UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported):
September 18, 2009 (September 18, 2009)

SPECTRUM BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-13615	22-2423556
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

Six Concourse Parkway, Suite 3300 Atlanta, Georgia	30328
(Address of Principal Executive Offices)	(Zip Code)

(770) 829-6200
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

Spectrum Brands, Inc. (the “Company”) is filing this Current Report on Form 8-K to recast its audited consolidated financial statements that were initially filed with the United States Securities and Exchange Commission (the “SEC”) on December 10, 2008, in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2008 (the “2008 10-K”) to reflect the growing products portion of its Home and Garden Business (“Growing Products”) as discontinued operations for all periods presented. As further described below, this Current Report on Form 8-K reflects the impact of Growing Products as discontinued operations for the financial periods presented in the 2008 10-K in accordance with applicable accounting rules and should not be read as a restatement of the 2008 10-K. In the Current Report on Form 8-K filed by the Company with the SEC on August 31, 2009, the Company disclosed its obligation under certain registration rights agreements to file “shelf” registration statements covering the registrable securities held by certain investors in the Company. This Current Report on Form 8-K is being filed in anticipation of the filing of such registration statements.

Discontinued Operations

In November 2008, the Company’s board of directors committed to the shutdown of Growing Products, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands of Growing Products for the Company’s fiscal year ending September 30, 2009 (“Fiscal 2009”). As of March 29, 2009, the Company completed the shutdown of Growing Products. In accordance with the requirements of Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), Growing Products was reported as discontinued operations for all periods presented in the Company’s Quarterly Reports on Form 10-Q for the quarters ended March 29, 2009, and June 28, 2009.

Accordingly, the Company is revising and including as Exhibits 99.1 through 99.4 in this Current Report on Form 8-K the following portions of the 2008 10-K to present Growing Products as discontinued operations for all periods presented:

Part I	Item 1.	Business.
Part II	Item 6.	Selected Financial Data.
Part II	Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operation.
Part IV	Item 15.	Exhibits and Financial Statement Schedules.

In order to preserve the nature and character of the disclosures set forth in such items as originally filed in the 2008 10-K, no attempt has been made in this Current Report on Form 8-K, and it should not be read, to modify or update disclosures as presented in the 2008 10-K to reflect events or occurrences after December 10, 2008, the date of the filing of the 2008 10-K, except for matters relating specifically to the recasting of the presentations described above and except to note the occurrence of the Company’s chapter 11 reorganization proceedings in the United States Bankruptcy Court for the Western District of Texas first publicly disclosed by the Company on its Current Report on Form 8-K filed with the SEC on February 3, 2009, with added disclosure included in Exhibit 99.4 Item 15. Exhibits and Financial Statement Schedules, Note 19, Chapter 11 Proceedings (Unaudited), to this Current Report on Form 8-K. Therefore, this Current Report on Form 8-K should be read in conjunction with the portions of the 2008 10-K that have not been recast herein and in conjunction with the Company’s filings made with the SEC subsequent to the filing of the 2008 10-K.

Explanatory Note

References in the exhibits to this Current Report on Form 8-K to the Company’s Annual Report on Form 10-K for fiscal year 2008 refer to the 2008 10-K as recast by this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Item 1. Business.
99.2	Item 6. Selected Financial Data.
99.3	Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.
99.4	Item 15. Exhibits and Financial Statement Schedules.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 18, 2009	SPECTRUM BRANDS, INC.
	By: /s/ Anthony L. Genito
	Name: Anthony L. Genito
	Title: Executive Vice President, Chief Financial Officer and Chief Accounting Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Item 1. Business.
99.2	Item 6. Selected Financial Data.
99.3	Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.
99.4	Item 15. Exhibits and Financial Statement Schedules.

ITEM 1. BUSINESS

General

We are a global branded consumer products company with positions in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting; and home and garden control products. Unless the context indicates otherwise, the terms the "Company," "Spectrum," "Spectrum Brands," "we," "our" or "us" as used herein refer to Spectrum Brands, Inc. and its subsidiaries.

In our fiscal year ended September 30, 2007 ("Fiscal 2007"), we began managing our business in three reportable segments: (i) Global Batteries & Personal Care, which consists of the Company's worldwide battery, shaving and grooming, personal care and portable lighting business ("Global Batteries & Personal Care"); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business ("Global Pet Supplies"); and (iii) our Home and Garden Business, which consists of our home and garden control product offerings, including household insecticides, repellants and herbicides (the "Home and Garden Business"). The presentation of all historical segment reporting herein has been reclassified to conform to this segment structure.

On January 25, 2006, we sold the fertilizer technology and professional fertilizer products businesses of Nu-Gro, which was included in the Canadian division of our Home and Garden Business, ("Nu-Gro Pro and Tech"), to Agrium Inc. for net proceeds of approximately $83 million. Proceeds from the sale were used to reduce outstanding debt. As of October 1, 2005, we had begun reporting the results of operations of Nu-Gro Pro and Tech as discontinued operations. The presentation herein of the results of continuing operations has been changed to exclude Nu-Gro Pro and Tech for all periods presented. See Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this divestiture.

We have retained financial advisors to assist us in exploring potential strategies which may be available to us to reduce or restructure our significant outstanding indebtedness. In connection with this undertaking, during the first quarter of Fiscal 2007, we approved and initiated a plan to sell the Home and Garden Business, which at the time was organized into United States ("U.S.") and Canadian divisions and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result of our decision to commence this process, we determined that all the criteria set forth in paragraph 30 of Statement of Financial Accounting Standards ("SFAS") No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("SFAS 144") were met and in the first quarter of Fiscal 2007, we designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated our Home and Garden Business as discontinued operations.

During the first and second quarters of Fiscal 2007, we engaged in substantive negotiations with a potential purchaser as to definitive terms for the purchase of the Home and Garden Business; however, the potential purchaser ultimately determined not to pursue the acquisition. We continued to actively market the Home and Garden Business after such time, however, the Fiscal 2007 selling season for our lawn and garden and household insect control product offerings was significantly negatively impacted by extremely poor weather conditions throughout the U.S., resulting in poor operating performance of the Home and Garden Business. In addition, during the fourth quarter of Fiscal 2007 there was an unforeseen, rapid and significant tightening of liquidity in the U.S. credit markets. We believe that this tightening of liquidity in the credit markets had a direct impact on the expected proceeds that we would ultimately receive in connection with a sale of the Home and Garden Business. To address these issues, during the fourth quarter of Fiscal 2007 we reassessed the value of the Home and Garden Business to take into account the changes in the credit markets and the weaker than planned operating performance during the Fiscal 2007 selling season so as to ensure that the Home and Garden Business was being marketed at a price that was reasonable in relation to its current fair value. Our reassessment produced a lower range of expected sales values than was previously determined. As a result of the reassessment, we recorded an impairment charge against the Home and Garden Business during the fourth quarter of Fiscal 2007 to reflect its fair value as determined by us. Subsequent to taking the impairment charge, and thereby revising our expectations of the proceeds that would ultimately be received upon a sale of the Home and Garden Business, we continued to be in active discussions with various potential purchasers through December 30, 2007.

On November 1, 2007, we completed the sale of the Canadian division of our Home and Garden Business. See Note 11, Discontinued Operations of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on the sale of the Canadian division of our Home and Garden Business.

During the second quarter of our fiscal year ended September 30, 2008 ("Fiscal 2008"), we determined that in view of the difficulty in predicting the timing or probability of a sale of the remaining U.S. portion of the Home and Garden Business the requirements of SFAS 144, necessary to classify the remaining U.S. portion of the Home and Garden Business as discontinued operations, were no longer met and that it was appropriate to present the remaining U.S. portion of the Home and Garden Business as held and used in the Company's continuing operations as of our second quarter of Fiscal 2008 and going forward. The presentation herein of the results of continuing operations includes our Home and Garden Business excluding the Canadian division, which, as indicated above, was sold on November 1, 2007, for all periods presented.

In the third quarter of Fiscal 2008, we entered into a definitive agreement, subject to the consent of our lenders under our senior credit facilities, to sell the assets related to Global Pet Supplies. We were unable to obtain the consent of the lenders, and on July 13, 2008, we entered into a termination agreement regarding the agreement to sell the assets related to Global Pet Supplies. Pursuant to the termination agreement, as a condition to the termination, we paid the proposed buyer $3 million as a reimbursement of expenses.

In November 2008, our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing products portion of the Home and Garden Business for our fiscal year ended September 30, 2009 ("Fiscal 2009"). We believe the shutdown is consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. As of March 29, 2009, we completed the shutdown of the growing products portion of the Home and Garden Business. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 11, Discontinued Operations, to our Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

We remain committed to exploring potential strategies which may be available to us to reduce or restructure our significant outstanding indebtedness.

We manufacture and market alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Our manufacturing and product development facilities are located in the United States, Europe, China and Latin America. Substantially all of our rechargeable batteries and chargers, shaving and grooming products, personal care products and portable lighting products are manufactured by third-party suppliers, primarily located in Asia.

We sell our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers ("OEMs") and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8in1, Spectracide, Cutter and various other brands.

Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each business segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for sales and marketing initiatives and the financial results for all product lines within that business segment.

Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors' advertising and promotional activities and pricing strategies.

As of the filing date of this Annual Report on Form 10-K, based on conversations with the New York Stock Exchange (the "NYSE"), we expect that the NYSE will provide us with written notification of its determination that our Common Stock should be suspended from trading on the NYSE. At that time, we may request a review of that determination by the Committee of the Board of Directors of the NYSE. There can be no assurances that any such review, if made, will be successful. If we are unsuccessful in maintaining our NYSE listing, then we expect to pursue quotation of our Common Stock on the Pink Sheet Electronic Quotation Service or another stock quotation system.

Our Products

We compete in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care products; home and garden control products; and portable lighting. Our broad line of products includes:

- consumer batteries, including alkaline and zinc carbon batteries, rechargeable batteries and chargers and hearing aid batteries and other specialty batteries;
- pet supplies, including aquatic equipment and supplies, dog and cat treats, small animal foods, clean up and training aids, health and grooming products and bedding;
- electric shaving and grooming devices;
- electric personal care and styling devices;
- portable lighting; and
- home and garden control products such as household insect controls, insect repellants and herbicides.

Net sales of each product category sold, as a percentage of net sales of our consolidated operations, is set forth below.

	Percentage of Total Company Net Sales for the Fiscal Year Ended September 30,		
	2008	2007	2006
Consumer batteries	38%	38%	39%
Pet supplies	25	24	24
Home and garden control products	14	15	15
Electric shaving and grooming	10	11	11
Electric personal care products	9	8	7
Portable lighting	4	4	4
	100%	100%	100%

Consumer Batteries

We market and sell a full line of alkaline batteries (AA, AAA, C, D and 9-volt sizes) to both retail and industrial customers. Our alkaline batteries are marketed and sold primarily under the Rayovac and VARTA brands. We also manufacture alkaline batteries for third parties who sell the batteries under their own private labels. Our zinc carbon batteries are also marketed and sold primarily under the Rayovac and VARTA brands and are designed for low- and medium-drain battery-powered devices.

We believe that we are currently the largest worldwide marketer and distributor of hearing aid batteries. We sell our hearing aid batteries through retail trade channels and directly to professional audiologists under several brand names and private labels, including Beltone, Miracle Ear, Siemens and Starkey.

We also sell Nickel Metal Hydride (NiMH) rechargeable batteries and a variety of battery chargers under the Rayovac and VARTA brands.

Our other specialty battery products include camera batteries, lithium batteries, silver oxide batteries, keyless entry batteries and coin cells for use in watches, cameras, calculators, communications equipment and medical instruments.

Pet Supplies

In the pet supplies product category we market and sell a variety of leading branded pet supplies for fish, dogs, cats, birds and other small domestic animals. We have a broad line of consumer and commercial aquatics products, including integrated aquarium kits, standalone tanks and stands, filtration systems, heaters, pumps, and other equipment, fish food and water treatment products. Our largest aquatics brands are Tetra, Marineland, Whisper, Jungle and Instant Ocean. We also sell a variety of specialty pet products, including dog and cat treats, small animal food and treats, clean up and training aid products, health and grooming aids, and bedding products. Our largest specialty pet brands include 8in1, Dingo, Firstrax, Nature's Miracle and Wild Harvest.

Electric Shaving and Grooming

We market and sell a broad line of electric shaving and grooming products under the Remington brand name, including men's rotary and foil shavers, beard and mustache trimmers, body trimmers and nose and ear trimmers, women's shavers and haircut kits.

Electric Personal Care Products

Our personal care products, marketed and sold under the Remington brand name, include hair dryers, straightening irons, styling irons and hair setters.

Portable Lighting

We offer a broad line of battery-powered, portable lighting products, including flashlights and lanterns for both retail and industrial markets. We sell our portable lighting products under the Rayovac and VARTA brand names, under other proprietary brand names and pursuant to licensing arrangements with third parties.

Home and Garden

In the home and garden product category we currently sell and market several leading home and garden care products, including household insecticides, insect repellent, herbicides, garden and indoor plant foods and plant care treatments. We offer a broad array of household insecticides such as spider, roach and ant killer, flying insect killer, insect foggers, wasp and hornet killer, flea and tick control products and roach and ant baits. We also manufacture and market a complete line of insect repellent products that provide protection from insects, especially mosquitoes. These products include both personal repellents, such as aerosols, pump sprays and wipes as well as area repellents, such as yard sprays, citronella candles and torches. Our largest brands in the insect control category include Hot Shot, Cutter and Repel. Our herbicides, garden and indoor plant foods and plant care treatment brands include Spectracide, Real-Kill and Garden Safe. We have positioned ourselves as the value alternative for consumers who want products that are comparable to, but sold at lower prices than, premium-priced brands.

Sales and Distribution

We sell our products through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and OEMs. Our sales generally are made through the use of individual purchase orders, consistent with industry practice. Retail sales of the consumer products we market have been increasingly consolidated into a small number of regional and national mass merchandisers. This trend towards consolidation is occurring on a worldwide basis. As a result of this consolidation, a significant percentage of our sales are attributable to a very limited group of retailer customers, including, without limitation, Wal-Mart, The Home Depot, Carrefour, Target, Lowe's, PetSmart, Canadian Tire, PetCo and Gigante. Our sales to Wal-Mart Stores, Inc. represented approximately 20% of our consolidated net sales for Fiscal 2008. No other customer accounted for more than 10% of our consolidated net sales in Fiscal 2008.

Segment information as to revenues, profit and total assets as well as information concerning our revenues and long-lived assets by geographic location for the last three fiscal years is set forth in Note 13, Segment Information in Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Sales and distribution practices in each of our reportable segments are as set forth below.

Global Batteries & Personal Care

We manage our Global Batteries & Personal Care sales force by geographic region and product group. Our sales team is divided into three major geographic territories, North America, Latin America and Europe and the rest of the world ("Europe/ROW"). Within each major geographic territory, we have additional subdivisions designed to meet our customers' needs.

We manage our sales force in North America by distribution channel. We maintain separate sales groups to service (i) our retail sales and distribution channel, (ii) our hearing aid professionals channel and (iii) our industrial distributors and OEM sales and distribution channel. In addition, we utilize a network of independent brokers to service participants in selected distribution channels.

We manage our sales force in Latin America by distribution channel and geographic territory. We sell primarily to large retailers, wholesalers, distributors, food and drug chains and retail outlets. In countries where we do not maintain a sales force, we sell to distributors who market our products through all channels in the market.

The sales force serving our customers in Europe/ROW is supplemented by an international network of distributors to promote the sale of our products. Our sales operations throughout Europe/ROW are organized by geographic territory and the following sales channels: (i) food/retail, which includes mass merchandisers, discounters and drug and food stores; (ii) specialty trade, which includes clubs, consumer electronics stores, department stores, photography stores and wholesalers/distributors; and (iii) industrial, government, hearing aid professionals and OEMs.

Global Pet Supplies

Our Global Pet Supplies sales force is aligned by customer, geographic region and product group. We sell pet supply products to mass merchandisers, grocery and drug chains, pet superstores, independent pet stores and other retailers.

Home and Garden

The sales force of our Home and Garden Business is aligned by customer. We sell primarily to home improvement centers, mass merchandisers, hardware stores, lawn and garden distributors, and food and drug retailers.

Manufacturing, Raw Materials and Suppliers

The principal raw materials used in manufacturing our products—zinc powder, granular urea, electrolytic manganese dioxide powder and steel—are sourced either on a global or regional basis. The prices of these raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. We have regularly engaged in forward purchase and hedging derivative transactions in an attempt to effectively manage the raw material costs we expect to incur over the next 12 to 24 months. We discontinued the use of granular urea during the second quarter of our Fiscal 2009 as a result of the shutdown of our growing products portion of the Home and Garden Business.

Substantially all of our rechargeable batteries and chargers, portable lighting products, hair care and other personal care products and our electric shaving and grooming products are manufactured by third party suppliers that are primarily located in the Asia/Pacific region. We maintain ownership of the tooling and molds used by most of our suppliers.

We continually evaluate our manufacturing facilities' capacity and related utilization. As a result of such analyses, we have closed a number of manufacturing facilities during the past five years. In general, we believe our existing facilities are adequate for our present and foreseeable needs.

Research and Development

Our research and development strategy is focused on new product development and performance enhancements of our existing products. We plan to continue to use our strong brand names, established customer relationships and significant research and development efforts to introduce innovative products that offer enhanced value to consumers through new designs and improved functionality.

In Fiscal 2008 and 2007 and our fiscal year ended September 30, 2006 ("Fiscal 2006"), we invested $25.3 million, $26.8 million and $30.6 million, respectively, in product research and development.

