adversely impact our business in the short term. The two biggest risks are: a) foreign exchange volatility with potentially further Sterling devaluation; b) further pressure on consumer disposable income. This could drive changes in the choice of brands and retailers consumers choose. Duracell is preparing for multiple scenarios, on both inbound goods and reduced sales to ensure our customers and our consumers continue to enjoy the benefits of Duracell batteries without noticeable interruptions.

Market price risk. While our revenue and reporting currency is Pound Sterling, we source products and certain services outside the UK in different currencies. This drives exposure to fluctuations in foreign currency, notably costs denominated in Euro. Generally, a relatively weaker Pound adversely impacts profitability and margins, as the cost of imported goods and services increases. We currently manage this transaction risk by localizing, where possible, foreign currency denominated costs, while deploying annual simplification and cost saving initiatives to absorb cost increases and support margin growth.

Environmental regulations. We are subject to numerous laws, regulations and policies covering environmental aspects related to battery recycling. Recycling obligations present a significant cost to the Company therefore any changes in the compliance requirements or rates can have an adverse impact on our cost of goods. We actively participate in governing bodies and work closely with our Recycling Scheme with the aim to improve the effectiveness of battery collection and drive higher recycling rates. We are fully committed in helping the industry achieve its recycling targets and make it a focus area for continuous improvement.

This report was approved by the board on June 26, 2020 and signed on its behalf.

Edward Ryder 6/26/2020

Edward Charles Ryder
Finance Director

Apostolos Piaras 6/26/2020

Apostolos Piaras
Managing Director

Duracell UK Limited

Directors' report
For the year ended December 31, 2019

The directors present their report and the financial statements for the year ended December 31, 2019.

Principal activity

The Company operates in the UK and Ireland with the principal activity of distribution and sales of consumer portable batteries, in the general purpose, rechargeable, speciality and mobile Powerbank product segments. Its core distribution channels comprise traditional grocers, battery wholesalers, discounters and speciality stores. General purpose alkaline batteries represent the majority of the Company's sales, through its three product tiers of Ultra Power, Plus Power and Simply by Duracell.

Results and dividends

The profit for the year, after taxation, amounted to £10,552,546 (2018: £7,410,179). The dividend distributed in 2019 was £12,576,403 (2018: £6,457,288) and no dividend is payable as at December 31, 2019 (2018: £nil).

Directors

The directors who served during the year were:

R A Velutini
A Piaras

Going concern

Having considered future cash flows and availability of funding, the directors are confident that the Company has sufficient resources to meet its liabilities as they fall due for the foreseeable future and therefore has adopted the going concern basis in the preparation of the financial statements.

Future developments

The Company intends to continue operating in the areas of distribution and sales of consumer portable batteries, in the alkaline, rechargeable, speciality, mobile Powerbanks and Home Energy Storage battery segments. Organic growth through its current grocery, wholesale, discounter and speciality channels remains priority, while also opening new customer and distribution opportunities. The general purpose alkaline business will remain the core, while reinstated focus on the speciality products and expansion to mobile Powerbanks is expected to strengthen adjacent segments within existing and new customers.

Post balance sheet events

The COVID-19 global pandemic has seen unprecedented disruption to the retail landscape and the UK economy will experience a significant downturn caused by the lockdown and social distancing measures introduced to limit the spread of the disease.

Duracell UK Limited has been in the fortunate position to be resilient to the initial impacts of the lockdown, with listings retained in the key channels which operated throughout the period; grocery, pharmacy and e-commerce. Indeed, in most grocery stores, general use batteries were defined as an essential product and prioritised over other general merchandise. With travel severely restricted, home battery-powered device usage has increased during lockdown leading to improved sales as our products are relevant and necessary to power consumers' daily lives.

Despite these significant challenges the Directors remains confident in the ability of Duracell UK Limited to deliver against its objectives.

Duracell UK Limited

Directors' report
For the year ended December 31, 2019

Disclosure of information to the Company's auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on June 26, 2020 and signed on its behalf.

Edward Charles Ryder
Finance Director

Edward Ryder

6/26/2020

Apostolos Piaras
Managing Director

Apostolos Piaras

6/26/2020

Duracell UK Limited
Spencer House (Third Floor)
23 Sheen Road
Richmond, Surrey, TW9 1BN
United Kingdom
June 26, 2020
Company Registration number 09490724

Duracell UK Limited

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 101 Reduced Disclosure Framework.

