

## **K9 Midco Limited**

Annual Report and Financial Statements

52 week period ended

31 May 2020

Company Number 10851921



# K9 Midco Limited

## Company Information

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<b>Directors</b>	M J Andrews S L Smith B G Goodman T J Wright F Yeomans
<b>Company secretary</b>	B Goodman
<b>Registered number</b>	10851921
<b>Registered office</b>	Armitage House Colwick Nottingham NG4 2BA
<b>Independent auditor</b>	BDO LLP Two Snowhill Birmingham B4 6GA

# K9 Midco Limited

## Contents

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	Page
<b>Strategic Report</b>	1 - 2
<b>Directors' Report</b>	3
<b>Directors' Responsibilities Statement</b>	4
<b>Independent Auditor's Report</b>	5 - 7
<b>Statement of Comprehensive Income</b>	8
<b>Balance Sheet</b>	9
<b>Statement of Changes in Equity</b>	10
<b>Notes to the Financial Statements</b>	11 - 22

# **K9 Midco Limited**

## **Strategic Report For the period ended 31 May 2020**

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### **Introduction**

The directors present the strategic report for the 52 week period ended 31 May 2020.

### **Business review**

We aim to present a balanced view of the performance of our business during the period and its position at 31 May 2020. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

The company did not trade externally during this period as it acts as an intermediate holding company. The only item affecting profit or loss for the period was interest payable on loans from related parties, and amortisation of debt fees capitalised thereon of £1.0m (2019 - £1.7m).

The company has made a loss for the period of £1,060,000 (2019 - £1,758,000) and is in a net liabilities position of £3,972,000 (2019 - £2,912,000). The directors have considered the position of the company and the impact of the Covid-19 pandemic on the company's current and future activities. The company has provided bank guarantees in respect of current borrowings of other group companies. In the event trading and cash flows of the group were materially impacted by the Covid-19 pandemic, this could give rise to a claim being made against this company.

The resilience shown by the core business of the main subsidiary of the company to date, which is trading ahead of the prior year, demonstrates the strength of the business, the directors have undertaken a detailed assessment of the future prospects in assessing the use of the going concern basis. They have updated their consideration of the expected levels of trading and associated cash flows, taking into account the potential impacts of reasonably foreseeable events such as an extended national lockdown period due to the virus, a drop in demand linked to an economic downturn and potential restrictions on the inbound supply chain. They have also assessed the impact of various downside sensitivities, including a reverse stress test.

Based on the planning and forecasting undertaken, and considering the potential impact of the downside sensitivities, the directors are satisfied that the company will continue to have sufficient cash resources to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements.

Whilst acknowledging the unprecedented conditions we are currently facing, after consideration of these forecasts, the directors have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. For this reason, they continue to adopt a going concern basis in preparing the financial statements.

### **Risk management policies and objectives**

The company's performance is reliant on the continuing trading operations of its main subsidiaries, the risks of which are carefully managed within the subsidiaries.

# K9 Midco Limited

## Strategic Report (continued) For the period ended 31 May 2020

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### Future developments and strategy

The company's success is dependent on maintaining growth in the market segments in which it and its main subsidiary operates. Investment in and development of key product categories within the pet treating and accessories sector is essential to achieving this aim.

The company will continue to operate as an intermediate holding company in the future, and service the debt of the group.

### Post balance sheet events

#### Change of controlling party

On 26 October 2020, the owners of K9 Topco Limited (the immediate parent company) entered into a sale and purchase agreement with Spectrum Brands (UK) Limited, (a company registered in England and Wales), who acquired 100% of the share capital of the K9 Topco Limited for cash consideration of £99,767,274.

On the sale date, Spectrum Brands Holdings Inc (a company registered in the USA) became the ultimate parent undertaking and ultimate controlling party of the group of which K9 Midco Limited is a member.

Due to the change in control and as part of the sale and purchase agreement Unsecured Series A loan notes 2025 totalling £589,769 and Unsecured Series B loan notes 2025 totalling £19,352 were also repaid in full. At the time of repayment, debt issue costs capitalised against the Unsecured Series A loan notes of £13,223 were accelerated to the profit and loss.

On 26 October 2020 the fixed and floating charge over the present freehold property, book and other debts, chattels, goodwill and uncalled capital (both present and future) of the K9 Topco Limited group was satisfied in full.

This represents a non-adjusting post balance sheet event.