Patents and Trademarks

We own or license from third parties a significant number of patents and patent applications throughout the world relating to products we sell and manufacturing equipment we use. We hold a license that expires in March 2022 for certain alkaline battery designs, technology and manufacturing equipment from Matsushita Electrical Industrial Co., Ltd. ("Matsushita"), to whom we pay a royalty.

We also use and maintain a number of trademarks in our business, including DINGO, JUNGLETALK, MARINELAND, RAYOVAC, REMINGTON, TETRA, VARTA, 8IN1, CUTTER, GARDEN SAFE, NATURE'S MIRACLE, REPEL, SCHULTZ, SPECTRACIDE, SPECTRACIDE TERMINATE, STA-GREEN and VIGORO. We seek trademark protection in the U.S. and in foreign countries by all available means, including registration.

As a result of the October 2002 sale by VARTA AG of substantially all of its consumer battery business to us and VARTA AG's subsequent sale of its automotive battery business to Johnson Controls, Inc. ("Johnson Controls"), we acquired rights to the VARTA trademark in the consumer battery category and Johnson Controls acquired rights to the trademark in the automotive battery category. VARTA AG and its VARTA Microbatteries subsidiary continue to have rights to use the trademark with travel guides, industrial batteries and micro batteries. We are party to a Trademark and Domain Names Protection and Delimitation Agreement that governs ownership and usage rights and obligations of the parties relative to the VARTA trademark.

As a result of the common origins of the Remington Products, L.L.C., ("Remington Products") business we acquired in September 2003 and the Remington Arms Company, Inc. ("Remington Arms"), the REMINGTON trademark is owned by us and by Remington Arms each with respect to its principal products as well as associated products. Accordingly, we own the rights to use the REMINGTON trademark for electric shavers, shaver accessories, grooming products and personal care products, while Remington Arms owns the rights to use the trademark for firearms, sporting goods and products for industrial use, including industrial hand tools. In addition, the terms of a 1986 agreement between Remington Products and Remington Arms provides for the shared rights to use the REMINGTON trademark on products which are not considered "principal products of interest" for either company. We retain the REMINGTON trademark for nearly all products which we believe can benefit from the use of the brand name in our distribution channels.

On February 12, 2004, United Industries Corporation ("United") executed a licensing, manufacturing and supply agreement with its largest customer at the time. Under the agreement, United licensed its VIGORO and related trademarks and became the exclusive manufacturer and supplier for certain products branded with such trademarks through December 31, 2008. As a result of that agreement and the planned shutdown of the growing media portion of the Home and Garden Business, we (as successor in interest to United) will assign the trademarks to the customer on May 31, 2009.

Competition

In our retail markets, we compete for limited shelf space and consumer acceptance. Factors influencing product sales include brand name recognition, perceived quality, price, performance, product packaging, design innovation, and consumer confidence and preferences as well as creative marketing, promotion and distribution strategies.

The battery product category is highly competitive. Most consumer batteries manufactured throughout the world are sold by one of four global companies: Spectrum Brands (manufacturer/seller of Rayovac and VARTA brands); Energizer Holdings, Inc. (manufacturer/seller of the Energizer brand); The Procter & Gamble Company ("Procter & Gamble") (manufacturer/seller of the

Duracell brand); and Matsushita (manufacturer/seller of the Panasonic brand). We also face competition from the private label brands of major retailers, particularly in Europe. The offering of private-label batteries by retailers may create pricing pressure in the consumer battery market. Typically, private-label brands are not supported by advertising or promotion, and retailers sell these private label offerings at prices below competing name-brands. The main barriers to entry for new competitors are investment in technology research, cost of building manufacturing capacity and the expense of building retail distribution channels and consumer brands.

In the U.S. alkaline battery category, the Rayovac brand is positioned as a value brand, which is typically defined as a product that offers comparable performance at a lower price. In Europe, the VARTA brand is competitively priced with other premium brands. In Latin America, where zinc carbon batteries outsell alkaline batteries, the Rayovac brand is competitively priced.

The pet supply product category is highly fragmented with over 500 manufacturers in the U.S. alone, consisting primarily of small companies with limited product lines. Our largest competitors in this product category are Mars Corporation ("Mars"), The Hartz Mountain Corporation ("Hartz") and Central Garden & Pet Company ("Central Garden & Pet"). Both Hartz and Central Garden & Pet sell a comprehensive line of pet supplies and compete with a majority of the products we offer. Mars sells primarily aquatics products.

Our primary competitors in the electric shaving and grooming product category are Norelco, a division of Koninklijke Philips Electronics NV ("Philips"), which sells and markets rotary shavers, and Braun, a division of The Procter & Gamble Company, which sells and markets foil shavers. Remington sells both foil and rotary shavers.

Our major competitors in the electric personal care product category are Conair Corporation, Wahl Clipper Corporation and Helen of Troy Limited ("Helen of Troy").

Our primary competitors in the portable lighting product category are Energizer Holdings, Inc. and Mag Instrument, Inc.

Products we sell in the lawn and garden product category through the Home and Garden Business face competition from The Scotts Miracle-Gro Company ("Scotts Company"), which markets lawn and garden products under the Scotts, Ortho, Roundup and Miracle-Gro brand names; Central Garden & Pet, which markets garden products under the AMDRO, Sevin and Pennington Seed brand names; and Bayer A.G., which markets lawn and garden products under the Bayer Advanced brand name.

Products we sell in the household insect control product category through our Home and Garden Business, face competition from S.C. Johnson & Son, Inc. ("S.C. Johnson"), which markets insecticide and repellent products under the Raid and OFF! brands; Scotts Company, which markets household insect control products under the Ortho brand; and Henkel KGaA, which markets insect control products under the Combat brand.

Some of our major competitors have greater resources and greater overall market share than we do. They have committed significant resources to protect their market shares or to capture market share from us in the past and may continue to do so in the future. In some key product lines, our competitors may have lower production costs and higher profit margins than we do, which may enable them to compete more aggressively in advertising and in offering retail discounts and other promotional incentives to retailers, distributors, wholesalers and, ultimately, consumers.

Seasonality

On a consolidated basis our financial results are approximately equally weighted between quarters, however, sales of certain product categories tend to be seasonal. Sales in the consumer battery, electric shaving and grooming and electric personal care product categories, particularly in North America, tend to be concentrated in the December holiday season (Spectrum's first fiscal quarter). Demand for pet supplies products remains fairly constant throughout the year. Demand for our lawn and garden and household insect control products sold though the Home and Garden Business typically peaks during the first six months of the calendar year (Spectrum's second and third fiscal quarters). For a more detailed discussion of the seasonality of our product sales, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonal Product Sales."

Governmental Regulations and Environmental Matters

Due to the nature of our operations, our facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with the releases of hazardous substances at our facilities. We believe that compliance with the federal, state, local and foreign laws and regulations to which we are subject will not have a material effect upon our capital expenditures, financial position, earnings or competitive position.

From time to time, we have been required to address the effect of historic activities on the environmental condition of our properties. We have not conducted invasive testing at all facilities to identify all potential environmental liability risks. Given the age of our facilities and the nature of our operations, it is possible that material liabilities may arise in the future in connection with our current or former facilities. If previously unknown contamination of property underlying or in the vicinity of our manufacturing facilities is discovered, we could incur material unforeseen expenses, which could have a material adverse effect on our financial condition, capital expenditures, earnings and competitive position. Although we are currently engaged in investigative or remedial projects at some of our facilities, we do not expect that such projects, taking into account established accruals, will cause us to incur expenditures that are material to our business or financial condition; however, it is possible that our future liability could be material.

We have been, and in the future may be, subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are held responsible as a result of our relationships with such other parties. In the U.S., these proceedings are under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”) or similar state laws that hold persons who “arranged for” the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible parties. We occasionally are identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where we have been notified of our status as a potentially responsible party, it is either premature to determine whether our potential liability, if any, will be material or we do not believe that our liability, if any, will be material. We may be named as a potentially responsible party under CERCLA or similar state laws for other sites not currently known to us, and the costs and liabilities associated with these sites may be material.

It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from such environmental matters, taking into account established accruals of $4.2 million for estimated liabilities at September 30, 2008, should not be material to our business or financial condition.

Electronic and electrical products that we sell in Europe, particularly products sold under the Remington brand name, VARTA battery chargers, certain portable lighting and all of our batteries, are subject to regulation in European Union (“EU”) markets under three key EU directives. The first directive is the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment (“RoHS”) which took effect in EU member states beginning July 1, 2006. RoHS prohibits companies from selling products which contain certain specified hazardous materials in EU member states. We believe that compliance with RoHS will not have a material effect on our capital expenditures, financial position, earnings or competitive position. The second directive is entitled the Waste of Electrical and Electronic Equipment (“WEEE”). WEEE makes producers or importers of particular classes of electrical goods financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. WEEE assigns levels of responsibility to companies doing business in EU markets based on their relative market share. WEEE calls on each EU member state to enact enabling legislation to implement the directive. To comply with WEEE requirements, we have partnered with other companies to create a comprehensive collection, treatment, disposal and recycling program. As EU member states pass enabling legislation our compliance system should be sufficient to meet such requirements. Our current estimated costs associated with compliance with WEEE are not significant based on our current market share. However, we continue to evaluate the impact of the WEEE legislation as EU member states implement guidance and as our market share changes, and actual costs to our company could differ from our current estimates. The third directive is the Directive on Batteries and Accumulators and Waste Batteries, which was adopted in September 2006 and went into effect in September 2008 (the “Battery Directive”). The Battery Directive bans heavy metals in batteries by establishing maximum quantities of those heavy metals in batteries and mandates waste management of batteries, including collection, recycling and disposal systems. The Battery Directive places the costs of such waste management systems on producers and importers of batteries. The Battery Directive calls on each EU member state to enact enabling legislation to implement the directive. We currently believe that compliance with the Battery Directive will not have a material effect on our capital expenditures, financial position, earnings or competitive position. However, until such time as the EU member states adopt enabling legislation, a full evaluation of these costs cannot be completed. We will continue to evaluate the impact of the Battery Directive and its enabling legislation as EU member states implement guidance.

Certain of our products and facilities in each of our business segments are regulated by the United States Environmental Protection Agency (the “EPA”) and the United States Food and Drug Administration (the “FDA”) or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the U.S., all products containing pesticides must be registered with the EPA and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to obtain or the cancellation of any registration could have an adverse effect on our business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients. We may not always be able to avoid or minimize these risks.

The Food Quality Protection Act ("FQPA") established a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under the FQPA, the EPA is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of our products continue to be evaluated by the EPA as part of this program. It is possible that the EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the EPA's continuing evaluations of active ingredients used in our products.

Certain of our products and packaging materials are subject to regulations administered by the FDA. Among other things, the FDA enforces statutory prohibitions against misbranded and adulterated products, establishes ingredients and manufacturing procedures for certain products, establishes standards of identity for certain products, determines the safety of products and establishes labeling standards and requirements. In addition, various states regulate these products by enforcing federal and state standards of identity for selected products, grading products, inspecting production facilities and imposing their own labeling requirements.

Employees

We had approximately 7,000 full-time employees worldwide as of September 30, 2008. Approximately 18% of our total labor force is covered by collective bargaining agreements. There are three collective bargaining agreements that will expire in Fiscal 2009, which cover approximately 45% of the labor force under collective bargaining agreements, or approximately 9% of our total labor force. We believe that our overall relationship with our employees is good.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are made available free of charge on or through our website at *www.spectrumbrands.com* as soon as reasonably practicable after such reports are filed with, or furnished to, the United States Securities and Exchange Commission (the "SEC"). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains our reports, proxy statements and other information at *www.sec.gov*. In addition, copies of our (i) Corporate Governance Guidelines, (ii) charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, (iii) Code of Business Conduct and Ethics and (iv) Code of Ethics for the Principal Executive Officer and Senior Financial Officers are available at our Internet site at *www.spectrumbrands.com* under "Investor Relations—Corporate Governance." Copies will also be provided to any shareholder upon written request to the Division Vice President, Investor Relations, Spectrum Brands, Inc. at 6 Concourse Parkway, Suite 3300, Atlanta, Georgia 30328 or via electronic mail at *investorrelations@spectrumbrands.com*, or by contacting the Division Vice President, Investor Relations by telephone at 770-829-6200.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical financial data is derived from our audited consolidated financial statements. Only our Consolidated Balance Sheets as of September 30, 2008 and 2007 and our Consolidated Statements of Operations, Consolidated Statements of Shareholders' Equity (Deficit) and Comprehensive Income (Loss) and Consolidated Statements of Cash Flows for the years ended September 30, 2008, 2007 and 2006 are included elsewhere in this Annual Report on Form 10-K. On November 5, 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. As of March 29, 2009, we completed the shutdown of the growing products portion of the Home and Garden Business and, accordingly, began reporting the results of operations of the growing products portion of the Home and Garden Business as discontinued operations. As of October 1, 2005, we began reporting the results of operations of Nu-Gro Pro and Tech as discontinued operations. We also began reporting the results of operations of the Canadian division of our Home and Garden Business as discontinued operations as of October 1, 2006, which business was sold on November 1, 2007. Therefore, the presentation of all historical continuing operations has been changed to exclude the growing products portion of the Home and Garden Business, the Nu-Gro Pro and Tech and the Canadian division of our Home and Garden Business but to include the remaining control products portion of the Home and Garden Business. The following selected financial data should be read in conjunction with our consolidated financial statements and notes thereto and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	Fiscal Year Ended September 30,				
	2008(1)	2007(2)	2006(3)	2005(4)	2004(5)
	(In millions, except per share data)				
Statement of Operations Data:					
Net sales	$ 2,426.6	$2,332.7	$2,228.5	$2,077.5	$1,417.2
Gross profit	920.1	876.7	871.2	821.9	606.1
Operating (loss) income(6)	(684.6)	(251.8)	(289.1)	202.6	156.2
(Loss) income from continuing operations before income taxes	(914.8)	(507.2)	(460.9)	69.2	90.5
(Loss) income from discontinued operations, net of tax(7)	(26.2)	(33.7)	(2.5)	2.3	(0.4)
Net (loss) income(8)(9)(10)	(931.5)	(596.7)	(434.0)	46.8	55.8
Restructuring and related charges—cost of goods sold	$ 16.5	$ 31.3	$ 21.1	$ 10.5	$ (0.8)
Restructuring and related charges—operating expenses	22.8	66.7	33.6	15.8	12.2
Other expense (income), net(11)	1.2	(0.3)	(4.1)	(0.7)	—
Interest expense	$ 229.0	$ 255.8	$ 175.9	$ 134.1	$ 65.7
Per Share Data:					
Net (loss) income per common share:					
Basic	$ (18.29)	$ (11.72)	$ (8.77)	$ 1.07	$ 1.67
Diluted	(18.29)	(11.72)	(8.77)	1.03	1.61
Average shares outstanding:					
Basic	50.9	50.9	49.5	43.7	33.4
Diluted(12)	50.9	50.9	49.5	45.6	34.6
Cash Flow and Related Data:					
Net cash (used) provided by operating activities	$ (10.2)	$ (32.6)	$ 44.5	$ 216.6	$ 96.1
Capital expenditures(13)	18.5	23.2	55.6	60.5	26.9
Depreciation and amortization (excluding amortization of debt issuance costs)(13)	85.0	77.4	82.6	68.5	40.6
Balance Sheet Data (at fiscal year end):					
Cash and cash equivalents	$ 104.8	$ 69.9	$ 28.4	$ 29.9	$ 14.0
Working capital(14)	371.5	370.2	397.2	490.6	251.9
Total assets	2,247.5	3,211.4	3,549.3	4,022.1	1,634.2
Total long-term debt, net of current maturities	2,474.8	2,416.9	2,234.5	2,268.0	806.0
Total debt	2,523.4	2,460.4	2,277.2	2,307.3	829.9
Total shareholders' (deficit) equity	(1,027.2)	(103.8)	452.2	842.7	316.0

(1) Fiscal 2008 includes restructuring and related charges—cost of goods sold of $16.5 million, and restructuring and related charges—operating expenses of $22.8 million. See Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion.

(2) Fiscal 2007 includes restructuring and related charges—cost of goods sold of $31.3 million, and restructuring and related charges—operating expenses of $66.7 million. See Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion.

(3) Fiscal 2006 includes restructuring and related charges—cost of goods sold of $21.1 million, and restructuring and related charges—operating expenses of $33.6 million. See Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion.

(4) Fiscal 2005 selected financial data was impacted by two significant acquisitions completed during the fiscal year. The United acquisition was completed on February 7, 2005 and the Tetra acquisition was completed on April 29, 2005.

Fiscal 2005 includes restructuring and related charges—cost of goods sold of $10.5 million, and restructuring and related charges—operating expenses of $15.8 million.

(5) Fiscal 2004 selected financial data was impacted by two acquisitions completed during the fiscal year. The Ningbo Baowang Battery Company, Ltd. acquisition was completed on March 31, 2004 and the Microlite acquisition was completed on May 28, 2004. Fiscal 2004 includes restructuring and related charges—cost of goods sold of $(0.8) million, and restructuring and related charges—operating expenses of $12.2 million.

(6) During Fiscal 2008, 2007 and Fiscal 2006, pursuant to Statement of Financial Accounting Standards ("SFAS") No. 142, *"Goodwill and Other Intangible Assets,"* ("SFAS 142"), issued by the Financial Accounting Standards Board ("FASB"), we conducted our annual impairment testing of goodwill and indefinite-lived intangible assets. As a result of these analyses we recorded non-cash pretax impairment charges of approximately $861 million, $362 million and $433 million in Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively. See the *"Critical Accounting Policies—Valuation of Assets and Asset Impairment"* section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations as well as Note 2(i), Significant Accounting Policies—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

(7) Fiscal 2007 loss from discontinued operations, net of tax, includes a non-cash pretax impairment charge of approximately $45 million to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, relating to our Canadian Division of the Home and Garden Business in order to reflect the estimated fair value of this business. Fiscal 2008 loss from discontinued operations, net of tax, includes a non-cash pretax impairment charge of approximately $8 million to reduce the carrying value of intangible assets relating to our growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business. See Note 5, Assets Held for Sale, and Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for information relating to these impairment charges.