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.



Independent auditor's report to the members of Duracell UK Limited

Opinion

We have audited the financial statements of Duracell UK Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

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.

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.



Natalia Bottomley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
London

Date: June 26, 2020

Duracell UK Limited

Statement of Comprehensive income

For the year ended December 31, 2019

	Note	2019 £	2018 £
Turnover	2	107,864,634	99,482,075
Cost of sales		(53,570,738)	(52,504,209)
Gross profit		54,293,896	46,977,866
Marketing expenses		(10,204,434)	(10,773,486)
Administrative expenses		(31,530,583)	(27,187,982)
Other operating (expenses) / income	3	528,597	177,384
Operating profit		13,087,476	9,193,782
Tax on profit	6	(2,534,930)	(1,783,603)
Profit for the year		10,552,546	7,410,179

The notes on pages 11 to 27 form part of these financial statements.

Duracell UK Limited**Statement of Financial Position****For the year ended December 31, 2019**

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	7		1,141,656		241,073
			<u>1,141,656</u>		<u>241,073</u>
Current assets					
Stocks	8	18,487		628,193	
Debtors: amounts falling due within one year	9	29,792,616		30,309,798	
Cash at bank and in hand	10	10,355,833		17,068,199	
		<u>40,166,936</u>		<u>48,006,190</u>	
Creditors: amounts falling due within one year	11	(27,997,012)		(33,637,375)	
Net current assets			12,169,924		14,368,815
Debtors: amounts falling due after more than one year	9		338,769		317,546
			<u>338,769</u>		<u>317,546</u>
Total assets less current liabilities			13,650,349		14,927,434
Creditors: amounts falling due after more than one year	12		(2,337,647)		(1,590,875)
			<u>(2,337,647)</u>		<u>(1,590,875)</u>
Net assets			<u>11,312,702</u>		<u>13,336,559</u>
Capital and reserves					
Called up share capital	14		760,001		760,001
Other reserves	15		-		3,716,409
Retained earnings			10,552,701		8,860,149
			<u>11,312,702</u>		<u>13,336,559</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on June 26, 2020.

Edward Charles Ryder
Finance Director

Edward Ryder

6/26/2020

Apostolos Piaras
Managing Director

Apostolos Piaras

6/26/2020

The notes on pages 11 to 27 form part of these financial statements.

Duracell UK Limited**Statement of changes in equity****For the year ended December 31, 2019**

	Called up share capital £	Capital Contribution £	Profit and Loss Account £	Total equity £
At January 1, 2019	760,001	3,716,409	8,860,149	13,336,559
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	-
Comprehensive income for the year				
Profit for the year	-	-	10,552,546	10,552,546
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	10,552,546	10,552,546
Dividends	-	(3,716,409)	(8,859,994)	(12,576,403)
Total transactions with owners	-	(3,716,409)	(8,859,994)	(12,576,403)
At December 31, 2019	760,001	-	10,552,701	11,312,702

Statement of changes in equity**For the year ended December 31, 2018**

	Called up share capital £	Capital Contribution £	Profit and loss account £	Total equity £
At January 1, 2018	760,001	3,716,409	7,907,258	12,383,668
Comprehensive income for the year				
Profit for the year	-	-	7,410,179	7,410,179
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	7,410,179	7,410,179
Dividends	-	-	(6,457,288)	(6,457,288)
Total transactions with owners	-	-	(6,457,288)	(6,457,288)
At December 31, 2018	760,001	3,716,409	8,860,149	13,336,559

The notes on pages 11 to 27 form part of these financial statements.

Duracell UK Limited

1. Accounting policies

1.1 Accounting Policy Overview

Duracell UK Limited (the "Company") is a private Company incorporated, domiciled and registered in England in the UK. The registered number is 09490724.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Berkshire Hathaway Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Berkshire Hathaway Inc. are prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP") and are available to the public (see Note 19).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of IFRS 15 Revenue from Contracts with Customers;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Berkshire Hathaway Inc., include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

1.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Duracell UK Limited

1. Accounting policies (continued)

1.2 Judgements and key sources of estimation uncertainty (continued)

Revenue is recognised when the risks and rewards are transferred to the customer, this is at the point of delivery. Gross revenue is reduced by discounts, estimated rebates and chargebacks. The rebate accruals are recognised at the time of the sale. Rebate accruals are based on estimates of the amounts to be claimed back by the customer due to partaking in promotional activities. The submission of the claim is normally some time after the initial recognition of the sale. These estimates take into account historical experience, current promotional activities and market trends. If actual future results vary, these estimates need to be adjusted which could have an effect on sales and earnings in the period of the adjustment.