#### Intercompany loan

On 26 October 2020, Spectrum Brands (UK) Limited agreed to lend K9 Midco Limited £637,569. The loan is unsecured, bears interest at a rate of 2.65% per annum and is due for repayment on 26 October 2021.

This represents a non-adjusting post balance sheet event.

This report was approved by the board and signed on its behalf.



**S L Smith**  
Director

Date: 18/2/21

# K9 Midco Limited

## Directors' Report For the period ended 31 May 2020

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The directors present their report and the financial statements for the 52 week period ended 31 May 2020.

### Principal activity

The principal activity of the company during the period was that of a holding company.

### Results and dividends

The loss for the period, after taxation, amounted to £1,060,000 (2019 - £1,758,000).

No dividends were paid in the period. The directors do not recommend payment of a final dividend.

### Directors

The directors who served during the period and up to the date of approval of these financial statements were:

M J Andrews  
A R D Jamieson (resigned 26 October 2020)  
K Mohanadas (resigned 18 December 2019)  
B S Slatter (resigned 26 October 2020)  
S L Smith  
B G Goodman (appointed 26 October 2020)  
T J Wright (appointed 26 October 2020)  
F Yeomans (appointed 26 October 2020)

### Qualifying third party indemnity provisions

The company has provided qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

### Matters covered in the strategic report

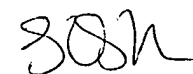
The company has chosen, in accordance with Companies Act 2006, s.414C(11), to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of a review of its business, key performance indicators, its principal risks and uncertainties, and future developments and strategy.

### Disclosure of information to 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.

This report was approved by the board and signed on its behalf.



**S L Smith**  
Director

Date: 18/2/21

# **K9 Midco Limited**

## **Directors' Responsibilities Statement For the period ended 31 May 2020**

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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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **K9 Midco Limited**

## **Independent Auditor's Report to the Members of K9 Midco Limited**

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### **Opinion**

We have audited the financial statements of K9 Midco Limited ("the company") for the 52 week period ended 31 May 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2020 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# **K9 Midco Limited**

## **Independent Auditor's Report to the Members of K9 Midco Limited (continued)**

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### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

# K9 Midco Limited

## Independent Auditor's Report to the Members of K9 Midco Limited (continued)

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Use of our report

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



**Andrew Mair** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Birmingham  
United Kingdom  
19 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# K9 Midco Limited

## Statement of Comprehensive Income For the period ended 31 May 2020

		52 week period ended 31 May 2020 £Nil	52 week period ended 2 June 2019 £000
	Note		
Administrative expenses		(21)	(1)
<b>Operating loss</b>		<b>(21)</b>	<b>(1)</b>
Interest payable and charges	7	(968)	(1,687)
<b>Loss before tax</b>		<b>(989)</b>	<b>(1,688)</b>
Tax on loss	8	(71)	(70)
<b>Loss for the financial period</b>		<b>(1,060)</b>	<b>(1,758)</b>

There was no other comprehensive income for 2020 (2019: £Nil).

The notes on pages 11 to 22 form part of these financial statements.

**K9 Midco Limited**  
Registered number:10851921

**Balance Sheet**  
**As at 31 May 2020**

	Note	31 May 2020 £000	31 May 2020 £000	2 June 2019 £000	2 June 2019 £000
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	10	-		71	
Debtors: amounts falling due within one year	10	9,556		19,515	
		<u>9,556</u>		<u>19,586</u>	
Creditors: amounts falling due within one year	11	(12,932)		(7,870)	
<b>Net current (liabilities)/assets</b>			<b>(3,376)</b>		<b>11,716</b>
<b>Total assets less current liabilities</b>			<b>(3,376)</b>		<b>11,716</b>
Creditors: amounts falling due after more than one year	12		(596)		(14,628)
<b>Net liabilities</b>			<b>(3,972)</b>		<b>(2,912)</b>
<b>Capital and reserves</b>					
Called up share capital	15		-		-
Profit and loss account	16		(3,972)		(2,912)
<b>Shareholders' funds</b>			<b>(3,972)</b>		<b>(2,912)</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**S L Smith**  
Director

Date: 18/2/21

The notes on pages 11 to 22 form part of these financial statements.