(8) Fiscal 2008 income tax benefit of $9.5 million includes a non-cash charge of approximately $222.0 million which increased the valuation allowance against certain net deferred tax assets.

(9) Fiscal 2007 income tax expense of $55.8 million includes a non-cash charge of approximately $180.1 million which increased the valuation allowance against certain net deferred tax assets.

(10) Fiscal 2006 income tax benefit of $29.4 million includes a non-cash charge of approximately $29.3 million which increased the valuation allowance against certain net deferred tax assets.

(11) Fiscal 2006 includes a $7.9 million net gain on the sale of our Bridgeport, CT manufacturing facility, acquired as part of the Remington acquisition and subsequently closed in Fiscal 2004, and our Madison, WI packaging facility, which was closed in our fiscal year ended September 30, 2003 ("Fiscal 2003").

(12) Fiscal 2008, 2007 and 2006 does not assume the exercise of common stock equivalents as the impact would be antidilutive.

(13) Amounts reflect the results of continuing operations only.

(14) Working capital is defined as current assets less current liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion of the financial results, liquidity and other key items related to our performance. This section should be read in conjunction with the "Selected Financial Data" and our Consolidated Financial Statements and related notes included in this Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation. All references to Fiscal 2008, 2007 and 2006 refer to fiscal year periods ended September 30, 2008, 2007 and 2006, respectively.

Introduction

We are a global branded consumer products company with positions in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting and home and garden control products.

During Fiscal 2007 we began managing our business in three reportable segments: (i) Global Batteries & Personal Care, which consists of our worldwide battery, shaving and grooming, personal care and portable lighting business ("Global Batteries & Personal Care"); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business ("Global Pet Supplies"); and (iii) the Home and Garden Business, which consists of our lawn and garden and household control products businesses (the "Home and Garden Business").

We have retained financial advisors to assist us in exploring potential strategies which may be available to us to reduce or restructure our significant outstanding indebtedness. In connection with this undertaking, during the first quarter of Fiscal 2007, we approved and initiated a plan to sell our Home and Garden Business, which at the time was organized into United States ("U.S.") and Canadian divisions and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result of our decision to commence this process, we determined that all the criteria set forth in paragraph 30 of Statement of Financial Accounting Standards ("SFAS") No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("SFAS 144") were met and in the first quarter of Fiscal 2007, we designated certain assets and liabilities related to our Home and Garden Business as held for sale and designated our Home and Garden Business as discontinued operations.

During the first and second quarters of Fiscal 2007, we engaged in substantive negotiations with a potential purchaser as to definitive terms for the purchase of the Home and Garden Business; however, the potential purchaser ultimately determined not to pursue the acquisition. We continued to actively market the Home and Garden Business after such time, however, the Fiscal 2007 selling season for our lawn and garden and household insect control product offerings was significantly negatively impacted by extremely poor weather conditions throughout the United States, resulting in poor operating performance of the Home and Garden Business. In addition, during the fourth quarter of Fiscal 2007 there was an unforeseen, rapid and significant tightening of liquidity in the U.S. credit markets. We believe that this tightening of liquidity within the credit markets and the operating performance of the Home and Garden Business had a direct impact on the expected proceeds that we would ultimately receive in connection with a sale of the Home and Garden Business. To address these issues, during the fourth quarter of Fiscal 2007 we reassessed the value of the Home and Garden Business to take into account the changes in the credit markets and the weaker than planned operating performance during the Fiscal 2007 selling season so as to ensure that the Home and Garden Business was being marketed at a price that was reasonable in relation to its current fair value. Our reassessment produced a lower range of expected sales values than was previously determined. As a result of the reassessment, we recorded an impairment charge against the Home and Garden Business during the fourth quarter of Fiscal 2007 to reflect its fair value as determined by us. Subsequent to taking the impairment charge, and thereby revising our expectations of the proceeds that would ultimately be received upon a sale of the Home and Garden Business, we continued to be in active discussions with various potential purchasers through December 30, 2007.

On November 1, 2007, we completed the sale of the Canadian division of our Home and Garden Business. See Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on the sale of the Canadian division of our Home and Garden Business.

During the second quarter of Fiscal 2008, we determined that in view of the difficulty in predicting the timing or probability of a sale of the Home and Garden Business the requirements of SFAS 144, necessary to classify the Home and Garden Business as discontinued operations, were no longer met and that it was appropriate to present the Home and Garden Business as held and used in the Company's continuing operations as of our second quarter of Fiscal 2008 and going forward. The presentation herein of the results of continuing operations includes our Home and Garden Business excluding the Canadian division, which, as indicated above, was sold on November 1, 2007, for all periods presented.

In the third quarter of Fiscal 2008, we entered into a definitive agreement, subject to consent of our lenders under our senior credit facilities, to sell the assets related to Global Pet Supplies. We were unable to obtain the consent of the lenders, and on July 13, 2008, we entered into a termination agreement regarding the agreement to sell Global Pet Supplies. Pursuant to the termination agreement, as a condition to the termination, we paid the proposed buyer $3 million as a reimbursement of expenses.

On November 5, 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business for the Company's 2009 fiscal year ("Fiscal 2009"). We believe the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. We completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

We remain committed to exploring potential strategies which may be available to us to reduce or restructure our significant outstanding indebtedness.

We manufacture and market alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Our manufacturing and product development facilities are located in the United States, Europe, China and Latin America. Substantially all of our rechargeable batteries and chargers, shaving and grooming products, personal care products and portable lighting products are manufactured by third-party suppliers, primarily located in Asia.

We sell our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8in1, Spectracide, Cutter and various other brands.

SFAS No. 142, *"Goodwill and Other Intangible Assets"* ("SFAS 142") requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2008, 2007 and 2006, we tested our goodwill and indefinite-lived intangible assets and, as a result of this testing, we recorded non-cash pretax impairment charges of approximately $861 million, $362 million and $433 million in Fiscal 2008, 2007 and 2006, respectively. Future cash expenditures will not result from these impairment charges. See *"Critical Accounting Policies—Valuation of Assets and Asset Impairment"* below as well as Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

Cost Reduction Initiatives

We continually seek to improve our operational efficiency, match our manufacturing capacity and product costs to market demand and better utilize our manufacturing resources. We have undertaken various initiatives to reduce manufacturing and operating costs.

Fiscal 2008. In connection with our decision to exit our zinc carbon and alkaline battery manufacturing and distribution facility in Ninghai, China, we undertook cost reduction initiatives (the "Ningbo Exit Plan"). These initiatives include fixed cost savings by integrating production equipment into our remaining production facilities and head count reductions.

Fiscal 2007. In connection with our announcement that we would manage our business in three vertically integrated, product-focused reporting segments our costs related to research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, which had previously been included in our corporate reporting segment are now included in each of the operating segments on a direct as incurred basis. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the "Global Realignment Initiatives"), including a headcount reduction of approximately 200 employees.

We also implemented a series of initiatives within our Global Batteries & Personal Care business segment in Latin America to reduce operating costs (the "Latin America Initiatives"). These initiatives include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. As a result, we reduced headcount in Latin America by approximately 100 employees.

Fiscal 2006. As a result of our continued concern regarding the European economy and the continued shift by consumers from branded to private label alkaline batteries, we announced a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure (the "European Initiatives"). These initiatives include the reduction of certain operations at our Ellwangen, Germany packaging center and relocating those operations to our Dischingen, Germany battery plant, transferring private label battery production at our Dischingen, Germany battery plant to our manufacturing facility in China and restructuring the sales, marketing and support functions. As a result, we have reduced headcount in Europe by approximately 350 employees or 24%.

Fiscal 2005. In connection with the acquisitions of United and Tetra in 2005, we announced a series of initiatives to optimize the global resources of the combined United and Spectrum companies. These initiatives included: integrating all of United's home and garden business' administrative services, sales and customer service functions into our North America headquarters in Madison, Wisconsin; converting all of our information systems to SAP; consolidating United's manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating United's pet supply business' and Tetra's administrative, manufacturing and distribution facilities. In addition, certain corporate finance functions were shifted to our global headquarters in Atlanta, Georgia.

As of October 1, 2006, initiatives to integrate the activities of our Home and Garden Business into our operations in Madison, Wisconsin were suspended.

Our integration activities within Global Pet Supplies were substantially completed as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of the distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania; one pet supply facility was closed in 2006 in Hauppauge, New York; and one pet supply facility was closed in Fiscal 2007 in Moorpark, California.

Meeting Consumer Needs through Technology and Development

We continue to focus our efforts on meeting consumer needs for our products through new product development and technology innovations. Research and development efforts associated with our electric shaving and grooming products allow us to deliver to the market unique cutting systems. Research and development efforts associated with our electric personal care products allow us to deliver to our customers products that save them time, provide salon alternatives and enhance their in-home personal care options. We are continuously pursuing new innovations for our shaving, grooming and hair care products including foil and rotary shaver improvements, trimmer enhancements and technologies that deliver skin and hair care benefits.

During Fiscal 2008, we introduced longer lasting alkaline batteries in cell sizes AA and AAA. We also launched several new products targeted at specific niche markets such as Hot Shot Spider Trap, Cutter Mosquito Stakes, Spectracide Destroyer Wasp & Hornet and Spectracide Weed Stop. We also introduced a new line of men's rotary shavers with "360° Flex & Pivot Technology." The flex and pivot technology allows the cutting blades to follow the contour of a person's face and neck. In addition, we added Teflon® coated heads to our blades to reduce redness and irritation from shaving. We also introduced "The Short Cut Clipper." The product is positioned as the world's first clipper with exclusive curved cutting technology. We also launched "Shine Therapy," a hair straightener with vitamin conditioning technology: Vitamin E, Avocado Oil and conditioners infused into the ceramic plates.

During Fiscal 2007, we introduced a new men's shaving system designed for young men, called "Code," which is specifically targeted to the transitional skin of teenagers and young adults. We also introduced the world's first electric shaver with a disposable head, called "CleanExchange" that we believe provides a closer and more comfortable male shaving experience and will also establish a consistent recurring revenue stream on a per-customer basis, atypical for the electric razor market. Advancements in shaver blade coatings continued to be significant with further introductions of Titanium, Nano-Diamond, Nano-Silver and Tourmaline on a variety of products, which allow us to continue to launch new products or product enhancements into the market place.

During Fiscal 2006, we introduced a new men's shaving platform, including such new features as ComfortSelect and improved ComfortFlex, designed to improve the comfort and closeness of the shaving experience. In the lawn and garden category, we introduced the only termite killing stakes product for the do-it-yourself market.

Competitive Landscape

We compete in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting; and home and garden control products.

The consumer battery product category consists of non-rechargeable alkaline or zinc carbon batteries in cell sizes of AA, AAA, C, D and 9-volt, and specialty batteries, which include rechargeable batteries, hearing aid batteries, photo batteries and watch/calculator batteries. Most consumer batteries are marketed under one of the following brands: Rayovac/VARTA, Duracell, Energizer or Panasonic. In addition, some retailers market private label batteries, particularly in Europe. The majority of consumers in North America and Europe purchase alkaline batteries. The Latin America market consists primarily of zinc carbon batteries but is gradually converting to higher-priced alkaline batteries as household disposable income grows.

We believe that we are the largest worldwide marketer of hearing aid batteries and that we continue to maintain a leading global market position. We believe that our close relationship with hearing aid manufacturers and other customers, as well as our product performance improvements and packaging innovations, position us for continued success in this category.

Our global pet supplies business comprises aquatics equipment (aquariums, filters, pumps, etc.), aquatics consumables (fish food, water treatments and conditioners, etc.) and specialty pet products for dogs, cats, birds and other small domestic animals. The pet supply market is extremely fragmented, with no competitor holding a market share greater than twenty percent. We believe that our brand positioning, including the leading global aquatics brand in Tetra, our diverse array of innovative and attractive products and our strong retail relationships and global infrastructure will allow us to remain competitive in this fast growing industry.

We also operate in the shaving and grooming and personal care product category, consisting of electric shavers and accessories, electric grooming products and hair care appliances. Electric shavers include men's and women's shavers (both rotary and foil design) and electric shaver accessories consisting of shaver replacement parts (primarily foils and cutters), pre-shave products and cleaning agents. Electric shavers are marketed primarily under one of the following global brands: Remington, Braun and Norelco. Electric grooming products include beard and mustache trimmers, nose and ear trimmers, body groomers and haircut kits and related accessories. Hair care appliances include hair dryers, straightening irons, styling irons and hair-setters. Europe and North America account for the majority of our worldwide product category sales. Our major competitors in the electric personal care product category are Conair Corporation, Wahl Clipper Corporation and Helen of Troy Limited.

Products in our home and garden category are sold through our Home and Garden Business. The Home and Garden Business manufactures and markets outdoor and indoor insect control products, rodenticides, herbicides and plant foods. The Home and Garden Business operates in the U.S. market under the brand names Spectracide, Cutter and Garden Safe. The Home and Garden Business' marketing position is primarily that of a value brand, enhanced and supported by innovative products and packaging to drive sales at the point of purchase. The Home and Garden Business' primary competitors in the home and garden category include The Scotts Miracle-Gro Company, Central Garden & Pet Company and S.C. Johnson & Son, Inc.

The following factors contribute to our ability to succeed in these highly competitive product categories:

- *Strong Diversified Global Brand Portfolio.* We have a global portfolio of well-recognized consumer product brands. We believe that the strength of our brands positions us to extend our product lines and provide our retail customers with strong sell-through to consumers.
- *Strong Global Retail Relationships.* We have well-established business relationships with many of the top global retailers, distributors and wholesalers, which have assisted us in our efforts to expand our overall market penetration and promote sales.
- *Expansive Distribution Network.* We distribute our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and OEMs.
- *Innovative New Products, Packaging and Technologies.* We have a long history of product and packaging innovations in each of our six product categories and continually seek to introduce new products both as extensions of existing product lines and as new product categories.
- *Experienced Management Team.* Our management team has substantial consumer products experience. On average, each senior manager has more than 20 years of experience at Spectrum, VARTA, Remington or other branded consumer product companies such as Regina, Newell Rubbermaid, H.J. Heinz and Schering-Plough.

Seasonal Product Sales

On a consolidated basis our financial results are approximately equally weighted between quarters; however, certain of our products experience seasonal sales fluctuations. Sales in the battery and electric shaving and grooming, particularly in North America, tend to be seasonal, with purchases of such products by consumers concentrated in the December holiday season. Pet supplies and electric personal care sales remain fairly constant throughout the year. Demand for our home and garden and household insect control products sold through the Home and Garden Business typically peaks during the first six months at the calendar year (Spectrum's second and third fiscal quarters). The seasonality of our sales during the last three fiscal years is as follows:

Percentage of Annual Sales

Fiscal Quarter Ended	Fiscal Year Ended September 30, 2008	2007	2006
December	24%	25%	27%
March	22%	23%	22%
June	26%	25%	26%
September	28%	27%	25%

Fiscal Year Ended September 30, 2008 Compared to Fiscal Year Ended September 30, 2007

Highlights of consolidated operating results

During Fiscal 2008 and Fiscal 2007, we have presented the growing products portion of our Home and Garden Business and the Canadian division of our Home and Garden Business as discontinued operations. Our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of our Fiscal 2009. The Canadian division of our Home and Garden Business was sold on November 1, 2007. See Note 11, Discontinued Operations of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding the shutdown of the growing products portion of the Home and Garden Business and the sale of the Canadian division of our Home and Garden Business. As a result, and unless specifically stated, all discussions regarding Fiscal 2008 and Fiscal 2007 only reflect results from our continuing operations.

Net Sales. Net sales for Fiscal 2008 increased to $2,427 million from $2,333 million in Fiscal 2007, a 4.0% increase. The following table details the principal components of the change in net sales from Fiscal 2007 to Fiscal 2008 (in millions):

	Net Sales
Fiscal 2007 Net Sales	$ 2,333
Increase in Pet supplies sales	18
Decrease in Global Batteries & Personal Care consumer battery sales	(26)
Decrease in home and garden product sales	(4)
Foreign currency impact, net	106
Fiscal 2008 Net Sales	$ 2,427

Consolidated net sales by product line for Fiscal 2008 and 2007 are as follows (in millions):

	Fiscal Year	
	2008	2007
Product line net sales		
Consumer batteries	$ 916	$ 882
Pet supplies	599	563
Home and garden control products	334	338
Electric shaving and grooming products	247	268
Electric personal care products	231	187
Portable lighting products	100	95
Total net sales to external customers	$2,427	$2,333

Global consumer battery sales during Fiscal 2008 increased $34 million, or 4%, compared to Fiscal 2007, primarily driven by a favorable foreign exchange impact of $61 million and market share gains of $15 million in North America. This increase was tempered by lower European battery sales as a result of our continued efforts to exit from unprofitable or marginally profitable private label battery sales as well as a shift in the timing of shipments, done at the request of certain of our retailers, related to holiday displays and promotions to the fourth quarter of Fiscal 2007 from the first quarter of Fiscal 2008. Sales of portable lighting products in Fiscal 2008 increased $5 million, or 5%, as sales gains resulting from new product launches in North America of $4 million and favorable foreign exchange impact of $4 million were partially offset by decreases in Latin America and Europe due to a declining market demand.

