

Registered number: 09490724

Duracell UK Limited

Strategic report, Directors' report and financial statements

For the year ended December 31, 2020

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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
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Registered number	09490724
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Registered office	Spencer House (Third Floor) 23 Sheen Road Richmond Surrey TW9 1BN
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Independent auditor	KPMG LLP
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Banker	HSBC 62-76 Park Street London
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Duracell UK Limited

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Duracell UK Limited

Strategic report
For the year ended December 31, 2020

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:

	2020	2019
Turnover	£121,212,499	£107,864,634
Profit before tax	£14,508,426	£13,087,476
Working capital % of turnover (excluding cash)	4.1%	7.9%

Turnover for the 12-month period of operating was £121,212,499 (2019: £107,864,634), £13,347,865 higher than the 12-month period of operating in 2019, because of an unprecedented year due to the global COVID-19 pandemic. 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. In addition Duracell were able to maintain constant supply to all customers throughout the pandemic, a competitive advantage which improved sales. Profit before tax was £14,508,426 (2019: £13,087,476), £1,420,950 higher than the 12-month period of operating in 2019. Profit was driven by revenue, while unit costs were held steady, although revenue per unit showed a slight decline due to a consumer trend towards larger packs. Cost savings and overhead efficiencies also contributed to profit growth. The after-tax profit for the year was £11,718,829 (2019: £10,552,546). Working Capital as percentage of turnover (excluding cash) is 4.1% (2019: 7.9%), 3.74% lower, because of higher payables at year-end. Working Capital ratio shows a small improvement to 2.2 (2019: 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 continue to drive consumer and category value ahead of volume.

We remain confident on the health of the company, the strength of the brand and consumer acceptance. 2021 is expected to show a battery market contraction, following the opening up of the economy and personal freedoms after the pandemic. Less time will be spent in the home and hence a decline in device use is anticipated. In addition, the economic fall-out from the pandemic may lead to further market contraction. Despite this, 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, 2020

Principal risks and uncertainties

Socio-economic environment. The economic outcomes for 2021 as the UK recovers from the global pandemic are highly uncertain. In the first half, the lockdown and its partial removal should support an increased battery market compared to 2019, although a decline from 2020. The second half is likely to see a decline in consumption compared to 2020 as higher unemployment and the longer-term economic impacts of COVID are felt. This outlook may see a decline of sales for Duracell UK Ltd, although at present this is not anticipated. The Brexit transition from January has had limited impact on the business from a sales perspective, although has necessitated changes in the shipments to Ireland and Northern Ireland to comply with new regulations. Key risks for Duracell remain the foreign exchange risk and its consequent impact on cost of goods, as well as our customer relationships where we must ensure we can reach the end-consumers via their stores.

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 with 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 24, 2021 and signed on its behalf.

Edward Ryder

Edward Charles Ryder
Finance Director

6/24/2021

Apostolos Piaras

Apostolos Piaras
Managing Director

6/24/2021

Duracell UK Limited

Directors' report
For the year ended December 31, 2020

The directors present their report and the financial statements for the year ended December 31, 2020.

Principal activity

The Company operates in the UK and Ireland with the principal activity of distribution and sales of 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 product tiers including Ultra Power, Plus Power and Simply by Duracell.

Results and dividends

The profit for the year, after taxation, amounted to £11,718,829 (2019: £10,552,546). The dividend distributed in 2020 was £9,800,000 (2019: £12,576,403) and no dividend is payable as at December 31, 2020 (2019: £nil).

Directors

The directors who served during the year were:

A Piaras
E Ryder (appointed April 23 2020)
D Haskins (appointed April 23 2020)
R A Velutini (resigned April 23 2020)

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 continues into 2021, although thanks to the successful vaccination campaign, there is a credible path back to normality. Duracell UK has demonstrated its resilience to such changes in market dynamics and expects to be able to adapt to the needs of the market.

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, 2020**

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 24, 2021 and signed on its behalf.

Edward Ryder
Ryder
Finance Director 6/24/2021

Apostolos Piaras
Apostolos Piaras
Managing Director 6/24/2021

Duracell UK Limited
Spencer House (Third Floor)
23 Sheen Road
Richmond, Surrey, TW9 1BN
United Kingdom
June 24, 2021
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 2020 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 2020 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period

and the risk that management may be in a position to make inappropriate accounting entries.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following area as the most likely to have such an effect: battery disposal, whereby there is a mandatory obligation to be a member of a recycling scheme.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 24, 2021

Duracell UK Limited**Statement of Comprehensive income****For the year ended December 31, 2020**

	Note	2020 £	2019 £
Turnover	2	121,212,499	107,864,634
Cost of sales		(61,206,786)	(53,570,738)
Gross profit		60,005,713	54,293,896
Marketing expenses		(11,911,777)	(10,204,434)
Administrative expenses		(33,547,657)	(31,530,583)
Other operating (expenses) / income	3	(37,853)	528,597
Operating profit		14,508,426	13,087,476
Tax on profit	6	(2,789,597)	(2,534,930)
Profit for the year		11,718,829	10,552,546

The notes on pages 12 to 28 form part of these financial statements.