# K9 Midco Limited

## Statement of Changes in Equity For the period ended 31 May 2020

	Profit and loss account £000	Total equity £000
At 3 June 2019	(2,912)	(2,912)
<b>Comprehensive expense for the period</b>		
Loss for the period	(1,060)	(1,060)
<b>Total comprehensive expense for the period</b>	<u>(1,060)</u>	<u>(1,060)</u>
<b>At 31 May 2020</b>	<u><u>(3,972)</u></u>	<u><u>(3,972)</u></u>

## Statement of Changes in Equity For the period ended 2 June 2019

	Profit and loss account £000	Total equity £000
At 4 June 2018	(1,154)	(1,154)
<b>Comprehensive expense for the period</b>		
Loss for the period	(1,758)	(1,758)
<b>Total comprehensive expense for the period</b>	<u>(1,758)</u>	<u>(1,758)</u>
<b>At 2 June 2019</b>	<u><u>(2,912)</u></u>	<u><u>(2,912)</u></u>

The notes on pages 11 to 22 form part of these financial statements.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

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### 1. General information

K9 Midco Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Armitage House, Colwick, Nottingham, NG4 2BA.

The company's principal activities and nature of its operations are disclosed in the directors' report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies, which have been applied consistently, are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Notes and disclosures of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial instruments' and Section 12 'Other Financial instrument issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures'- Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of K9 Topco Limited. These consolidated financial statements are available from its registered office, Armitage House, Colwick, Nottingham, NG4 2BA.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

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### 2. Accounting policies (continued)

#### 2.2 Going concern

The company has made a loss for the period of £1,060,000 (2019 - £1,758,000) and is in a net liabilities position of £3,972,000 (2019 - £2,912,000). The directors have considered the position of the company and the impact of the Covid-19 pandemic on the company's current and future activities. The company has provided bank guarantees in respect of current borrowings of other group companies. In the event trading and cash flows of the group were materially impacted by the Covid-19 pandemic, this could give rise to a claim being made against this company.

The resilience shown by the core business of the main subsidiary of the company to date, which is trading ahead of the prior year, demonstrates the strength of the business, the directors have undertaken a detailed assessment of the future prospects in assessing the use of the going concern basis. They have updated their consideration of the expected levels of trading and associated cash flows, taking into account the potential impacts of reasonably foreseeable events such as an extended national lockdown period due to the virus, a drop in demand linked to an economic downturn and potential restrictions on the inbound supply chain. They have also assessed the impact of various downside sensitises, including a reverse stress test.

Based on the planning and forecasting undertaken, and considering the potential impact of the downside sensitivities, the directors are satisfied that the company will continue to have sufficient cash resources to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements.

Whilst acknowledging the unprecedented conditions we are currently facing, after consideration of these forecasts, the directors have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. For this reason, they continue to adopt a going concern basis in preparing the financial statements.

#### 2.3 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

#### 2.4 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 2.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

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### 2. Accounting policies (continued)

#### 2.5 Financial instruments (continued)

##### **Basic financial assets**

Basic financial assets, which include amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including other loans and amounts due to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

#### 2.6 Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.



# **K9 Midco Limited**

## **Notes to the Financial Statements For the period ended 31 May 2020**

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### **2. Accounting policies (continued)**

#### **2.7 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge 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 balance sheet 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 balance sheet 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 by the balance sheet date.

### **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not consider there are any critical judgements or estimations that will affect these financial statements.

### **4. Employees**

There were no employees during the current or prior period apart from the directors.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 5. Directors' remuneration

A Jamieson is employed by the ultimate parent company, K9 Topco Limited, and details of his remuneration is given in the financial statements of that company.

B S Slatter and K Mohanadas receive no remuneration in respect of their services as directors of the company.

M Andrews and S Smith are employed by the company's subsidiary Armitage Pet Care Limited. Details of their remuneration is given in the financial statements of that company.

It is not considered practical or possible to accurately apportion these costs to each entity in the group.

### 6. Auditor's remuneration

Audit and non-audit fees are met by the company's subsidiary Armitages Pet Products Limited.

### 7. Interest payable and similar charges

	2020 £000	2019 £000
Interest on loan notes	594	1,609
Amortisation of debt fees	374	78
	<u>968</u>	<u>1,687</u>

The amount of amortisation of debt fees accelerated by early repayment of the loan notes (note 13) was £296,000 (2019 - £Nil).