Electric shaving and grooming product sales during Fiscal 2008 decreased $21 million, or 8%, compared to Fiscal 2007 due to disappointing results in the men's electric shaving category. Further contributing to the sales decrease in electric shaving and grooming products for Fiscal 2008 versus Fiscal 2007 is the shift in timing of shipments to certain retailers from the first quarter of Fiscal 2008 to the fourth quarter of Fiscal 2007. These decreases were offset by a favorable foreign exchange impact of $9 million.

Net sales of electric personal care products for Fiscal 2008 increased $44 million, or 24%, when compared to Fiscal 2007, driven by strong worldwide growth in our women's hair care products. We continued to see strong electric personal care double digit growth in all geographic regions during Fiscal 2008, particularly in North America with 28% growth, when compared to Fiscal 2007.

Pet product sales during Fiscal 2008 increased $36 million, or 6%, compared to Fiscal 2007, primarily driven by a favorable foreign exchange impact of $18 million, growth in European aquatic sales, increases in global companion animal sales, driven by our Dingo brand, and increased volume resulting from the continued introduction of companion animal products in Europe.

Sales of home and garden control products during Fiscal 2008 versus Fiscal 2007 decreased $4 million, or 1%, primarily due to rising commodity costs and lower volume as a result of lower inventory levels at certain customers, partially offset by price increases.

Gross Profit. Gross profit for Fiscal 2008 was $920 million versus $877 million for Fiscal 2007. Our gross profit margin for Fiscal 2008 increased slightly to 37.9% from 37.6% in Fiscal 2007. As a result of our reclassification of our Home and Garden Business from an asset held for sale to an asset held and used, during Fiscal 2008 we recorded a charge in Cost of goods sold of $4 million associated with depreciation expense for the production related assets of that business as a result of our reclassification of our Home and Garden business from discontinued operations to continuing operations. From October 1, 2006 through September 30, 2007, the U.S. division of our Home and Garden Business was designated as discontinued operations. In accordance with generally accepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business. See "*Introduction*" above and "*Segment Results—Home and Garden*" below, as well as Note 1, Description of Business, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the reclassification of the Home and Garden Business. Cost of goods sold during Fiscal 2008 also included $16 million in restructuring and related charges, primarily attributable to the Ningbo Exit Plan. The restructuring and related charges incurred in Fiscal 2007 were $31 million which were associated with various cost cutting initiatives in connection with the integration activities in our Global Pet Supplies business, which are substantially complete, and the rationalization of our Global Batteries & Personal Care European and Latin American manufacturing organizations. See "*Restructuring and Related Charges*" below, as well as Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

Operating Expense. Operating expenses for Fiscal 2008 totaled $1,605 million versus $1,128 million for Fiscal 2007. This $475 million increase in operating expenses for Fiscal 2008 versus Fiscal 2007 was primarily driven by an increase of $497 million in impairment charges. Impairment charges in Fiscal 2008 were $861 million versus $362 million in Fiscal 2007. In both Fiscal 2008 and Fiscal 2007 the impairment charges were non-cash charges and related to the write down of the carrying value of goodwill and indefinite-lived intangible assets to fair value in accordance with both SFAS 142 and SFAS 144. See "*Goodwill and Intangibles Impairment*" below, as well as Note 2(c), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges. The increase in operating expenses in Fiscal 2008 versus Fiscal 2007 is also attributable to the negative impact related to foreign exchange of approximately $36 million and a $18 million charge associated with the depreciation and amortization related to the assets of the Home and Garden Business incurred as a result of our reclassification of our Home and Garden Business from discontinued operations to continuing operations. See "*Introduction*" above and "*Segment Results—Home and Garden*" below, as well as Note 1, Description of Business, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the reclassification of the Home and Garden Business. The increases noted above were partially offset by the decrease of $44 million of restructuring and related charges in Fiscal 2008 compared to Fiscal 2007. The restructuring and related charges incurred in Fiscal 2008 of $23 million are primarily attributable to various cost reduction initiatives in connection with our global realignment announced in January 2007. The restructuring and related charges incurred in Fiscal 2007 of $67 million were primarily attributable to the ongoing integration of our Global Pet Supplies business, rationalization of the sales and marketing organizations of the European and Latin American divisions of Global Batteries & Personal Care and various cost reduction initiatives in connection with our global realignment announced in January 2007 to reduce general and administrative expenses. See "*Restructuring and Related Charges*" below, as well as Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

Operating Loss. An operating loss of approximately $685 million was recognized in Fiscal 2008 compared to an operating loss in Fiscal 2007 of $252 million. The Fiscal 2008 operating loss is directly attributable to the impact of the previously discussed non-cash impairment charge of $861 million, coupled with restructuring and related charges of $39 million. The Fiscal 2007 operating loss is directly attributable to the previously discussed non-cash impairment charge of approximately $362 million coupled with restructuring and related charges of $98 million.

Segment Results. As discussed above in Item 1, Business, beginning Fiscal 2007, we manage our business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) Home and Garden Business. The presentation of all historical segment reporting herein has been reclassified to conform to this segment reporting.

Operating segment profits do not include restructuring and related charges, interest expense, interest income, impairment charges and income tax expense. In connection with the realignment of our operating segments, expenses associated with global operations, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, which were previously reflected in corporate expenses, are now included in the determination of operating segment profits. In addition, certain general and administrative expenses necessary to reflect the operating segments on a stand alone basis and which were previously reflected as corporate expense, have been included in the determination of operating segment profits. Accordingly, corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans. Segment reporting results for Fiscal 2006 have been reclassified to conform to the changes described above.

All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are allocated to operating segments or corporate expense according to the function of each cost center. All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to our reportable segments is contained in Note 13, Segment Information, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Global Batteries & Personal Care

	2008	2007
	(in millions)	
Net sales to external customers	$1,494	$1,431
Segment profit	$ 163	$ 144
Segment profit as a % of net sales	10.9%	10.0%
Assets as of September 30,	$1,183	$1,377

Segment net sales to external customers in Fiscal 2008 increased $63 million to $1,494 million from $1,431 million during Fiscal 2007, representing a 4% increase. Favorable foreign currency exchange translation impacted net sales in Fiscal 2008 by approximately $88 million in comparison to Fiscal 2007. Battery sales for Fiscal 2008 increased to $916 million when compared to Fiscal 2007 sales of $881 million, principally due a positive foreign currency impact of $61 million and increases in North America of $15 million, which were driven by an increase in market share, as consumers opt for our value proposition during the weakening economic conditions in the U.S. These increases were partially offset by decreases in Latin America and Europe of $9 million and $32 million, respectively. The decrease in Latin American battery sales was primarily due to zinc carbon shortfalls in Mexico, Central America and Colombia. The decrease in European battery sales was the result of our continued efforts to exit from unprofitable or marginally profitable private label battery sales, as well as certain second tier branded battery sales. We are continuing our efforts to promote profitable growth and therefore, expect to continue to exit certain low margin business as appropriate to create a more favorable mix of branded versus private label products. Net sales of electric shaving and grooming products in Fiscal 2008 decreased by $21 million, or 8%, primarily as a result of declines in North America of $29. These declines were partially offset by a positive foreign currency impact of $9 million. Electric personal care sales increased by $44 million, an increase of 24% over Fiscal 2007. Favorable foreign exchange translation impacted net sales by approximately $14 million coupled with strong worldwide growth in our women’s hair care products. We saw double digit sales growth of our electric personal care products in all geographic regions, particularly in North America with 28% growth, when compared to Fiscal 2007. Net sales of portable lighting products for Fiscal 2008 increased to $100 million as compared to sales of $95 million for Fiscal 2007. The sales increase was driven by a $5 million increase in North America associated with sales gains from new product launches coupled with favorable foreign exchange translation of $4 million that was tempered by decreases in Latin America and Europe due to declining market demand.

Segment profitability in Fiscal 2008 increased to $163 million from $144 million in Fiscal 2007. Segment profitability as a percentage of net sales increased to 10.9% in Fiscal 2008 as compared with 10.0% in Fiscal 2007. The segment profitability during Fiscal 2008 was primarily the result of cost savings from our global realignment announced in January 2007. See “*Restructuring and Related Charges*” below, as well as Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

Segment assets at September 30, 2008 decreased to $1,183 million from $1,377 million at September 30, 2007. The decrease is primarily attributable to the impact of foreign currency translation coupled with the impairment of goodwill and certain trade name intangible assets, a non-cash charge, in Fiscal 2008. See “*Goodwill and Intangibles Impairment*” below as well Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Batteries & Personal

Care. Goodwill and intangible assets at September 30, 2008 total approximately $416 million and primarily relate to the ROV Ltd., VARTA AG, Remington Products Company, L.L.C. (“Remington Products”) and Microlite S.A. (“Microlite”) acquisitions. Included in long-term liabilities assumed in connection with the acquisition of Microlite is a provision for “presumed” credits applied to the Brazilian excise tax on manufactured products, or “IPI taxes.” Although a previous ruling by the Brazilian Federal Supreme Court had been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI “presumed” tax credits. This decision is applicable to all similarly-situated taxpayers. At September 30, 2008, these amounts totaled approximately $14 million and are included in Other long-term liabilities in the Consolidated Balance Sheets included in this Annual Report on Form 10-K.

Global Pet Supplies

	2008	2007
	(in millions)	
Net sales to external customers	$ 599	$ 563
Segment profit	$ 69	$ 71
Segment profit as a % of net sales	11.5%	12.6%
Assets as of September 30,	$ 700	$1,202

Segment net sales to external customers in Fiscal 2008 increased to $599 million from $563 million in Fiscal 2007, representing an increase of $36 million or 6%. Favorable foreign currency exchange translation impacted net sales in Fiscal 2008 compared to Fiscal 2007 by approximately $18 million. Worldwide aquatic sales for Fiscal 2008 increased slightly to $398 million when compared to sales of $383 million in Fiscal 2007. The increase in worldwide aquatic sales was due to an increase in Europe of $7 million coupled with favorable foreign exchange of $17 million, offset by sales decreases in North America of $9 million. Companion animal net sales increased to $201 million in Fiscal 2008 compared to $180 million in Fiscal 2007, an increase of $21 million, or 11%. We continued to see strong growth in companion animal sales in the U.S. driven by our Dingo brand, coupled with increased volume in Europe and Pacific Rim associated with the continued introduction of companion animal products.

Segment profitability in Fiscal 2008 decreased to $69 million from $71 million in Fiscal 2007. Segment profitability as a percentage of sales in Fiscal 2008 decreased to 11.5% from 12.6% in the same period last year. This decrease in segment profitability margin was primarily due to the non-recurrence of a curtailment gain of approximately $3 million, related to the termination of a postretirement plan recorded in Fiscal 2007, coupled with an increase in input costs.

Segment assets as of September 30, 2008 decreased to $700 million from $1,202 million at September 30, 2007. The decrease is primarily attributable to the impact of foreign currency translation coupled with the impairment of goodwill and certain trade name intangible assets, a non-cash charge, in Fiscal 2008. See “*Goodwill and Intangibles Impairment*” below as well Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Pet Supplies. Goodwill and intangible assets as of September 30, 2008 total approximately $447 million and primarily relate to the acquisitions of Tetra and the United Pet Group division of United.

Home and Garden

	2008	2007
	(in millions)	
Net sales to external customers	$334	$ 338
Segment profit	$ 29	$ 41
Segment profit as a % of net sales	8.7%	12.1%
Assets as of September 30,	$290	$ 548

Segment net sales to external customers of home and garden control products during Fiscal 2008 versus Fiscal 2007 decreased $4 million, or 1%, primarily due to rising commodity costs and lower volume as a result of lower inventory levels at certain customers, partially offset by price increases.

Segment profitability in Fiscal 2008 decreased to $29 million from $41 million in Fiscal 2007. Segment profitability as a percentage of sales in Fiscal 2008 decreased to 8.7% from 12.1% in the same period last year. The decrease in segment profit for Fiscal 2008 was primarily due to increased commodity costs associated with our lawn and garden controls products, our increased investment in the Spectricide and Cutter brands, coupled with depreciation and amortization expense of $22 million recorded during Fiscal 2008, while no depreciation and amortization expense was recorded in Fiscal 2007. From October 1, 2006 through December 30, 2007, the U.S. division of our Home and Garden Business was designated as discontinued operations. In accordance with generally excepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business. As a result of our reclassification of that business to a continuing operation we recorded a catch-up of depreciation and amortization expense, which totaled $14 million, for the five quarters during which this business was designated as discontinued operations. In addition, Fiscal 2008 also includes depreciation and amortization of $8 million representing the Fiscal 2008 depreciation and amortization expense of our Home and Garden Business.

Segment assets as of September 30, 2008 decreased to $290 million from $548 million at September 30, 2007. The decrease is primarily attributable to the depreciation expense mentioned above coupled with the impairment of goodwill and certain trade name intangible assets, a non-cash charge, in Fiscal 2008. See "*Goodwill and Intangibles Impairment*" below as well Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Home and Garden. Intangible assets as of September 30, 2008 total approximately $115 million and primarily relate to the acquisition of the United Industries division of United.

Corporate Expense. Our corporate expense in Fiscal 2008 decreased to $45 million from $47 million in Fiscal 2007. The decrease in expense for Fiscal 2008 is primarily due to savings associated with our global realignment announced in January 2007, lower executive compensation expense and other corporate overhead expense reductions, tempered by the write off of professional fees incurred in connection with the termination of potential sales of certain of the Company's businesses coupled with the non-recurrence of a curtailment gain of $2 million which was recorded in Fiscal 2007 in connection with the termination of an employee benefit plan. Our corporate expense as a percentage of consolidated net sales in Fiscal 2008 decreased to 1.7% from 1.8% in Fiscal 2007.

Restructuring and Related Charges. See Note 16, Restructuring and Related Charges of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

The following table summarizes all restructuring and related charges we incurred in 2008 and 2007 (in millions):

	2008	2007
Costs included in cost of goods sold:		
Breitenbach, France facility closure:		
Termination benefits	$ —	$ —
Other associated costs	—	0.5
United & Tetra integration:		
Termination benefits	—	0.2
Other associated costs	0.3	13.0
European initiatives:		
Termination benefits	(0.8)	7.5
Other associated costs	0.1	0.3
Latin America initiatives:		
Termination benefits	—	0.7
Other associated costs	0.3	9.8
Global Realignment initiatives:		
Termination benefits	0.1	(0.7)
Other associated costs	0.1	—
Ningbo Exit Plan:		
Termination benefits	1.2	—
Other associated costs	15.2	—
Total included in cost of goods sold	$16.5	$31.3
Costs included in operating expenses:		
United & Tetra integration:		
Termination benefits	$ 2.0	$ 1.1
Other associated costs	0.9	12.8
European initiatives:		
Termination benefits	—	(1.3)
Latin America initiatives:		
Termination benefits	0.1	0.4
Global Realignment:		
Termination benefits	12.3	48.7
Other associated costs	7.5	5.0
Total included in operating expenses	$22.8	$66.7
Total restructuring and related charges	$39.3	$98.0

During our fiscal year ended September 30, 2005 ("Fiscal 2005"), we announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries and Personal Care. We recorded no pretax restructuring and related charges during the Fiscal 2008, and approximately $1 million in Fiscal 2007, in connection with this closure. The costs associated with the initiative are complete and totaled approximately $11 million.

In connection with the acquisitions of United and Tetra in Fiscal 2005, we implemented a series of initiatives to optimize the global resources of the combined companies. These initiatives included: integrating all of United's home and garden administrative services, sales and customer service functions into our operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities at our Global Pet Supplies business. In addition, certain corporate functions were shifted to our global headquarters in Atlanta, Georgia. Effective October 1, 2006, we suspended initiatives to integrate the activities of the Home and Garden Business into our operations in Madison, Wisconsin. We recorded de minimis restructuring and related charges in Fiscal 2008, and $5 million in Fiscal 2007, in connection with the integration of the United home and garden business. We have recorded pretax restructuring and related charges of approximately $31 million since the inception of this initiative.

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of our distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. We recorded approximately $3 million and $22 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively, primarily in connection with our integration activities within Global Pet Supplies. We have recorded pretax restructuring and related charges of approximately $35 million since the inception of the integration activities within Global Pet Supplies.

We have implemented a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure (the "European Initiatives"). In connection with the European Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure. These initiatives include the relocation of certain operations at our Ellwangen, Germany packaging center to the Dischingen, Germany battery plant, transferring private label battery production at our Dischingen, Germany battery plant to our manufacturing facility in China and restructuring Europe's sales, marketing and support functions. We recorded approximately $1 million in pretax restructuring and related credits, representing the true-up of reserve balances, and $7 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively, in connection with the European Initiatives. We have recorded pretax restructuring and related charges of approximately $27 million since the inception of the European Initiatives.

We have implemented a series of initiatives within our Global Batteries & Personal Care business segment in Latin America to reduce operating costs (the "Latin American Initiatives"). In connection with the Latin American Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs. The initiatives include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. We recorded de minimis pretax restructuring and related charges during Fiscal 2008 and approximately $11 million during Fiscal 2007, in connection with the Latin American Initiatives. We have recorded pretax restructuring and related charges of approximately $11 million since the inception of the Latin American Initiatives.

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, our global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 13, Segment Results, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional discussion on the realignment of our operating segments. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the "Global Realignment Initiatives"). We recorded approximately $20 million and $53 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2008, relate primarily to severance and are projected at approximately $85 million.

During Fiscal 2008, we implemented an initiative within the Global Batteries & Personal Care segment to reduce operating costs and rationalize our manufacturing structure. These initiatives include the exit of our battery manufacturing facility in Ningbo Baowang China ("Ningbo") (the "Ningbo Exit Plan"). We recorded approximately $16 million of pretax restructuring and related charges during Fiscal 2008 in connection with the Ningbo Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately $22 million.