Bad debt losses may occur for various reasons and management makes every effort to prevent their recurrence.

Bad debt expense should be recorded as an operating expense in the statement of comprehensive income. The method consists of several components such as write-off experience, customer credit memo experience, and cash discount experience.

The directors do not consider there to be any judgements or material estimation uncertainties affecting the reported performance in the current year.

1.3 Changes in significant accounting policies

IFRS 16, Leases

This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17 (See note 1.13)

1.4 Going concern

Having considered future cash flows and availability of funding, the directors are confident that the Company has sufficient resources to meet its liabilities as they fall due for the foreseeable future and therefore has adopted the going concern basis in the preparation of the financial statements.

In particular, the directors have considered the Company's going concern position in light of the COVID-19 pandemic and subsequent recession. The initial lockdown phase of the pandemic has shown an increase in sales due to increased battery consumption in the home. While the recessionary impacts remain uncertain, the company's strong cash flow and profitability continue to support the use of the going concern basis of preparation.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Duracell UK Limited

1. Accounting policies (continued)

1.5 Revenue (continued)

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery to the customer when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue and associated costs can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- when certain conditions are met, returns/refunds area also recognised.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 8 years, straight line
-----------------------	--------------------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Duracell UK Limited

1. Accounting policies (continued)

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a Standard cost method.

1.8 Financial instruments

The Company does not have derivative financial instruments.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, trade and other payables, cash and cash equivalents.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdraft is repayable on demand and form a part of the Company's cash management.

1.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Duracell UK Limited

1. Accounting policies (continued)

1.9 Foreign currency translation (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

1.10 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

1.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

1.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income, or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted

Duracell UK Limited

1. Accounting policies (continued)

1.13 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments and the penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

by the reporting date.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Duracell UK Limited**Notes to the financial statements****For the year ended December 31, 2019****Note 2 - Turnover**

An analysis of turnover by class of business is as follows:

	2019	2018
	£	£
Retail	66,556,044	64,062,194
Wholesale	40,652,900	34,871,536
Intercompany	655,690	548,345
	<u>107,864,634</u>	<u>99,482,075</u>

Analysis of turnover by country of destination:

	2019	2018
	£	£
United Kingdom	106,067,155	97,866,991
Rest of Europe	1,318,268	1,530,537
Rest of the world	479,211	84,547
	<u>107,864,634</u>	<u>99,482,075</u>

Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	2019	2018
	£	£
Contract assets*	28,325,849	29,103,100
Contract liabilities	-	-
	<u>28,325,849</u>	<u>29,103,100</u>

*Contract assets are Trade Debtors (see note 9)

Significant changes in contract assets and liabilities

The main driver in contract assets decreasing during the year, although the sales have been stronger, is a result of an efficient collection policy at the end of 2019 relative to the previous year.

Duracell UK Limited

Notes to the financial statements

For the year ended December 31, 2019

Note 3 - Other Operating (Expenses) / Income

	2019	2018
	£	£
Realized Exchange Rate Gain / (Loss)	598,141	30,216
Unrealized Exchange Rate Gain / (Loss)	(161,383)	59,712
Other	91,839	87,456
	<u>528,597</u>	<u>177,384</u>

Note 4 - Auditor's Remuneration

	2019	2018
	£	£
Fees for the statutory audit of the Company	56,000	55,045
	<u>56,000</u>	<u>55,045</u>

Duracell UK Limited**Notes to the financial statements****For the year ended December 31, 2019****Note 5 - Employees**

Staff costs were as follows:

	2019	2018
	£	£
Wages and salaries	3,063,181	2,703,449
Social security costs and taxes	451,078	533,165
Cost of defined contribution scheme	374,273	386,690
	<u>3,888,532</u>	<u>3,623,304</u>

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

2019	2018
No.	No.
<u>44</u>	<u>41</u>

Directors' Emoluments

	2019	2018
	£	£
Aggregate directors' emoluments	828,497	1,008,717
Aggregate pension contributions paid for directors	37,085	47,168

Directors' emoluments include in-bound expatriate costs and foreign tax equalization charges. The aggregate of emoluments of the highest paid director was £548,786 (2018: £466,019). Pension contributions for the highest paid director were £14,652 (2018: £21,782).