Duracell UK Limited**Statement of Financial Position****For the year ended December 31, 2020**

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	7		1,067,949		1,141,656
			<u>1,067,949</u>		<u>1,141,656</u>
Current assets					
Stocks	8	62,496		18,487	
Debtors: amounts falling due within one year	9	29,320,154		29,792,616	
Cash at bank and in hand	10	23,656,458		10,355,833	
		<u>53,039,108</u>		<u>40,166,936</u>	
Creditors: amounts falling due within one year	11	(38,514,958)		(27,997,012)	
Net current assets			14,524,150		12,169,924
Debtors: amounts falling due after more than one year	9		<u>398,121</u>		<u>338,769</u>
Total assets less current liabilities			15,990,220		13,650,349
Creditors: amounts falling due after more than one year	12		<u>(2,758,689)</u>		<u>(2,337,647)</u>
Net assets			<u>13,231,531</u>		<u>11,312,702</u>
Capital and reserves					
Called up share capital	14		760,001		760,001
Other reserves	15		-		0
Retained earnings			<u>12,471,530</u>		<u>10,552,701</u>
			<u>13,231,531</u>		<u>11,312,702</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on June 24, 2021.

Edward Ryder

Edward Ryder, der
Finance Director

6/24/2021

Apostolos Pianos

Apostolos Pianos
Managing Director

6/24/2021

The notes on pages 12 to 28 form part of these financial statements.

Duracell UK Limited**Statement of changes in equity****For the year ended December 31, 2020**

	Called up share capital £	Capital Contribution £	Profit and Loss Account £	Total equity £
At January 1, 2020	760,001	-	10,552,701	11,312,702
Comprehensive income for the year				
Profit for the year	-	-	11,718,829	11,718,829
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	11,718,829	11,718,829
Dividends	-	-	(9,800,000)	(9,800,000)
Total transactions with owners	-	-	(9,800,000)	(9,800,000)
At December 31, 2020	760,001	-	12,471,530	13,231,531

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
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

The notes on pages 12 to 28 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 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.

1.4 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
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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

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.

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.

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, 2020****Note 2 - Turnover**

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

	2020	2019
	£	£
Retail	78,647,935	66,556,044
Wholesale	42,331,436	40,652,900
Intercompany	233,128	655,690
	121,212,499	107,864,634

Analysis of turnover by country of destination:

	2020	2019
	£	£
United Kingdom	119,333,918	106,067,155
Rest of Europe	1,818,697	1,318,268
Rest of the world	59,884	479,211
	121,212,499	107,864,634

Assets and liabilities related to contracts with customers

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

	2020	2019
	£	£
Contract assets*	27,969,506	28,325,849
Contract liabilities	-	-
	27,969,506	28,325,849

*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 2020 relative to the previous year.

Duracell UK Limited

Notes to the financial statements

For the year ended December 31, 2020

Note 3 - Other Operating (Expenses) / Income

	2020	2019
	£	£
Realized Exchange Rate Gain / (Loss)	(246,284)	598,141
Unrealized Exchange Rate Gain / (Loss)	188,134	(161,383)
Other	20,297	91,839
	<u>(37,853)</u>	<u>528,597</u>

Note 4 - Auditor's Remuneration

	2020	2019
	£	£
Fees for the statutory audit of the Company	60,000	56,000
	<u>60,000</u>	<u>56,000</u>

Duracell UK Limited**Notes to the financial statements****For the year ended December 31, 2020****Note 5 - Employees**

Staff costs were as follows:

	2020	2019
	£	£
Wages and salaries	3,607,415	3,063,181
Social security costs and taxes	478,341	451,078
Cost of defined contribution scheme	425,420	374,273
	<u>4,511,176</u>	<u>3,888,532</u>

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

2020	2019
No.	No.
<u>46</u>	<u>44</u>

Directors' Emoluments

	2020	2019
	£	£
Aggregate directors' emoluments	751,793	828,497
Aggregate pension contributions paid for directors	48,535	37,085

Directors' emoluments include in-bound expatriate costs and foreign tax equalization charges. The aggregate of emoluments of the highest paid director was £352,486 (2019: £548,786). Pension contributions for the highest paid director were £28,697 (2019: £14,652).