Goodwill and Intangibles Impairment. SFAS 142 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2008 and 2007, we tested our goodwill and indefinite-lived intangible assets. As a result of this testing, we recorded a non-cash pretax impairment charge of $861 million and $362 million in Fiscal 2008 and 2007, respectively. The $861 million non-cash pretax impairment charge incurred in Fiscal 2008 reflects $602 million related to the impairment of goodwill and $259 million related to the impairment of trade name intangible assets. Of the $602 million goodwill impairment; $426 million was associated with our Global Pet Supplies segment, $160 million was associated with our Home and Garden Business and $16 million was associated with our Global Batteries and Personal Care reportable segment. Of the $257 million trade name intangible assets impairment; $98 million was within our Global Pet Supplies reportable segment, $86 million was within our Global Batteries and Personal Care reportable segment and $73 million was within our Home and Garden reportable segment. The $362 million impairment charge incurred in Fiscal 2007 reflects the impairment of goodwill associated with our U.S. Home and Garden Business and our North America reporting unit, which is now included as part of our Global Batteries & Personal Care reportable segment, coupled with an impairment of trade name intangible assets primarily associated with our Global Batteries & Personal Care business segment. Future cash expenditures will not result from these impairment charges. See Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

Interest Expense. Interest expense in Fiscal 2008 decreased to $229 million from $256 million in Fiscal 2007. The decrease in Fiscal 2008 was primarily due to the non recurrence of the write off of debt issuance costs and prepayment premiums related to our debt refinancing in March 2007. See "*Liquidity and Capital Resources—Debt Financing Activities*" below, as well as, Note 7, Debt, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our outstanding debt.

Income Taxes. Our effective tax rate on losses from continuing operations is approximately 1.0% for Fiscal 2008. Our effective tax rate on income from continuing operations was approximately (9.9)% for Fiscal 2007. The primary drivers of the change in our effective tax rate relate to tax expense recorded for an increase in the valuation allowance associated with our net U.S. deferred tax asset, the tax impact of the impairment charges recorded in Fiscal 2008 and Fiscal 2007 related to non-deductible goodwill and to changes in the mix of our taxable income between U.S. and foreign sources.

As of September 30, 2008, we have U.S. federal and state net operating loss carryforwards of approximately $1,009 and $1,832 million, respectively, which will expire between 2009 and 2028, and we have foreign net operating loss carryforwards of approximately $142 million, which will expire beginning in 2009. Certain of the foreign net operating losses have indefinite carryforward periods. As of September 30, 2007 we had U.S. federal, foreign and state net operating loss carryforwards of approximately $763, $117 and $1,141 million, respectively, which, at that time, were scheduled to expire between 2008 and 2027. Certain of the foreign net operating losses have indefinite carryforward periods. Limitations apply to a portion of these net operating loss carryforwards in accordance with Internal Revenue Code Section 382.

The ultimate realization of our deferred tax assets depends on our ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. SFAS No. 109 *"Accounting for Income Taxes"* ("SFAS 109") requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with SFAS 109, we periodically assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, we recorded a non-cash deferred income tax charge of approximately $257 million related to a valuation allowance against U.S. net deferred tax assets during Fiscal 2008. In addition, we recorded a non-cash deferred income tax charge of approximately $3.6 million in the third quarter of Fiscal 2008 related to an increase in the valuation allowance against our net deferred tax assets in China in connection with the Ningbo Exit Plan. We also determined that a valuation allowance was no longer required in Brazil and thus recorded a $30.9 million benefit in the third quarter of Fiscal 2008 to reverse the valuation allowance previously established. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, is approximately $496 million at September 30, 2008. Of this amount, approximately $468 million relates to U.S. net deferred tax assets and approximately $28 million relates to foreign net deferred tax assets.

SFAS 142 requires companies to test goodwill and indefinite-lived assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. During Fiscal 2008 and 2007, the Company recorded
non- cash

pretax impairment charges of approximately $861 million and $362 million, respectively. The tax impact, prior to consideration of the current year valuation allowance, of the impairment charges was a deferred tax benefit of approximately $143 million and $77 million respectively, because a significant portion of the impaired assets are not deductible for tax purposes . See "*Goodwill and Intangibles Impairment*" above, as well as Note 2(c), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges.

In 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We adopted the provision of FIN 48 on October 1, 2007. As a result of the adoption of FIN 48, we recognized no cumulative effect adjustment. As of October 1, 2007 and September 30, 2008 we had approximately $8 million and $7 million of unrecognized tax benefits, respectively, of which approximately $5 million, for both October 1, 2007 and September 30, 2008, would affect our effective tax rate if recognized and approximately $3 million and $2 million, respectively, of which would result in a reduction in goodwill if recognized. The change from October 1, 2007 to September 30, 2008 is primarily a result of the accrual of additional interest and penalties and the settlement of a tax examination in Germany. See Note 10, Income Taxes, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the settlement of the tax examination in Germany.

Discontinued Operations. On November 5, 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. We believe the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. We completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2008 and Fiscal 2007, respectively:

	2008	2007
Net sales	$261.4	$232.0
Loss from discontinued operations before income taxes	$ (27.1)	$ 6.3
Provision for income tax benefit	(2.1)	—
Loss from discontinued operations, net of tax	$ (25.0)	$ 6.3

In accordance with SFAS 144, long-lived assets to be disposed of are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, we recorded a non-cash pretax charge of $6 million in discontinued operations to reduce the carrying value of intangible assets related to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business.

On November 1, 2007, we sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled approximately $15 million and were used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in our Consolidated Statements of Cash Flows included in this Annual Report on Form 10-K. On February 5, 2008, we finalized the contractual working capital adjustment in connection with this sale which increased our received proceeds by approximately $1 million. As a result of the finalization of the contractual working capital adjustments we recorded a loss on disposal of approximately $1 million, net of tax benefit.

The following amounts related to the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2008 and Fiscal 2007, respectively:

	2008(A)	2007
Net sales	$ 4.7	$ 88.7
Loss from discontinued operations before income taxes	$ (1.9)	$ (46.3)
Provision for income tax benefit	(0.7)	(6.3)
Loss from discontinued operations, net of tax	$ (1.2)	$ (40.0)

(A) Fiscal 2008 represents results from discontinued operations from October 1, 2007 through November 1, 2007, the date of sale. Included in the Fiscal 2008 loss is a loss on disposal of $1.1 million, net of tax benefit.

In accordance with SFAS 144, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, we recorded a non-cash pretax charge of $45 million in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian Home and Garden Business in order to reflect the estimated fair value of this business.

Fiscal Year Ended September 30, 2007 Compared to Fiscal Year Ended September 30, 2006

Highlights of consolidated operating results

During Fiscal 2007 and Fiscal 2006, we have presented the growing products portion of our Home and Garden Business and the Canadian division of our Home and Garden Business as discontinued operations. Our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of our Fiscal 2009. The Canadian division of our Home and Garden Business was sold on November 1, 2007. See Note 11, Discontinued Operations of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding the shutdown of the growing products portion of the Home and Garden Business and the sale of the Canadian division of our Home and Garden Business. As a result, and unless specifically stated, all discussions regarding Fiscal 2007 and Fiscal 2006 only reflect results from our continuing operations.

Net Sales. Net sales for Fiscal 2007 increased to $2,333 million from $2,229 million in Fiscal 2006, a 4.7% increase. The following table details the principal components of the change in net sales from Fiscal 2006 to Fiscal 2007 (in millions):

	Net Sales
Fiscal 2006 Net Sales	$ 2,229
Increase in Pet supplies sales	11
Increase in Global Batteries & Personal Care Remington branded product sales	37
Increase in home and garden control products	4
Decrease in Global Batteries & Personal Care alkaline battery sales	(17)
Foreign currency impact, net	66
Other, net	3
Fiscal 2007 Net Sales	$ 2,333

Consolidated net sales by product line for Fiscal 2007 and 2006 are as follows (in millions):

	Fiscal Year	
	2007	2006
Product line net sales		
Consumer batteries	$ 882	$ 861
Pet supplies	563	543
Home and garden control products	338	334
Electric shaving and grooming products	268	252
Electric personal care products	187	151
Portable lighting products	95	88
Total net sales to external customers	$2,333	$2,229

Global consumer battery sales increased $21 million, or 2%, primarily driven by a favorable foreign exchange impact of $37 million coupled with growth in Latin America due to favorable pricing, volume growth and product mix. This increase was tempered by declines in alkaline battery sales in North America, as a result of lost distribution, coupled with declines in alkaline battery sales in Europe which were driven by (i) the continued shift in distribution channels from electronic specialty and photo stores to deep discount and food retail channels and (ii) the continued shift in product mix due to consumer preferences for lower-priced private label batteries. Both issues are more fully discussed in "*Segment Results*" below. Sales of portable lighting products in Fiscal 2007 increased $7 million, or 8%, driven by new product launches. The increase in electric shaving and grooming sales of $16 million, or 6%, is primarily attributable to distribution expansion in our Latin America and European markets. The strong increase in electric personal care sales of $36 million, or 24%, was due to our increased market share. We experienced double digit percentage growth in electric personal care sales in all geographic regions. The $20 million, or 4%, increase in pet supplies sales was primarily due to growth in companion animal sales, driven by our Dingo brand, coupled with the introduction of companion animal products to the European market. Sales of home and garden control products during Fiscal 2007 versus Fiscal 2006 increased $4 million, or 5%, driven by expanded distribution in insect repellants.

Gross Profit. Gross profit for Fiscal 2007 was $877 million versus $871 million for Fiscal 2006. Our gross profit margin for Fiscal 2007 decreased to 37.6% from 39.0% in Fiscal 2006. Higher zinc prices, a key raw material in the production of our batteries, reduced Fiscal 2007 gross profit by approximately $13 million, net of our hedges. Furthermore, Fiscal 2007 included unfavorable manufacturing variances of approximately $17 million within the Home and Garden Business when compared to Fiscal 2006. Included in Fiscal 2007 and Fiscal 2006 were restructuring and related charges of approximately $31 million, and $21 million, respectively. These restructuring and related charges were associated with the various cost cutting initiatives in connection with our global realignment announced in January 2007, ongoing integration activities of our Global Pet Supplies, which are substantially complete, and the rationalization of our Global Batteries & Personal Care European and Latin American manufacturing organizations. See "*Restructuring and Related Charges*" below, as well as Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges. Higher battery pricing in North America and Latin America contributed positively to gross profit margin.

Operating Expense. Operating expenses for Fiscal 2007 totaled $1,128 million versus $1,160 million for Fiscal 2006. This $32 million decrease in operating expenses for Fiscal 2007 versus Fiscal 2006 was primarily driven by a decrease of $71 million in impairment charges. Impairment charges in Fiscal 2007 were $362 million versus $433 million in Fiscal 2006. In both Fiscal 2007 and Fiscal 2006 the impairment charges were non-cash charges and related to the write down of the carrying value of goodwill and indefinite-lived intangible assets to fair value in accordance with SFAS 142. See "*Goodwill and Intangibles Impairment*" below, as well as Note 2(c), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges. Offsetting the decrease in impairment charges were (i) increases in advertising and marketing expenses in Fiscal 2007 of approximately $8 million to support our new Remington, Rayovac and VARTA marketing campaigns, (ii) increases in restructuring and related charges of approximately $33 million, rising to $67 million in Fiscal 2007 from $34 million in Fiscal 2006 and (iii) increases resulting from the write off of professional fees during Fiscal 2007, which totaled approximately $4 million and are included in general and administrative expense, in connection with the write off of professional fees incurred in connection with the termination of the potential sale of the Home and Garden Business. The restructuring and related charges incurred in Fiscal 2007 were primarily attributable to various cost reduction initiatives in connection with our global realignment announced in January 2007, ongoing integration of our Global Pet Supplies, ongoing integration of our Home and Garden Business and rationalization of our Global Batteries & Personal Care European and Latin America manufacturing support, sales and marketing organizations. The restructuring and related charges incurred in Fiscal 2006 were primarily attributable to the ongoing integration of our Global Pet Supplies, ongoing integration of our Home and Garden Business and rationalization of our Global Batteries & Personal Care European manufacturing, support, sales and marketing organization. See "*Restructuring and Related Charges*" below, as well as Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

Operating Loss. An operating loss of approximately $252 million was recognized in Fiscal 2007 compared to an operating loss in Fiscal 2006 of $289 million. The Fiscal 2007 operating loss is directly attributable to the impact of the previously discussed non-cash impairment charge of $362 million, coupled with restructuring and related charges of $98 million. The Fiscal 2006 operating loss is directly attributable to the previously discussed non-cash impairment charge of approximately $433 million coupled with restructuring and related charges of $55 million.

Segment Results. As discussed above in Item 1, Business, beginning in Fiscal 2007, we manage our business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) Home and Garden Business. The presentation of all historical segment reporting herein has been reclassified to conform to this segment reporting.

Operating segment profits do not include restructuring and related charges, interest expense, interest income, impairment charges and income tax expense. In connection with the realignment of our operating segments discussed above, in Fiscal 2007 expenses associated with global operations, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, which were previously reflected in corporate expense, are now included in the determination of operating segment profits. In addition, certain general and administrative expenses necessary to reflect the operating segments on a stand alone basis and which were previously reflected as corporate expense have been included in the determination of operating segment profits. Accordingly, corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans. Segment reporting results for Fiscal 2006 have been reclassified to conform to the changes described above.

All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are allocated to operating segments or corporate expense according to the function of each cost center. All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to our reportable segments is contained in Note 13, Segment Information, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Global Batteries & Personal Care

	2007	2006
	(in millions)	
Net sales to external customers	$1,431	$1,352
Segment profit	$ 144	$ 117
Segment profit as a % of net sales	10.0%	8.7%
Assets as of September 30,	$1,377	$1,612

Segment net sales to external customers in Fiscal 2007 increased $79 million to $1,431 million from $1,352 million during Fiscal 2006, representing a 6% increase. Favorable foreign currency exchange translation impacted net sales in Fiscal 2007 by approximately $58 million. Battery sales for Fiscal 2007 were slightly up to $882 million when compared to Fiscal 2006 sales of $861 million, principally due to increases in Latin America of $24 million, which were driven by favorable pricing, volume growth and product mix. These increases were tempered by declines in North America sales of $8 million associated with lost distribution as well as in Europe of $25 million driven by (i) our continued exit from the low margin private label battery businesses, (ii) the continued shift in European distribution channels from electronic specialty stores and photo stores to discount channels and (iii) the continued shift in product mix due to consumer preferences for lower-priced private label batteries. Net sales of electric shaving and grooming products in Fiscal 2007 increased by $16 million, or 6%, as the result of the growth in our Latin America and European markets. Electric personal care sales increased by $36 million, an increase of 24% over Fiscal 2006, driven by our expanded global distribution in conjunction with our investments in brand development. Net sales of portable lighting products for Fiscal 2007 increased to $95 million as compared to sales of $88 million for Fiscal 2006. The sales increase was driven by new product launches and occurred in all geographic regions.

Segment profitability in Fiscal 2007 increased to $144 million from $117 million in Fiscal 2006. Segment profitability as a percentage of net sales increased to 10.0% in Fiscal 2007 as compared with 8.7% in Fiscal 2006. The increase in segment profitability for Fiscal 2007 was the result of higher gross profit, driven by sales increases, which more than offset increases in raw material commodity costs, coupled with savings from our Fiscal 2006 Global Batteries & Personal Care restructuring initiatives and our global realignment announced in January 2007. See "*Restructuring and Related Charges*" below, as well as Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges. The cost reductions noted above were slightly offset by our increased investment in marketing and advertising expenses of $8 million associated with our new Rayovac, VARTA and Remington marketing campaigns.

Segment assets at September 30, 2007 decreased to $1,377 million from $1,612 million at September 30, 2006. The decrease is primarily attributable to the non-cash impairment of goodwill and certain trade name intangible assets in Fiscal 2007. See "*Goodwill and Intangibles Impairment*" below as well as Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Batteries & Personal Care. Goodwill and intangible assets at September 30, 2007 total approximately $530 million and primarily relate to the ROV Ltd., VARTA AG, Remington Products and Microlite acquisitions. Included in long-term liabilities assumed in connection with the acquisition of Microlite is a provision for "presumed" credits applied to the Brazilian excise tax on manufactured products, or "IPI taxes." Although a previous ruling by the Brazilian Federal Supreme Court had been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI "presumed" tax credits. This decision is applicable to all similarly-situated taxpayers. At September 30, 2007, these amounts totaled approximately $33 million and are included in Other long-term liabilities in the Consolidated Balance Sheets included in this Annual Report on Form 10-K.

Global Pet Supplies

	2007	2006
	(in millions)	
Net sales to external customers	$ 563	$ 543
Segment profit	$ 71	$ 72
Segment profit as a % of net sales	12.6%	13.3%
Assets as of September 30,	$1,202	$1,171

Segment net sales to external customers in Fiscal 2007 increased to $563 million from $543 million in Fiscal 2006, representing an increase of $20 million or 4%. Favorable foreign currency exchange translation impacted net sales in Fiscal 2007 by approximately $8 million. The increase in net sales in Fiscal 2007 was primarily driven by growth of 10% in our companion animal products, principally due to sales increases of our Dingo brand, coupled with the introduction of companion animal products in Europe. Worldwide aquatic sales increased approximately $3 million, or 1%, as 17% growth in European aquatic sales was tempered by sales declines in the North American aquatic market.

Segment profitability in Fiscal 2007 decreased to $71 million from $72 million in Fiscal 2006. Segment profitability as a percentage of sales in Fiscal 2007 decreased to 12.6% from 13.3% in the same period last year. This decrease in segment profitability was due to increased spending on marketing and advertising coupled with increases in manufacturing and distribution costs, primarily resulting from challenges encountered in our initiative to consolidate distribution and manufacturing facilities. These costs were somewhat tempered by a curtailment gain of approximately $3 million related to the termination of a post-retirement benefit plan.