Duracell UK Limited**Notes to the financial statements****For the year ended December 31, 2019****Note 6 - Taxation**

Corporation Tax	2019	2018
	£	£
Current tax on profits for the year	2,484,154	1,824,774
Total Current Tax	2,484,154	1,824,774
Deferred Tax	2019	2018
	£	£
Recycling Fees - Accounts Payable	40,000	14,596
Accounts Receivable	29,627	(27,746)
Fixed Assets	(11,794)	(28,021)
Pensions	(7,057)	-
Total Deferred Tax	50,776	(41,171)
Taxation on profit on ordinary activities	2,534,930	1,783,603

Factors affecting tax charge for the year

The tax assessed for the year is 19.4% (2018: 19.4%), higher than the 19% standard rate of corporation tax in the UK. The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before tax	13,087,476	9,193,782
Tax on profit from ordinary activities at the standard corporation tax rate of 19% for 2019 (2018: 19%).	2,486,620	1,746,819
Effects of:	2019	2018
	£	£
Change in Deferred tax rate (from 19% in 2018 to 17% in 2019)	42,564	33,672
Other	5,746	3,112
Total tax charge for the year	2,534,930	1,783,603

Duracell UK Limited**Notes to the financial statements****As at December 31, 2019****Note 6 - Taxation (continued)****Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax assets at 31 December 2019 has been calculated on this rate.

Note 7 - Fixed Assets

Property and equipment owned

	Buildings	Fixtures and fittings £	Total
Cost or valuation			
At January 1, 2018	-	382,920	382,920
Impairment	-	(9,646)	(9,646)
At December 31, 2018	-	373,274	373,274
At January 1, 2019	-	373,274	373,274
Recognition of right-of-use assets on initial application of IFRS 16 (See note 17)	1,254,133	256,915	1,511,048
Adjusted at January 1, 2019	1,254,133	630,189	1,884,322
Additions	-	141,702	141,702
At December 31, 2019	1,254,133	771,891	2,026,024
Accumulated Depreciation			
At January 1, 2018	-	87,753	87,753
Impairment	-	(3,215)	(3,215)
Depreciation charge for the year	-	47,663	47,663
At December 31, 2018	-	132,201	132,201
At January 1, 2019	-	132,201	132,201
Recognition of right-of-use assets on initial application of IFRS 16 (See note 17)	296,859	140,556	437,415
Adjusted at January 1, 2019	296,859	272,757	569,616
Depreciation charge for the year	140,185	95,965	236,150
Derecognition of right-of-use assets	-	78,602	78,602
At December 31, 2019	437,044	447,324	884,368
Net book value			
At December 31, 2019	817,089	324,567	1,141,656
At December 31, 2018	-	241,073	241,073

Duracell UK Limited**Notes to the financial statements****As at December 31, 2019****Note 8 - Stocks**

	2019	2018
	£	£
Finished goods and goods for resale	18,487	628,193
	<u>18,487</u>	<u>628,193</u>

Note 9 - Debtors

	2019	2018
	£	£
Due after more than one year		
Other	95,275	86,702
Deferred Taxation	243,494	230,844
	<u>338,769</u>	<u>317,546</u>

	2019	2018
	£	£
Due within one year		
Trade Debtors	28,325,849	29,103,100
Intercompany Receivables	795,077	427,058
Other Debtors	21,983	26,923
Prepayments and accrued income	83,792	123,375
Deferred Taxation	565,915	629,342
	<u>29,792,616</u>	<u>30,309,798</u>

Duracell UK Limited**Notes to the financial statements****As at December 31, 2019****Note 10 - Cash and Cash equivalents**

	2019	2018
	£	£
Cash at bank	10,355,833	17,068,199
	<u>10,355,833</u>	<u>17,068,199</u>