### 8. Taxation

	2020 £000	2019 £000
<b>Deferred tax</b>		
Origination and reversal of timing differences	71	70
<b>Taxation on loss</b>	<u>71</u>	<u>70</u>

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 8. Taxation (continued)

#### Factors affecting tax charge for the period

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

	2020 £000	2019 £000
Loss before tax	(989)	(1,688)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(188)	(321)
Effects of:		
Change in deferred tax assets	(7)	42
Loan relationship interest adjustment	68	180
Group relief	198	169
<b>Total tax charge for the period</b>	<b>71</b>	<b>70</b>

#### Factors that may affect future tax charges

The main rate of corporation tax in force at the balance sheet date was 19%. A resolution to retain the corporation tax rate from 1 April 2020 at 19% was passed on 17 March 2020, and is enacted from this date.

The deferred taxation liability has therefore been calculated at 19%, being the rate substantively enacted at the balance sheet date.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 9. Fixed asset investments

Armitage Pet Care Limited is the only direct subsidiary of K9 Midco Limited.

The cost of the investment is £1 (2019 - £1). No impairment has been made in relation to the investment.

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Nature of business	Class of shares	Holding
Armitage Pet Care Limited	Holding company	Ordinary	100%
Focus 100 Limited	Holding company	Ordinary	100%
Armitage Brothers Limited	Property rental to group	Ordinary	100%
Armitages Pet Products Limited	Manufacture of Pet food, treats and accessories	Ordinary	100%
Good Boy Pet Food Limited	Dormant company	Ordinary	100%
Algarde Enterprises Limited	Dormant company	Ordinary	100%
Armitage Trustees Limited	Dormant company	Ordinary	100%
Rotastak Limited	Dormant company	Ordinary	100%

– Armitages Pet Products Limited, Good Boy Pet Foods Limited, Algarde Enterprises Limited, Armitage Trustees Limited and Rotastak Limited are all 100% subsidiaries of Armitage Brothers Limited. K9 Midco Limited has a 100% indirect non-capitalised holding in all of the named companies.

Focus 100 Limited is the direct 100% parent of Armitage Brothers Limited and Armitage Pet Care Limited is the direct 100% parent of Focus 100 Limited. Armitage Pet Care Limited is a 100% subsidiary of K9 Midco Limited.

The registered office of Rotastak Limited is 5th Floor Quartermile Two C/O Morton Fraser LLP, 2 Lister Square, Edinburgh, Scotland, EH3 9GL.

All other subsidiaries have their registered office at Armitage House, Colwick, Nottingham, NG4 2BA.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 10. Debtors

	31 May 2020 £000	2 June 2019 £000
<b>Due after more than one year</b>		
Deferred tax asset (note 14)	-	71
	<u>          </u>	<u>          </u>
<b>Due within one year</b>		
Amounts owed by group undertakings	9,556	19,513
Prepayments and accrued income	-	2
	<u>9,556</u>	<u>19,515</u>

### 11. Creditors: Amounts falling due within one year

	31 May 2020 £000	2 June 2019 £000
Amounts owed to group undertakings	12,932	7,870
	<u>          </u>	<u>          </u>

### 12. Creditors: Amounts falling due after more than one year

	31 May 2020 £000	2 June 2019 £000
Other borrowings (note 13)	596	14,628
	<u>          </u>	<u>          </u>

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	31 May 2020 £000	2 June 2019 £000
Repayable other than by instalments	596	14,628
	<u>          </u>	<u>          </u>

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 13. Borrowings

	31 May 2020 £000	2 June 2019 £000
Other loans	19	391
Loans from related parties	577	14,237
	<u>596</u>	<u>14,628</u>

Unsecured Series A loan notes 2025 totalling £14,200,000 were issued by the group on 12 September 2017 to Rutland Fund III, an investment fund managed by the ultimate controlling party of the company.

In March 2018 £2,190,000 of the Series A loan notes were repaid. In August 2019 a repayment of £9,682,000 inclusive of rolled up interest of £2,838,000 was made. In December 2019 a further repayment of £4,841,000 inclusive of rolled up interest of £238,000 was made.

Debt issue costs of £519,000 were capitalised and off-set against the carrying value of the loan notes in these financial statements, and £374,000 (2019: £78,000) of these fees have been amortised in the period.

Interest on the Series A loan notes is charged at 12% per annum and interest of £575,000 (2019: £1,558,000) has been charged for the period and rolled up into the year end balance. The Series A loan notes are due for settlement by September 2025.

The Unsecured Series A loan notes 2025 are listed on The International Stock Exchange, which is headquartered in Guernsey.