Segment assets as of September 30, 2007 increased to $1,202 million from $1,171 million at September 30, 2006. The increase is primarily due to the impact of foreign currency translation. Goodwill and intangible assets as of September 30, 2007 total approximately $964 million and primarily relate to the acquisitions of Tetra and the United Pet Group division of United.

Home and Garden

	2007	2006
	(in millions)	
Net sales to external customers	$ 338	$ 334
Segment profit	$ 41	$ 50
Segment profit as a % of net sales	12.1%	15.0%
Assets as of September 30,	$ 548	$ 692

Segment net sales to external customers in Fiscal 2007 increased to $338 million from $334 million in Fiscal 2006, representing an increase of $4 million. The increase in net sales was driven by expanded distribution of insect repellants.

Segment profitability in Fiscal 2007 decreased to $41 million from $50 million in Fiscal 2006. Segment profitability as a percentage of sales in Fiscal 2007 decreased to 12.1% from 15.0% in the same period last year. The decrease in segment profit for Fiscal 2007 was primarily due to unfavorable manufacturing variances associated with the Home and Garden Business, offset by no depreciation and amortization expense being recorded in Fiscal 2007 while depreciation and amortization expense of $12 million was recorded during Fiscal 2006. From October 1, 2006 through September 30, 2007, the U.S. division of our Home and Garden Business was designated as discontinued operations. In accordance with generally excepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business.

Segment assets as of September 30, 2007 decreased to $548 million from $692 million at September 30, 2006. The decrease is primarily attributable to the non-cash impairment of goodwill in Fiscal 2007. See "*Goodwill and Intangibles Impairment*" below as well as Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Home and Garden. Goodwill and intangible assets as of September 30, 2007 total approximately $374 million and primarily relate to the acquisition of United.

Corporate Expense. Our corporate expense in Fiscal 2007 increased to $47 million from $41 million in Fiscal 2006. The increase in expense for Fiscal 2007 is due to professional fees incurred in connection with our strategic decision to dispose of the Home and Garden Business, increased management incentive compensation expense accruals related to the achievement of current year bonus targets and increased compensation expense related to certain global long-term incentive plans. No such accruals for management incentive compensation expense were included in corporate expense in Fiscal 2006 as performance measures were not achieved. These increases in Fiscal 2007 were somewhat offset by savings associated with the global realignment announced in January 2007 and a curtailment gain of approximately $2 million related to the termination of a U.S. post-retirement benefit plan. Our corporate expense as a percentage of net sales in Fiscal 2007 increased to 1.8% from 1.7% in Fiscal 2006.

Restructuring and Related Charges. See Note 16, Restructuring and Related Charges of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

The following table summarizes all restructuring and related charges we incurred in 2007 and 2006 (in millions):

	2007	2006
Costs included in cost of goods sold:		
Breitenbach, France facility closure:		
Termination benefits	$ —	$ 0.3
Other associated costs	0.5	—
United & Tetra integration:		
Termination benefits	0.2	5.4
Other associated costs	13.0	0.4
European initiatives:		
Termination benefits	7.5	15.0
Other associated costs	0.3	—
Latin America initiatives:		
Termination benefits	0.7	—
Other associated costs	9.8	—
Global Realignment initiatives:		
Termination benefits	(0.7)	—
Total included in cost of goods sold	$31.3	$21.1
Costs included in operating expenses:		
United & Tetra integration:		
Termination benefits	$ 1.1	$23.9
Other associated costs	12.8	1.8
European initiatives:		
Termination benefits	(1.3)	7.9
Latin America initiatives:		
Termination benefits	0.4	—
Other associated costs	—	—
Global Realignment:		
Termination benefits	48.7	—
Other associated costs	5.0	—
Total included in operating expenses	$66.7	$33.6
Total restructuring and related charges	$98.0	$54.7

During Fiscal 2005, we announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries and Personal Care. We recorded $1 million of pretax restructuring and related charges during the Fiscal 2007, and de minimis pretax restructuring and related charges in Fiscal 2006, in connection with this closure. The costs associated with the initiative are complete and totaled approximately $11 million.

In connection with the acquisitions of United and Tetra in Fiscal 2005, we implemented a series of initiatives to optimize the global resources of the combined companies. These initiatives included: integrating all of United's home and garden administrative services, sales and customer service functions into our operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities at our Global Pet Supplies business. In addition, certain corporate functions were shifted to our global headquarters in Atlanta, Georgia. Effective October 1, 2006, we suspended initiatives to integrate the activities of the Home and Garden Business into our operations in Madison, Wisconsin. We recorded $5 million and $20 million of restructuring and related charges in Fiscal 2007 and Fiscal 2006, respectively, in connection with the integration of the United home and garden business. We have recorded pretax restructuring and related charges of approximately $31 million since the inception of this initiative.

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of our distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. We recorded approximately $22 million and $9 million of pretax restructuring and related charges during Fiscal 2007 and Fiscal 2006, respectively, primarily in connection with our integration activities within Global Pet Supplies. We have recorded pretax restructuring and related charges of approximately $35 million since the inception of the integration activities within Global Pet Supplies.

In connection with the European Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure. These initiatives include the relocation of certain operations at our Ellwangen, Germany packaging center to the Dischingen, Germany battery plant, transferring private label battery production at our Dischingen, Germany battery plant to our manufacturing facility in China and restructuring Europe's sales, marketing and support functions. We recorded approximately $7 million and $21 million of pretax restructuring and related charges during Fiscal 2007 and Fiscal 2006, respectively, in connection with the European Initiatives. We have recorded pretax restructuring and related charges of approximately $27 million since the inception of the European Initiatives.

In connection with the Latin American Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs. The initiatives include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. We recorded approximately $11 million of pretax restructuring and related charges during Fiscal 2007 in connection with the Latin American Initiatives. We have recorded pretax restructuring and related charges of approximately $11 million since the inception of the Latin American Initiatives.

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, our global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 13, Segment Results, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional discussion on the realignment of our operating segments. In connection with the Global Realignment Initiatives, we recorded approximately $53 million of pretax restructuring and related charges during Fiscal 2007 in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2008, relate primarily to severance and are projected at approximately $85 million.

Goodwill and Intangibles Impairment. SFAS 142 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2007 and 2006, we tested our goodwill and indefinite-lived intangible assets. As a result of this testing, we recorded a non-cash pretax impairment charge of $362 million and $433 million in Fiscal 2007 and 2006, respectively. The $362 million impairment charge incurred in Fiscal 2007 reflects goodwill associated with our U.S. Home and Garden Business and our North America reporting unit, which is included as part of our Global Batteries & Personal Care reportable segment, coupled with an impairment of trade name intangible assets primarily associated with our Global Batteries & Personal Care business segment. The $433 million non-cash pretax impairment charge incurred in Fiscal 2006 reflects impaired goodwill of $353 million of which $235 million relates to our Global Pet Supplies business segment and $118 million relates to our Latin America reporting unit, which is included as part of our Global Batteries & Personal Care reportable segment. The remaining charge of $80 million relates to impaired trade name intangible assets of which $35 million is associated with our Global Pet Supplies business segment and $45 million is associated with our Latin America and Europe/ROW reporting units, both of which are included as part of our Global Batteries & Personal Care reportable segment. Future cash expenditures will not result from these impairment charges. See Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

Interest Expense. Interest expense in Fiscal 2007 increased to $256 million from $176 million in Fiscal 2006. The increase was partly due to the write-off of debt issuance costs of $25 million and prepayment penalties of $12 million. These charges were incurred in connection with the refinancing of our previously existing senior credit facilities and the exchange of our 8 1/2% Senior Subordinated Notes due 2013 for the New Notes, pursuant to the terms of an exchange offer, both of which occurred on March 30, 2007 described below in "Debt Financing Activities." In addition, interest expense in Fiscal 2007 was higher due to higher interest rates and higher average debt balances. See Note 7, Debt, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the refinancing and the Exchange Offer.

Other Income, net. Other income, net for Fiscal 2007 includes foreign exchange loss of $5 million off-set by interest income of $3 million and other miscellaneous income. Fiscal 2006 other income, net includes the benefit of two asset sales. We recognized a net gain of approximately $8 million on the sale of our Bridgeport, CT manufacturing facility, which was acquired as part of the Remington Products acquisition, and subsequently closed in our fiscal year ended September 30, 2004, and our Madison, WI packaging facility, which was closed in our fiscal year ended September 30, 2003. Prior to these sales, these assets were included in assets held for sale in our Consolidated Balance Sheets included in this Annual Report on Form 10-K.

Income Taxes. Our effective tax rate on losses from continuing operations is approximately (9.9%) for Fiscal 2007. Our effective tax rate on income from continuing operations was approximately 6.8% for Fiscal 2006. The primary drivers of the change in our effective tax rate consist of additional tax expense recorded related to an increase in the valuation allowance associated with our U.S. deferred tax assets and the tax impact of the impairment charges recorded in Fiscal 2007 for certain non-deductible goodwill.

As of September 30, 2007, we have U.S. federal and state net operating loss carryforwards of approximately $763 and $1,141 million, respectively, which will expire between 2008 and 2027, and we have foreign net operating loss carryforwards of approximately $117 million, which will expire beginning in 2008. Certain of the foreign net operating losses have indefinite carryforward periods. As of September 30, 2006 we had U.S. federal, foreign and state net operating loss carryforwards of approximately $464, $110 and $852 million, respectively, which, at that time, were scheduled to expire between 2008 and 2026. Certain of the foreign net operating losses have indefinite carryforward periods. Limitations apply to a portion of these net operating loss carryforwards in accordance with Internal Revenue Code Section 382.

The ultimate realization of our deferred tax assets depends on our ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. SFAS 109 requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with SFAS 109, we periodically assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, we recorded an approximately $157 million non-cash deferred income tax charge related to a valuation allowance against U.S. net deferred tax assets during the fourth quarter of Fiscal 2007. In addition, we recorded a non-cash deferred income tax charge of approximately $7 million in the fourth quarter of Fiscal 2007 related to an increase in the valuation allowance against our net deferred tax assets in Mexico. In addition to these valuation allowances, we have also recorded valuation allowances, primarily related to net operating loss carryforwards, in Brazil, Argentina, Chile and Canada. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, is approximately $307 million at September 30, 2007. Of this amount, approximately $235 million relates to U.S. net deferred tax assets and approximately $72 million relates to foreign net deferred tax assets.

SFAS 142 requires companies to test goodwill and indefinite-lived assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. During Fiscal 2007 and 2006, the Company recorded non-cash pretax impairment charges of approximately $362 million and $433 million, respectively. The tax impact, prior to consideration of the current year valuation allowance, of the impairment charges was limited to a deferred tax benefit of approximately $77 million and $43 million respectively, because a significant portion of the impaired assets are not deductible for tax purposes. See "*Goodwill and Intangibles Impairment*" above, as well as Note 2(c), Significant Accounting Policies and Practices—Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges.

Discontinued Operations. On November 5, 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. We believe the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. We completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2007 and Fiscal 2006, respectively:

	2007	2006
Net sales	$232.0	$233.7
Loss from discontinued operations before income taxes	$ 6.3	$ 5.2
Provision for income tax expense	—	2.0
Loss from discontinued operations, net of tax	$ 6.3	$ 3.2

On November 1, 2007, we sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled approximately $15 million and were used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in our Consolidated Statements of Cash Flows included in this Annual Report on Form 10-K. On February 5, 2008, we finalized the contractual working capital adjustment in connection with this sale which increased our proceeds received by approximately $1 million. As a result of the finalization of the contractual working capital adjustments we recorded a loss on disposal of approximately $1 million, net of tax benefit.

The following amounts related to the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2007 and Fiscal 2006, respectively:

	2007	2006
Net sales	$ 88.7	$89.5
Loss from discontinued operations before income taxes	$(46.3)	$ (0.4)
Provision for income tax benefit	(6.3)	(0.1)
Loss from discontinued operations, net of tax	$(40.0)	$ (0.3)

In accordance with SFAS 144, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, we recorded a non-cash pretax charge of $45 million in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian Home and Garden Business in order to reflect the estimated fair value of this business.

On January 25, 2006, we sold Nu-Gro Pro and Tech to Agrium Inc. As part of the transaction, we signed strategic multi-year reciprocal supply agreements with Agrium. Proceeds from the sale totaled approximately $83 million after selling expenses and contractual working capital adjustments which were finalized on October 30, 2006. Proceeds from the sale were used to reduce outstanding debt.

Effective October 1, 2005, we reflected the operations of Nu-Gro Pro and Tech as discontinued operations. The Company discontinued these operations as part of the United integration initiatives. See Note 16, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, for additional discussion of United integration initiatives. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for Fiscal 2006 (in millions):

	2006(A)
Net sales	$ 16.3
Loss from discontinued operations before income taxes	$ (6.4)
Provision for income tax benefit	(0.9)
Loss from discontinued operations (including loss on disposal of $3.9 in Fiscal 2006), net of tax	$ (5.5)

(A) Represents results for the discontinued operations for October 1, 2005 through January 2006.

Liquidity and Capital Resources

Operating Activities. Net cash used by operating activities was $10 million during Fiscal 2008 as compared to $33 million used in Fiscal 2007. The decrease in cash used was a result of a $9 million increase in income from continuing operations when adjusted for non-cash items. In addition, favorable changes in operating assets and liabilities increased operating cash flow by $14 million in Fiscal 2008 compared to Fiscal 2007. Cash used in operating activities of discontinued operations was $5 million in both Fiscal 2008 and Fiscal 2007.

We expect to fund our cash requirements, including capital expenditures, interest and principal payments due in Fiscal 2009 and other requirements through a combination of cash on hand and cash flows from operations and available borrowings under our ABL Facility. Going forward our ability to satisfy financial and other covenants in our senior credit agreements and senior subordinated indentures and to make scheduled payments or prepayments on our debt and other financial obligations will depend on our future financial and operating performance. There can be no assurances that our businesses will generate sufficient cash flows from operations or that future borrowings under the ABL Facility will be available in an amount sufficient to satisfy our debt maturities or to fund our other liquidity needs. In addition, the current economic crisis could have a further negative impact on our financial position, results of operations or cash flows. See Part I, Item 1A, "Risk Factors" for further discussion of the risks associated with our ability to service all of our existing indebtedness, our ability to maintain compliance with financial and other covenants related to our indebtedness and the impact of the current economic crisis.

We are also continuing to explore, with the help of our financial advisors, a wide variety of possible options to reduce or restructure our significant outstanding indebtedness. However, there can be no assurance that we will be able to successfully implement any such option. See Part I, Item 1A, "Risk Factors" for further discussion of the risks associated with our implementing potential strategies.

While we have undertaken various cost reduction initiatives designed to strengthen our market position and improve our financial performance, some of these initiatives will require time before the intended benefits can be realized, and, given current adverse economic conditions and the rapidly changing retail landscape, it is difficult to predict what their possible financial impact ultimately will be.

If our future cash flows and capital resources are insufficient, we could face substantial liquidity problems and will likely be required to significantly reduce or delay capital expenditures, curtail, eliminate or dispose of substantial assets or operations, or undertake significant restructuring measures; which could include further reducing the size of our workforce, seeking additional capital or pursuing other alternatives to restructure or refinance our indebtedness, all of which could substantially affect our business, financial condition and results of operations.

Investing Activities. Net cash used by investing activities was $6 million for Fiscal 2008. For Fiscal 2007 investing activities used cash of $23 million. The $17 million decrease was primarily due to the proceeds received in connection with the November 2007 sale of the Canadian division of the Home and Garden Business of approximately $15 million. Capital expenditures for continuing operations were $18 million during Fiscal 2008 in comparison with $23 million during Fiscal 2007.

Debt Financing Activities

Senior Credit Facilities

During Fiscal 2007, we refinanced our outstanding senior credit facilities with new senior secured credit facilities pursuant to a new senior credit agreement (the "Senior Credit Agreement") consisting of a $1 billion U.S. Dollar Term B Loan facility (the "U.S. Dollar Term B Loan"), a $200 million U.S. Dollar Term B II Loan facility (the "U.S. Dollar Term B II Loan"), a €262 million Term Loan facility (the "Euro Facility"), and a $50 million synthetic letter of credit facility (the "L/C Facility"). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under our Fourth Amended and Restated Credit Agreement, dated as of February 7, 2005, to pay fees and expenses in connection with the refinancing and the exchange offer completed on March 30, 2007 relating to certain of our senior subordinated notes and for general corporate purposes. Subject to certain mandatory prepayment events, the term loan facilities under the Senior Credit Agreement are subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due on March 30, 2013. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, five business days prior to March 30, 2013.

On September 28, 2007, as provided for in the Senior Credit Agreement, we entered into a $225 million U.S. Dollar Asset Based Revolving Loan Facility (the "ABL Facility") pursuant to a new credit agreement (the "ABL Credit Agreement"). The ABL Facility replaced the U.S. Dollar Term B II Loan, which was simultaneously prepaid using cash on hand generated from our operations and available cash from prior borrowings under our Senior Credit Agreement in connection with the above-referenced refinancing. We may increase the existing $225 million commitment under the ABL Facility up to $300 million upon request to the lenders under the ABL Facility and upon meeting certain criteria specified in the ABL Credit Agreement. The ABL Credit Facility has a maturity date of September 28, 2011, subject to certain mandatory prepayment events. As of September 30, 2008, we had aggregate borrowing availability of approximately $108 million, net of lender reserves of $32 million and outstanding letters of credit of $5 million, under the ABL Facility. As of September 30, 2007, we had aggregate borrowing availability of approximately $171 million, net of lenders reserves of $32 million, under the ABL Facility. References to "Senior Credit Facilities" in this Annual Report on Form 10-K, refer, collectively, to the U.S. Dollar Term B Loan, the Euro Facility and the ABL Facility.