Note 11 - Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade Creditors	4,565,722	5,853,662
Intercompany Payables	8,049,781	14,578,689
Corporation Tax	1,166,955	782,814
Other Creditors	1,064,993	354,971
Accruals and deferred income	13,149,561	12,067,239
	<u>27,997,012</u>	<u>33,637,375</u>

Note 12 - Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Other Creditors	2,337,647	1,590,875
	<u>2,337,647</u>	<u>1,590,875</u>

Duracell UK Limited**Notes to the financial statements****As at December 31, 2019****Note 13 - Deferred Taxation**

	2019	2018
	£	£
Charges Profit / (Loss)	(50,776)	41,171
	<u>(50,776)</u>	<u>41,171</u>

2019	Liabilities	Assets	Net
	£	£	£
Tangible fixed assets	-	244,285	244,285
Other Payables - Recycling Fees	-	4,171,568	4,171,568
Bad Debt Provision	-	142,486	142,486
Trade Receivables	-	77,393	77,393
Pensions	-	40,772	40,772
Total Temporary Differences	<u>-</u>	<u>4,676,504</u>	<u>4,676,504</u>
Net deferred tax (Liabilities) / Assets	<u>-</u>	<u>809,409</u>	<u>809,409</u>

2018	Liabilities	Assets	Net
	£	£	£
Tangible fixed assets	-	179,336	179,336
Other Payables - Recycling Fees	-	4,153,542	4,153,542
Bad Debt Provision	-	146,348	146,348
Trade Receivables	-	225,286	225,286
Total Temporary Differences	<u>-</u>	<u>4,704,512</u>	<u>4,704,512</u>
Net deferred tax (Liabilities) / Assets	<u>-</u>	<u>860,186</u>	<u>860,186</u>

Duracell UK Limited

Notes to the financial statements

As at December 31, 2019

Note 14 - Share Capital

Shares classified as equity	2019	2018
Allotted, called up and fully paid	£	£
	760,001	760,001
760,001 Ordinary shares of £1 each	<u>760,001</u>	<u>760,001</u>

Share capital consists of 760,001 ordinary shares at a nominal value of £1 and Duracell U.S. Holding LLC owns 100% of the shares. Shares rank equally for voting purposes, dividend rights, distribution rights on a winding up and are not redeemable.

Note 15 - Other Reserves

The other reserves consisted of a Capital Contribution made by the Shareholders in 2016, amounting to £3,716,409, has been distributed during the year.

Note 16 - Pension Commitment

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £374,273 (2018: £386,690).

Duracell UK Limited**Notes to the financial statements****As at December 31, 2019****Note 17 - Right-of-use assets**

Leases as a lessee (IFRS 16)

	Buildings £	Fixtures and fittings £	Total £
At December 31, 2018	957,274	116,359	1,073,633
Additions to right-of-use assets	-	141,702	141,702
Depreciation charge for the year	(140,185)	(49,306)	(189,491)
Derecognition of right-of-use assets	-	(78,602)	(78,602)
At December 31, 2019	<u>817,089</u>	<u>130,153</u>	<u>947,242</u>

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

2019 - Leases under IFRS 16

Interest expense on lease liabilities	32,894	3,989	36,883
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	13,030	71,337	84,367
At December 31, 2019	<u>45,924</u>	<u>75,326</u>	<u>121,250</u>

2018 - Operating leases under IAS 17

Lease expense	<u>146,865</u>	<u>87,857</u>	<u>234,722</u>
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Duracell UK Limited

Notes to the financial statements**As at December 31, 2019**

Note 18 - Post balance sheet events

The COVID-19 global pandemic has seen unprecedented disruption to the retail landscape, and the UK economy will experience a significant downturn as a result of the lockdown and social distancing measures introduced to limit the spread of the disease. Despite these challenges, the Company remains confident in the ability to deliver against its objectives, and there is no impact on these financial statements.

Note 19 - Controlling Party

Berkshire Hathaway Inc., a company incorporated in the United States of America, is the ultimate parent company, and Duracell U.S. Holding LLC., a company incorporated in the United States of America, is the immediate parent company.

The smallest and largest group the company is consolidated into is Berkshire Hathaway Inc., which is incorporated in the United States of America. Copies of the group financial statements for Berkshire Hathaway Inc., can be obtained from 3555 Farnham Street, Omaha, NE 681312, USA.