Unsecured Series B loan notes 2025 totalling £466,000 were also issued by the group on 12 September 2017 to a former director of the company. In March 2018 £75,000 of the Series B loan notes were repaid. In August 2019 a repayment of £318,000 inclusive of rolled up interest of £96,000 was made. In December 2019 a further repayment of £159,000 inclusive of rolled up interest of £8,000 was made.

Interest on the Series B loan notes are charged at 12% per annum and interest of £19,000 (2019: £51,000) has been charged for the period and rolled up into the year end balance. The Series B loan notes are due for settlement by September 2025.

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 14. Deferred taxation

	2020 £000
At beginning of period	71
Charged to profit or loss	(71)
<b>At end of period</b>	<b>-</b>

The deferred tax asset is made up as follows:

	31 May 2020 £000	2 June 2019 £000
Short-term timing differences	-	71

### 15. Share capital

	31 May 2020 £	2 June 2019 £
<b>Allotted, called up and fully paid</b>		
1 (2019 - 1) Ordinary share of £1.00	1	1

### 16. Reserves

#### Profit and loss account

Cumulative profit and loss net of distributions to owners.

### 17. Financial commitments, guarantees and contingent liabilities

At the balance sheet date, the bank overdrafts and facilities of the K9 Topco Limited group were secured by an unlimited multilateral guarantee given by K9 Topco Limited, K9 Midco Limited, Armitage Pet Care Limited, Focus100 Limited, Armitage Brothers Limited and Armitages Pet Products Limited. They are also secured via a fixed and floating charge over the present freehold property, book and other debts, chattels, goodwill and uncalled capital (both present and future) of the group. At 31 May 2020 the amount outstanding with regard to these facilities was £42,000,000 (2019 - £30,000,000).

# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

### 18. Related party transactions

The company has taken advantage of the exemption under FRS 102.33 'Related Party Transactions' not to disclose transactions between wholly owned members of the group.

#### Transactions with related parties

During the period the company entered into the following transactions with related parties:

#### Loan note interest

	31 May 2020 £000	2 June 2019 £000
Entities with control, joint control or significant influence over the company	575	1,558
Key management personnel	19	51

The following amounts were outstanding at the reporting end date:

#### Amounts due to related parties

	31 May 2020 £000	2 June 2019 £000
Entities with control, joint control or significant influence over the company	590	14,538
Key management personnel	19	477

More information on the loan notes is given in note 13.

### 19. Controlling party

At the balance sheet date the directors consider the immediate and ultimate parent undertaking to be K9 Topco Limited, a company incorporated in England and Wales.

Consolidated financial statements are prepared by the group headed by K9 Topco Limited and can be obtained from its registered office at Armitage House, Colwick, Nottingham, NG4 2BA. K9 Topco Limited is the largest and smallest group into which these financial statements are consolidated.

At the balance sheet date, Rutland Partners LLP were deemed to be the ultimate controlling party. See note 20 for the post balance sheet change in controlling party.



# K9 Midco Limited

## Notes to the Financial Statements For the period ended 31 May 2020

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### 20. Post balance sheet events

#### Change of controlling party

On 26 October 2020, the owners of K9 Topco Limited (the immediate parent company) entered into a sale and purchase agreement with Spectrum Brands (UK) Limited, (a company registered in England and Wales), who acquired 100% of the share capital of the K9 Topco Limited for cash consideration of £99,767,274.

On the sale date, Spectrum Brands Holdings Inc (a company registered in the USA) became the ultimate parent undertaking and ultimate controlling party of the group of which K9 Midco Limited is a member.

Due to the change in control and as part of the sale and purchase agreement Unsecured Series A loan notes 2025 totalling £589,769 and Unsecured Series B loan notes 2025 totalling £19,352 were also repaid in full. At the time of repayment, debt issue costs capitalised against the Unsecured Series A loan notes of £13,223 were accelerated to the profit and loss.

On 26 October 2020 the fixed and floating charge over the present freehold property, book and other debts, chattels, goodwill and uncalled capital (both present and future) of the K9 Topco Limited group was satisfied in full.

This represents a non-adjusting post balance sheet event.

#### Intercompany loan

On 26 October 2020, Spectrum Brands (UK) Limited agreed to lend K9 Midco Limited £637,569. The loan is unsecured, bears interest at a rate of 2.65% per annum and is due for repayment on 26 October 2021.

This represents a non-adjusting post balance sheet event.