During Fiscal 2008, we repaid $29 million of term loan indebtedness under our Senior Credit Agreement with borrowings under the ABL Facility and net proceeds from the sale of the Canadian division of the Home and Garden Business. See Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on the sale of the Canadian division of the Home and Garden Business.

At September 30, 2008, the aggregate amount outstanding under our Senior Credit Facilities totaled a U.S. Dollar equivalent of $1,479 million, including principal amounts of $976 million under the U.S. Dollar Term B Loan, €256 million under the Euro Facility (USD $369 million at September 30, 2008) and $85 million under the ABL Facility, including $5 million in letters of credit. Letters of credit outstanding under the L/C Facility totaled $48 million at September 30, 2008.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum senior secured leverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Senior Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on our ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, we have guaranteed our respective obligations under the Senior Credit Agreement and related loan documents and have pledged substantially all of our respective assets to secure such obligations.

The ABL Credit Agreement also contains customary restrictive covenants, including, but not limited to, restrictions on our ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, we have guaranteed our respective obligations under the ABL Credit Agreement and related loan documents and have pledged certain of our liquid assets, including, but not limited to, deposit accounts, trade receivables and inventory to secure such obligations.

The Senior Credit Agreement and ABL Credit Agreement each provide for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing under either agreement amounts due under such agreement may be accelerated and the rights and remedies of the lenders under such agreement available under the applicable loan documents may be exercised, including rights with respect to the collateral securing the obligations under such agreement.

As of September 30, 2008, we were in compliance with all of the covenants under the Senior Credit Agreement and ABL Credit Agreement.

Senior Subordinated Notes

At September 30, 2008, we had outstanding principal of $700 million under our $7\frac{3}{8}\%$ Senior Subordinated Notes due 2015, outstanding principal of $3 million under our $8\frac{1}{2}\%$ Senior Subordinated Notes due 2013, and outstanding principal of $347 million under our Variable Rate Toggle Senior Subordinated Notes due 2013 (collectively, the “Senior Subordinated Notes”). The Variable Rate Toggle Senior Subordinated Notes due 2013 are subject to a variable rate of interest that increases semi-annually, varying depending on whether interest is paid in cash or increased principal. As of September 30, 2008, the Variable Rate Toggle Senior Subordinated Notes due 2013 bore interest at a rate of 12%.

We may redeem all or a part of the Variable Rate Toggle Senior Subordinated Notes due 2013 upon not less than 30 nor more than 60 days notice, at specified redemption prices. The terms of the $8\frac{1}{2}\%$ Senior Subordinated Notes due 2013 and $7\frac{3}{8}\%$ Senior Subordinated Notes due 2015 do not currently permit redemption. Further, the indentures governing the $7\frac{3}{8}\%$ Senior Subordinated Notes due 2015 and the Variable Rate Toggle Subordinated Notes due 2013 require us to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of our Company, as defined in such indentures and require prepayment in connection with certain asset sales.

The indentures governing the Senior Subordinated Notes contain customary covenants that limit our and certain of our subsidiaries’ ability to, among other things, incur additional indebtedness, pay dividends on or redeem or repurchase our equity interests, make certain investments, expand into unrelated businesses, create liens on assets, merge or consolidate with another company, transfer or sell all or substantially all of our assets, and enter into transactions with affiliates. In addition, the indentures governing the Senior Subordinated Notes each provide for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the respective indentures arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the notes subject to that indenture. If any other event of default under an indenture occurs and is continuing, the trustee for that indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of those notes may declare the acceleration of the amounts due under those notes.

As of September 30, 2008, we were in compliance with all covenants under the Senior Subordinated Notes and the respective indentures. We, however, are subject to certain limitations as a result of our Fixed Charge Coverage Ratio under each of the indentures being below 2:1, due to significant restructuring charges and reduced business performance. Until the test is satisfied, we and certain of our subsidiaries are limited in our ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. We do not expect our inability to satisfy the Fixed Charge Coverage Ratio test to impair our ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of our existing businesses, although no assurance can be given in this regard.

Interest Payments and Fees

In addition to principal payments on our Senior Credit Facilities, we have annual interest payment obligations of approximately $44 million in the aggregate under our Variable Rate Toggle Senior Subordinated Notes due 2013, approximately $0.2 million in the aggregate under our 8 $^{1}/_{2}$% Senior Subordinated Notes due 2013 and approximately $52 million in the aggregate under our 7 $^{3}/_{8}$ % Senior Subordinated Notes due 2015. We also incur interest on our borrowings under the Senior Credit Facilities, and such interest would increase borrowings under the ABL Facility if cash were not otherwise available for such payments. Interest on the Senior Subordinated Notes is payable semi-annually in arrears and interest under the Senior Credit Facilities is payable on various interest payment dates as provided in the Senior Credit Agreement and the ABL Credit Agreement. Interest is payable in cash, except that interest under the Variable Rate Toggle Senior Subordinated Notes due 2013 may be paid by increasing the aggregate principal amount due under the subject notes, subject to certain conditions. Based on amounts currently outstanding under the Senior Credit Facilities, and using market interest rates and foreign exchange rates in effect as of September 30, 2008, we estimate annual interest payments of approximately $106 million in the aggregate under our Senior Credit Facilities would be required assuming no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps. We are required to pay certain fees in connection with the Senior Credit Facilities and the L/C Facility. Such fees include a quarterly commitment fee of 0.375% on the unused portion of the ABL Facility, certain additional fees with respect to the letter of credit subfacility under the ABL Facility and a quarterly commitment fee of 4.15% on the L/C Facility.

Equity Financing Activities. During Fiscal 2008, we granted approximately 0.4 million shares of restricted stock. Of these grants, approximately 0.2 million shares are time-based and vest on a pro rata basis over a three year period and 0.2 million shares are performance-based and vest upon achievement of certain performance goals. All vesting dates are subject to the recipient's continued employment with us. The total market value of the restricted shares on the date of grant was approximately $2.2 million which has been recorded as unearned restricted stock compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

If we are not able to maintain our listing with the NYSE, it may be difficult to issue additional securities for financing or other purposes in future periods.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations & Other Commercial Commitments

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2008 and the effect such obligations are expected to have on our liquidity and cash flow in future periods. The table excludes other obligations we have reflected on our Consolidated Balance Sheets included in this Annual Report on Form 10-K, such as pension obligations. See Note 12, Employee Benefit Plans, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for a more complete discussion of our employee benefit plans (in millions):

	Contractual Obligations Payments due by Fiscal Year						
	2009	2010	2011	2012	2013	Thereafter	Total
Debt:							
Debt, excluding capital lease obligations	$48	$14	$ 93	$14	$1,291	$ 1,050	$2,510
Capital lease obligations(1)	2	1	1	1	1	13	19
	50	15	94	15	1,292	1,063	2,529
Operating lease obligations	34	32	28	27	22	73	216
Total Contractual Obligations	$84	$47	$122	$42	$1,314	$ 1,136	$2,745

(1) Capital lease payments due by fiscal year include executory costs and imputed interest not reflected in the Consolidated Balance Sheets included in this Annual Report on Form 10-K.

Other Commercial Commitments

The following table summarizes our other commercial commitments as of September 30, 2008, consisting entirely of standby letters of credit that back the performance of certain of our entities under various credit facilities, insurance policies and lease arrangements (in millions):

	Other Commercial Commitments						
	Amount of Commitment Expiration by Fiscal Year						
	2009	2010	2011	2012	2013	Thereafter	Total
Letters of credit	$53	$—	$—	$—	$—	$ —	$ 53
Total Other Commercial Commitments	$53	$—	$—	$—	$—	$ —	$ 53

Critical Accounting Policies

Our Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present our financial position and results of operations. We believe the following accounting policies are critical to an understanding of our financial statements. The application of these policies requires management's judgment and estimates in areas that are inherently uncertain.

Valuation of Assets and Asset Impairment

We evaluate certain long-lived assets to be held and used, such as property, plant and equipment and definite-lived intangible assets for impairment based on the expected future cash flows or earnings projections associated with such assets. Impairment reviews are conducted at the judgment of management when it believes that a change in circumstances in the business or external factors warrants a review. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. An asset's value is deemed impaired if the discounted cash flows or earnings projections generated do not substantiate the carrying value of the asset. The estimation of such amounts requires management's judgment with respect to revenue and expense growth rates, changes in working capital and selection of an appropriate discount rate, as applicable. The use of different assumptions would increase or decrease discounted future operating cash flows or earnings projections and could, therefore, change impairment determinations.

SFAS 142 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2008 and 2007, we tested our goodwill and indefinite-lived intangible assets. As a result of this testing, we recorded a non-cash pretax impairment charge of $861 million and $362 million in Fiscal 2008 and 2007, respectively. The $861 million impairment charge incurred in Fiscal 2008 reflects impaired goodwill of $602 million and impaired trade name intangible assets of $259 million. The $602 million of impaired goodwill consisted of the following: (i) $426 million associated with our Global Pet Supplies reportable segment; (ii) $160 million associated with our Home and Garden Business; and (iii) $16 million related to our Global Batteries & Personal Care reportable segment as a result of the Ningbo Exit Plan. The $257 million of impaired trade name intangible assets consisted of the following: (i) $86 million related to our Global Batteries & Personal Care reportable segment; (ii) $98 million related to Global Pet Supplies; and (iii) $73 million related to our Home and Garden Business. The $362 million impairment charge incurred in Fiscal 2007 reflects $214 million of goodwill associated with our North America reporting unit, which is now part of our Global Batteries & Personal Care reportable segment, a goodwill impairment of $124 million within the U.S. Home and Garden Business and an impairment of trade name intangible assets of $34 million, primarily associated with our Global Batteries & Personal Care reportable segment. Future cash expenditures will not result from these impairment charges.

We used a discounted estimated future cash flows methodology, third party valuations and negotiated sales prices to determine the fair value of our reporting units (goodwill). Fair value of indefinite-lived intangible assets, which represent trade names, was determined using a relief from royalty methodology. Assumptions critical to our fair value estimates were: (i) the present value factors used in determining the fair value of the reporting units and trade names or third party indicated fair values for assets expected to be disposed; (ii) royalty rates used in our trade name valuations; (iii) projected average revenue growth rates used in the reporting unit and trade name models; and (iv) projected long-term growth rates used in the derivation of terminal year values. We also tested fair value for reasonableness by comparison to the total market capitalization of the Company, which includes both our equity and debt securities. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. In light of a sustained decline in market capitalization coupled with the decline of the fair value of our debt securities, we also considered these factors in the Fiscal 2008 annual impairment testing.

In accordance with SFAS 109, we establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax-planning strategies, by individual tax jurisdictions. Changes in industry and economic conditions and the competitive environment may impact the accuracy of our projections. In accordance with SFAS 109, during each reporting period we assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, during Fiscal 2008 and Fiscal 2007 we recorded a non-cash deferred income tax charge of approximately $200 million and $245 million, respectively, related to increasing the valuation allowance against our net deferred tax assets.

See Note 2(h), Significant Accounting Policies and Practices—Property, Plant and Equipment, Note 2(i), Significant Accounting Policies and Practices—Intangible Assets, Note 4, Property, Plant and Equipment, Note 5, Assets Held for Sale, Note 6, Intangible Assets, Note 10, Income Taxes, and Note 11, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information about these assets.

Revenue Recognition and Concentration of Credit Risk

We recognize revenue from product sales generally upon delivery to the customer or the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This represents the point at which title and all risks and rewards of ownership of the product are passed, provided that: there are no uncertainties regarding customer acceptance; there is persuasive evidence that an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. We are generally not obligated to allow for, and our general policy is not to accept, product returns for battery sales. We do accept returns in specific instances related to our electric shaving and grooming, electric personal care, lawn and garden, household insect control and pet supply products. The provision for customer returns is based on historical sales and returns and other relevant information. We estimate and accrue the cost of returns, which are treated as a reduction of net sales.

We enter into various promotional arrangements, primarily with retail customers, including arrangements entitling such retailers to cash rebates from us based on the level of their purchases, which require us to estimate and accrue the costs of the promotional programs. These costs are generally treated as a reduction of net sales.

We also enter into promotional arrangements that target the ultimate consumer. Such arrangements are treated as either a reduction of net sales or an increase in cost of sales, based on the type of promotional program. The income statement presentation of our promotional arrangements complies with Emerging Issues Task Force ("EITF") No. 01-09, "*Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*." Cash consideration, or an equivalent thereto, given to a customer is generally classified as a reduction of net sales. If we provide a customer anything other than cash, the cost of the consideration is classified as an expense and included in cost of sales.

For all types of promotional arrangements and programs, we monitor our commitments and use statistical measures and past experience to determine the amounts to be recorded for the estimate of the earned, but unpaid, promotional costs. The terms of our customer-related promotional arrangements and programs are tailored to each customer and are generally documented through written contracts, correspondence or other communications with the individual customers.

We also enter into various arrangements, primarily with retail customers, which require us to make an upfront cash, or "slotting" payment, to secure the right to distribute through such customer. We capitalize slotting payments, provided the payments are supported by a time or volume based arrangement with the retailer, and amortize the associated payment over the appropriate time or volume based term of the arrangement. The amortization of slotting payments is treated as a reduction in net sales and a corresponding asset is reported in Deferred charges and other in our Consolidated Balance Sheets included in this Annual Report on Form 10-K.

Our trade receivables subject us to credit risk which is evaluated based on changing economic, political and specific customer conditions. We assess these risks and make provisions for collectibility based on our best estimate of the risks presented and information available at the date of the financial statements. The use of different assumptions may change our estimate of collectibility. We extend credit to our customers based upon an evaluation of the customer's financial condition and credit history and generally do not require collateral. Our credit terms generally range between 30 and 90 days from invoice date, depending upon the evaluation of the customer's financial condition and history. We monitor our customers' credit and financial condition in order to assess whether the economic conditions have changed and adjust our credit policies with respect to any individual customer as we determine appropriate. These adjustments may include, but are not limited to, restricting shipments to customers, reducing credit limits, shortening credit terms, requiring cash payments in advance of shipment or securing credit insurance.

See Note 2(b), Significant Accounting Policies and Practices—Revenue Recognition, Note 2(c), Significant Accounting Policies and Practices—Use of Estimates and Note 2(e), Significant Accounting Policies and Practices—Concentrations of Credit Risk and Major Customers and Employees, of Notes to Consolidated Financial Statements of this Annual Report on Form 10-K for more information about our revenue recognition and credit policies.

Pensions

Our accounting for pension benefits is primarily based on discount rate, expected and actual return on plan assets and other assumptions made by management, and is impacted by outside factors such as equity and fixed income market performance. Pension liability is principally the estimated present value of future benefits, net of plan assets. In calculating the estimated present value of future benefits, net of plan assets, for both Fiscal 2008 and 2007, we used discount rates of 5.0 to 7.0% in Fiscal 2008 and 4.5% to 6.25% in Fiscal 2007. In adjusting the discount rates from Fiscal 2007 to 2008, we considered the change in the general market interest rates of debt and solicited the advice of our actuary. We believe the discount rates used is reflective of the rates at which the pension benefits could be effectively settled.

Pension expense is principally the sum of interest and service cost of the plan, less the expected return on plan assets and the amortization of the difference between our assumptions and actual experience. The expected return on plan assets is calculated by applying an assumed rate of return to the fair value of plan assets. We used expected returns on plan assets of 4.5% to 8.0% in both Fiscal 2008 and Fiscal 2007. Based on the advice of our independent actuary, we believe the expected rates of return are reflective of the long-term average rate of earnings expected on the funds invested. If such expected returns were overstated, it would ultimately increase future pension expense. Similarly, an understatement of the expected return would ultimately decrease future pension expense. If plan assets decline due to poor performance by the markets and/or interest rate declines our pension liability will increase, ultimately increasing future pension expense.

Effective September 30, 2007, we adopted SFAS No. 158, *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)"*, ("SFAS 158"). The recognition and disclosure provisions of this statement require recognition of the overfunded or underfunded status of defined benefit pension and postretirement plans as an asset or liability in the statement of financial position, and recognition of changes in that funded status in Accumulated Other Comprehensive Income in the year in which the adoption occurs. We measure plan assets and obligations of our domestic pension plans as of June 30 each year and either June 30 or September 30 each year for our foreign pension plans and our other domestic postretirement plans. The measurement date provisions of SFAS 158, which will become effective for us in our fiscal year ended September 30, 2009 ("Fiscal 2009"), will require us to measure all of our defined benefit pension and postretirement plan assets and obligations as of September 30 which is our fiscal year end.

See Note 12, Employee Benefit Plans, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for a more complete discussion of our employee benefit plans.

Restructuring and Related Charges

Restructuring charges are recognized and measured according to the provisions of SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities"* ("SFAS 146"). Under SFAS 146, restructuring charges include, but are not limited to, termination and related costs consisting primarily of severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by us, include, but are not limited to, other costs directly associated with exit and integration activities, including impairment of property and other assets, departmental costs of full-time incremental integration employees, and any other items related to the exit or integration activities. Costs for such activities are estimated by us after evaluating detailed analyses of the cost to be incurred. We present restructuring and related charges on a combined basis.

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures, significant organizational adjustment and measures undertaken by management to exit certain activities. Costs for such activities are estimated by management after evaluating detailed analyses of the cost to be incurred. Such liabilities could include amounts for items such as severance costs and related benefits (including settlements of pension plans), impairment of property and equipment and other current or long term assets, lease termination payments and any other items directly related to the exit activities. While the actions are carried out as expeditiously as possible, restructuring and related charges are estimates. Changes in estimates resulting in an increase to or a reversal of a previously recorded liability may be required as management executes a restructuring plan.