Duracell UK Limited**Notes to the financial statements****For the year ended December 31, 2020****Note 6 - Taxation**

Corporation Tax	2020	2019
	£	£
Current tax on profits for the year	2,934,211	2,484,154
Total Current Tax	2,934,211	2,484,154
Deferred Tax	2020	2019
	£	£
Recycling Fees - Accounts Payable	(154,105)	40,000
Accounts Receivable	15,541	29,627
Fixed Assets	(5,379)	(11,794)
Pensions	(671)	(7,057)
Total Deferred Tax	(144,614)	50,776
Taxation on profit on ordinary activities	2,789,597	2,534,930

Factors affecting tax charge for the year

The tax assessed for the year is 19.4% (2019: 19.4%), higher than the 19% standard rate of corporation tax in the UK. The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	14,508,426	13,087,476
Tax on profit from ordinary activities at the standard corporation tax rate of 19% for 2020 (2019: 19%).	2,756,601	2,486,620
Effects of:	2020	2019
	£	£
Change in Deferred tax rate (from 19% in 2018 to 17% in 2019)	15,460	42,564
Other	17,536	5,746
Total tax charge for the year	2,789,597	2,534,930

Duracell UK Limited**Notes to the financial statements****As at December 31, 2020****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 2020 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, 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
At January 1, 2020	1,254,133	771,891	2,026,024
Additions	132,392	67,518	199,910
At December 31, 2020	1,386,525	839,409	2,225,934
Accumulated Depreciation			
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
Adjusted at January 1, 2020	437,044	447,324	884,368
Depreciation charge for the year	190,712	82,905	273,617
At December 31, 2020	627,756	530,229	1,157,985
Net book value			
At December 31, 2020	758,769	309,180	1,067,949
At December 31, 2019	817,089	324,567	1,141,656

Duracell UK Limited**Notes to the financial statements****As at December 31, 2020****Note 8 - Stocks**

	2020	2019
	£	£
Finished goods and goods for resale	62,496	18,487
	<u>62,496</u>	<u>18,487</u>

Note 9 - Debtors

	2020	2019
	£	£
Due after more than one year		
Other	95,275	95,275
Deferred Taxation	302,846	243,494
	<u>398,121</u>	<u>338,769</u>

	2020	2019
	£	£
Due within one year		
Trade Debtors	27,969,506	28,325,849
Intercompany Receivables	613,817	795,077
Other Debtors	16,891	21,983
Prepayments and accrued income	68,763	83,792
Deferred Taxation	651,177	565,915
	<u>29,320,154</u>	<u>29,792,616</u>

Duracell UK Limited**Notes to the financial statements****As at December 31, 2020****Note 10 - Cash and Cash equivalents**

	2020	2019
	£	£
Cash at bank	23,656,458	10,355,833
	<u>23,656,458</u>	<u>10,355,833</u>

Note 11 - Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade Creditors	3,841,630	4,565,722
Intercompany Payables	15,422,727	8,049,781
Corporation Tax	161,573	1,166,955
Other Creditors	3,106,623	1,064,993
Accruals and deferred income	15,982,405	13,149,561
	<u>38,514,958</u>	<u>27,997,012</u>

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

	2020	2019
	£	£
Other Creditors	2,758,689	2,337,647
	<u>2,758,689</u>	<u>2,337,647</u>

Duracell UK Limited**Notes to the financial statements****As at December 31, 2020****Note 13 - Deferred Taxation**

	2020	2019
	£	£
Charges Profit / (Loss)	144,614	(50,776)
	<u>144,614</u>	<u>(50,776)</u>

2020	Liabilities	Assets	Net
	£	£	£
Tangible fixed assets	-	279,827	279,827
Other Payables - Recycling Fees	-	5,143,966	5,143,966
Bad Debt Provision	-	86,963	86,963
Trade Receivables	-	45,118	45,118
Pensions	-	40,772	40,772
Total Temporary Differences	<u>-</u>	<u>5,596,646</u>	<u>5,596,646</u>
Net deferred tax (Liabilities) / Assets	<u>-</u>	<u>954,023</u>	<u>954,023</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>

Duracell UK Limited**Notes to the financial statements****As at December 31, 2020****Note 14 - Share Capital**

Shares classified as equity	2020	2019
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, which amounted £3,716,409 and were distributed in 2019. There was no movement in other reserves in 2020.

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 £425,420 (2019: £374,273).

Duracell UK Limited**Notes to the financial statements****As at December 31, 2020****Note 17 - Right-of-use assets**

Leases as a lessee (IFRS 16)

	Buildings	Fixtures and fittings	Total
	£	£	£
At January 1, 2019	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	817,089	130,153	947,242
At January 1, 2020	817,089	130,153	947,242
Additions to right-of-use assets	132,392	20,873	153,265
Depreciation charge for the year	(190,712)	(36,246)	(226,958)
At December 31, 2020	758,769	114,780	873,549

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	45,924	75,326	121,250

2020 - Leases under IFRS 16

Interest expense on lease liabilities	29,955	4,815	34,770
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	6,462	1,759	8,221
At December 31, 2020	36,417	6,574	42,991

Duracell UK Limited

Notes to the financial statements**As at December 31, 2020**

Note 18 - Post balance sheet events

The COVID-19 global pandemic continues into 2021, although thanks to the successful vaccination campaign, there is a credible path back to normality. Duracell has demonstrated its resilience to such changes in market dynamics and expects to be able to adapt to the needs of the market. The Directors remains confident in the ability of Duracell UK Limited to deliver against its objectives

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.