We report restructuring and related charges associated with manufacturing and related initiatives in cost of goods sold. Restructuring and related charges reflected in cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives and other costs directly related to the restructuring initiatives implemented.

We report restructuring and related charges associated with administrative functions in operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing related functions. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the administrative functions and other costs directly related to the initiatives implemented.

The costs of plans to (i) exit an activity of an acquired company, (ii) involuntarily terminate employees of an acquired company or (iii) relocate employees of an acquired company are measured and recorded in accordance with the provisions of the EITF Issue No. 95-3, "*Recognition of Liabilities in Connection with a Purchase Business Combination*" ("EITF 95-3"). Under EITF 95-3, if certain conditions are met, such costs are recognized as a liability assumed as of the consummation date of the purchase business combination and included in the allocation of the acquisition cost. Costs related to terminated activities or employees of the acquired company that do not meet the conditions prescribed in EITF 95-3 are treated as restructuring and related charges and expensed as incurred.

See Note 16, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more complete discussion of our restructuring initiatives and related costs.

Loss Contingencies

Loss contingencies are recorded as liabilities when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The outcome of existing litigation, the impact of environmental matters and pending or potential examinations by various taxing authorities are examples of situations evaluated as loss contingencies. Estimating the probability and magnitude of losses is often dependent upon management's judgment of potential actions by third parties and regulators. It is possible that changes in estimates or an increased probability of an unfavorable outcome could materially affect future results of operations.

See further discussion in Item 3, "Legal Proceedings," and Note 14, Commitments and Contingencies, of Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Other Significant Accounting Policies

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed above, are also critical to understanding the Consolidated Financial Statements. The Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Recently Issued Accounting Standards

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," ("SFAS 161"). This statement is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures. This statement is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. We do not believe that adopting SFAS 161 will have a material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS 159, "*The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*," ("SFAS 159") which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS 159 further establishes certain additional disclosure requirements. SFAS 159 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years beginning after November 15, 2007, with earlier adoption permitted. No entity is permitted to apply SFAS 159 retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. We are currently evaluating the impact that SFAS 159 will have on our financial condition, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements,*" ("SFAS 157"). SFAS 157 provides guidance for using fair value to measure assets and liabilities. The FASB believes SFAS 157 also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. In SFAS 157, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under SFAS 157, fair value measurements would be separately disclosed by level within the fair value hierarchy. The provisions of SFAS 157 for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements, are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The FASB did, however, provide a one year deferral for the implementation of SFAS 157 for other non-financial assets. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. We are currently evaluating the impact that SFAS 157 will have on our financial condition, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *"Business Combinations"* ("SFAS 141(R)"). SFAS 141(R) will significantly change the accounting for future business combinations after adoption. SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired business. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently evaluating the impact that SFAS 141(R) will have on our financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements"* ("SFAS 160"), an amendment of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," which changes the accounting and reporting for minority interests. Under SFAS 160, minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We do not believe that adopting SFAS 160 will have a material impact on our financial position, results of operations or cash flows.

EXHIBIT 99.4

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of or are included in this Annual Report on Form 10-K:

1. The financial statements listed in the Index to Consolidated Financial Statements and Financial Statement Schedule, filed as part of this Annual Report on Form 10-K.

2. The financial statement schedule listed in the Index to Consolidated Financial Statements and Financial Statement Schedule, filed as part of this Annual Report on Form 10-K.

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Spectrum Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Spectrum Brands, Inc. and subsidiaries (the Company) as of September 30, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity (deficit) and comprehensive income (loss), and cash flows for each of the years in the three-year period ended September 30, 2008. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in Item 15(a)2 and the Company's internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spectrum Brands, Inc. and subsidiaries as of September 30, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein, and the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Effective September 30, 2007, the Company adopted Statement of Financial Accounting Standards No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R).*

/s/ KPMG LLP
Atlanta, Georgia
December 10, 2008, except for Note 11, for which the date is September 18, 2009

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
September 30, 2008 and 2007
(In thousands, except per share amounts)

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 104,773	$ 69,853
Receivables:		
Trade accounts receivable, net of allowances of $18,102 and $17,196, respectively	353,949	352,877
Other	40,756	47,522
Inventories	383,260	396,329
Deferred income taxes	13,957	22,208
Assets held for sale	7,452	33,646
Prepaid expenses and other	49,450	53,966
Total current assets	953,597	976,401
Property, plant and equipment, net	234,805	281,568
Deferred charges and other	44,129	40,740
Goodwill	235,468	820,727
Intangible assets, net	742,809	1,047,044
Debt issuance costs	36,671	44,906
Total assets	$ 2,247,479	$3,211,386
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 48,637	$ 43,438
Accounts payable	278,126	279,548
Accrued liabilities:		
Wages and benefits	72,299	67,492
Income taxes payable	10,272	18,345
Restructuring and related charges	34,559	55,793
Accrued interest	50,514	51,122
Liabilities held for sale	—	8,475
Other	87,672	81,943
Total current liabilities	582,079	606,156
Long-term debt, net of current maturities	2,474,782	2,416,916
Employee benefit obligations, net of current portion	47,694	54,469
Deferred income taxes	114,674	169,088
Other	55,488	68,585
Total liabilities	3,274,717	3,315,214
Commitments and contingencies		
Shareholders' deficit:		
Common stock, $.01 par value, authorized 150,000 shares; issued 69,202 and 69,062 shares, respectively; outstanding 52,775 and 52,765 shares, respectively	692	690
Additional paid-in capital	674,370	669,274
Accumulated deficit	(1,694,915)	(763,370)
Accumulated other comprehensive income	69,445	65,664
	(950,408)	(27,742)
Less treasury stock, at cost, 16,427 and 16,297 shares, respectively	(76,830)	(76,086)
Total shareholders' deficit	(1,027,238)	(103,828)
Total liabilities and shareholders' deficit	$ 2,247,479	$3,211,386

See accompanying notes to consolidated financial statements.

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Years ended September 30, 2008, 2007 and 2006
(In thousands, except per share amounts)

	2008	2007	2006
Net sales	$2,426,571	$2,332,676	$2,228,513
Cost of goods sold	1,489,971	1,424,710	1,336,239
Restructuring and related charges	16,499	31,315	21,067
Gross profit	920,101	876,651	871,207
Operating expenses:			
Selling	506,365	510,242	486,956
General and administrative	188,934	162,251	176,139
Research and development	25,315	26,816	30,568
Restructuring and related charges	22,838	66,711	33,642
Goodwill and intangibles impairment	861,234	362,452	432,978
	1,604,686	1,128,472	1,160,283
Operating loss	(684,585)	(251,821)	(289,076)
Interest expense	229,013	255,765	175,923
Other expense (income), net	1,220	(331)	(4,097)
Loss from continuing operations before income taxes	(914,818)	(507,255)	(460,902)
Income tax (benefit) expense	(9,460)	55,769	(29,443)
Loss from continuing operations	(905,358)	(563,024)	(431,459)
Loss from discontinued operations, net of tax	(26,187)	(33,689)	(2,513)
Net loss	$ (931,545)	$ (596,713)	$ (433,972)
Basic net loss per common share:			
Loss from continuing operations	$ (17.78)	$ (11.06)	$ (8.72)
Loss from discontinued operations	(0.51)	(0.66)	(0.05)
Net loss	$ (18.29)	$ (11.72)	$ (8.77)
Weighted average shares of common stock outstanding	50,921	50,909	49,459
Diluted net loss per common share:			
Loss from continuing operations	$ (17.78)	$ (11.06)	$ (8.72)
Loss from discontinued operations	(0.51)	(0.66)	(0.05)
Net loss	$ (18.29)	$ (11.72)	$ (8.77)
Weighted average shares of common stock and equivalents outstanding	50,921	50,909	49,459

See accompanying notes to consolidated financial statements.

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity (Deficit) and Comprehensive Income (Loss)
Years ended September 30, 2008, 2007 and 2006
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income, net of tax	Treasury Stock	Total Shareholders' Equity (Deficit)
Balances at September 30, 2005	50,797	$ 666	$635,309	$ 267,315	$ 10,260	$(70,820)	$ 842,730
Net loss	—	—	—	(433,972)	—	—	(433,972)
Adjustment of additional minimum pension liability	—	—	—	—	7,034	—	7,034
Translation adjustment	—	—	—	—	14,261	—	14,261
Net gain on derivative instruments	—	—	—	—	8,084	—	8,084
Comprehensive loss							(404,593)
Issuance of restricted stock	965	10	(10)	—	—	—	—
Forfeiture of restricted stock	(196)	(2)	2	—	—	—	—
Exercise of stock options	28	—	445	—	—	—	445
Stock option expense	—	—	729	—	—	—	729
Treasury shares surrendered	(103)	—	—	—	—	(2,263)	(2,263)
Amortization of unearned compensation	—	—	15,169	—	—	—	15,169
Balances at September 30, 2006	51,491	$ 674	$651,644	$ (166,657)	$ 39,639	$(73,083)	$ 452,217
Net loss	—	—	—	(596,713)	—	—	(596,713)
Adjustment of additional minimum pension liability	—	—	—	—	5,954	—	5,954
Valuation allowance adjustment	—	—	—	—	(4,938)	—	(4,938)
Translation adjustment	—	—	—	—	44,489	—	44,489
Other unrealized gains and losses	—	—	—	—	(17,580)	—	(17,580)
Comprehensive loss							(568,788)
Adoption of FAS 158, net of tax	—	—	—	—	(1,900)	—	(1,900)
Issuance of restricted stock	1,689	15	(15)	—	—	—	—
Forfeiture of restricted stock	(199)	—	—	—	—	—	—
Exercise of stock options	149	1	690	—	—	—	691
Stock option expense	—	—	115	—	—	—	115
Adjustment for tax benefit realized	—	—	(4,374)	—	—	—	(4,374)
Treasury shares surrendered	(365)	—	—	—	—	(3,003)	(3,003)
Amortization of unearned compensation	—	—	21,214	—	—	—	21,214
Balances at September 30, 2007	52,765	$ 690	$669,274	$ (763,370)	$ 65,664	$(76,086)	$ (103,828)
Net loss	—	—	—	(931,545)	—	—	(931,545)
Adjustment of additional minimum pension liability	—	—	—	—	2,459	—	2,459
Valuation allowance adjustment	—	—	—	—	(4,060)	—	(4,060)
Translation adjustment	—	—	—	—	5,236	—	5,236
Other unrealized gains and losses	—	—	—	—	146	—	146
Comprehensive loss							(927,764)
Issuance of restricted stock	408	4	(4)	—	—	—	—
Forfeiture of restricted stock	(268)	(2)	2	—	—	—	—
Treasury shares surrendered	(130)	—	—	—	—	(744)	(744)
Amortization of unearned compensation	—	—	5,098	—	—	—	5,098
Balances at September 30, 2008	52,775	$ 692	$674,370	$(1,694,915)	$ 69,445	$(76,830)	$(1,027,238)

See accompanying notes to consolidated financial statements.

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended September 30, 2008, 2007 and 2006
(In thousands)

	2008	2007	2006
Cash flows from operating activities:			
Net loss	$(931,545)	$ (596,713)	$(433,972)
Loss from discontinued operations	(26,187)	(33,689)	(2,513)
Loss from continuing operations	(905,358)	(563,024)	(431,459)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	52,236	42,365	45,481
Amortization of intangibles	27,687	13,846	21,969
Amortization of debt issuance costs	8,387	11,855	6,872
Amortization of unearned restricted stock compensation	5,098	21,214	15,169
Impairment of goodwill and intangibles	861,234	362,452	432,978
Gain on sale of assets	—	—	(8,876)
Inventory valuation purchase accounting charges	—	—	204
Deferred income taxes	(37,237)	57,145	(52,581)
Writeoff of debt issuance costs	—	24,576	—
Non-cash restructuring and related charges	29,726	62,408	41,235
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	8,655	(41,485)	(1,047)
Inventories	12,086	31,350	8,603
Prepaid expenses and other current assets	13,738	(14,418)	(902)
Accounts payable and accrued liabilities	(62,165)	(5,641)	(39,186)
Other assets and liabilities	(18,990)	(30,440)	4,958
Net cash (used) provided by operating activities of continuing operations	(4,903)	(27,797)	43,418
Net cash (used) provided by operating activities of discontinued operations	(5,259)	(4,832)	3,374
Net cash (used) provided by operating activities	(10,162)	(32,629)	46,792
Cash flows from investing activities:			
Purchases of property, plant and equipment	(18,928)	(23,177)	(55,594)
Proceeds from sale of property, plant and equipment	285	1,572	5,439
Proceeds from sale of assets held for sale	—	—	10,641
Payments for acquisitions, net of cash acquired	—	—	(11,138)
Net cash used by investing activities of continuing operations	(18,643)	(21,605)	(50,652)
Net cash provided (used) by investing activities of discontinued operations	12,376	(1,477)	71,293
Net cash (used) provided by investing activities	(6,267)	(23,082)	20,641
Cash flows from financing activities:			
Reduction of debt	(425,073)	(2,037,278)	(960,199)
Proceeds from debt financing	477,759	2,176,623	898,520
Debt issuance costs	(152)	(43,969)	(5,236)
Proceeds from exercise of stock options	—	655	365
Stock option income tax benefit	—	37	80
Treasury stock purchases	(744)	(3,003)	(2,263)
Net cash provided (used) by financing activities	51,790	93,065	(68,733)
Effect of exchange rate changes on cash and cash equivalents	(441)	4,069	(122)
Net increase (decrease) in cash and cash equivalents	34,920	41,423	(1,422)
Cash and cash equivalents, beginning of period	69,853	28,430	29,852
Cash and cash equivalents, end of period	$ 104,773	$ 69,853	$ 28,430
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 227,290	$ 200,635	$ 163,705
Cash paid for income taxes, net	16,999	20,596	43,231

See accompanying notes to consolidated financial statements.

(1) Description of Business

Spectrum Brands, Inc. and its subsidiaries (the "Company") is a global branded consumer products company with positions in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting; and home and garden control.

The Company manages its business in three reportable segments: (i) Global Batteries & Personal Care, which consists of the Company's worldwide battery, shaving and grooming, personal care and portable lighting business ("Global Batteries & Personal Care"); (ii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business ("Global Pet Supplies"); and (iii) Home and Garden Business, which consists of the Company's lawn and garden and insect control businesses (the "Home and Garden Business").

The Company's operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic supplies and the designing and marketing of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. The Company's operations also include the manufacturing and marketing of specialty pet supplies. The Company also manufactures and markets herbicides, insecticides and repellents in North America. The Company's operations utilize manufacturing and product development facilities located in the United States, Europe, China and Latin America.

The Company sells its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoys name recognition in its markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8in1, Spectracide, Cutter and various other brands.

In the third quarter of the Company's fiscal year ended September 30, 2006, the Company engaged advisors to assist it in exploring possible strategic options, including divesting certain assets, in order to reduce its outstanding indebtedness. In connection with this undertaking, during the first quarter of the Company's fiscal year ended September 30, 2007 the Company approved and initiated a plan to sell the Home and Garden Business, which at the time was comprised of United States ("U.S.") and Canadian divisions and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result, the Company designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations. On November 1, 2007, the Company sold the Canadian division of the Home and Garden Business. See Note 11, Discontinued Operations, for further details on the sale of the Canadian division of the Home and Garden Business.

During the second quarter of the Company's fiscal year ended September 30, 2008 the Company determined that in view of the difficulty in predicting the timing or probability of a sale of the Home and Garden Business, the requirements of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), necessary to classify the Home and Garden Business as discontinued operations were no longer met. As a result, effective December 31, 2007, the Company reclassified the Home and Garden Business, which had been designated as a discontinued operation since October 1, 2006, as a continuing operation. Accordingly, the presentation herein of the results of continuing operations includes the Home and Garden Business, without the Canadian division which, as indicated above, was sold on November 1, 2007, for all periods presented.

On May 20, 2008, the Company entered into a definitive agreement for the sale of Global Pet Supplies with Salton Inc. ("Salton") and Applica Pet Products LLC ("Applica"), each controlled affiliates of Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P. The agreement was subject to a number of closing conditions, including, without limitation, consent of the Company's lenders under its senior credit facilities. The Company was unable to obtain the consent of the lenders under its senior credit facilities, and, on July 13, 2008, the Company entered into a termination agreement with Salton and Applica to mutually terminate the definitive agreement. Pursuant to the termination agreement, as a condition to the termination, the Company paid Salton and Applica $3,000 as a reimbursement of expenses.

On November 11, 2008, the Company announced the shutdown of the growing products portion of the Company's Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed. See Note 11, Discontinued Operations, for further details on the shutdown of the growing products portion of the Company's Home and Garden Business.

(2) Significant Accounting Policies and Practices

(a) Principles of Consolidation and Fiscal Year End

The consolidated financial statements include the financial statements of Spectrum Brands, Inc. and its subsidiaries and are prepared in accordance with generally accepted accounting principles in the United States of America. All intercompany transactions have been eliminated. The Company's fiscal year ends September 30. References herein to Fiscal 2008, 2007 and 2006 refer to the fiscal years ended September 30, 2008, 2007 and 2006, respectively.

(b) Revenue Recognition

The Company recognizes revenue from product sales generally upon delivery to the customer or the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This represents the point at which title and all risks and rewards of ownership of the product are passed, provided that: there are no uncertainties regarding customer acceptance; there is persuasive evidence that an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. The Company is not obligated to allow for, and the Company's general policy is not to accept, product returns associated with battery sales. The Company does accept returns in specific instances related to its shaving, grooming, personal care, home and garden and pet products. The provision for customer returns is based on historical sales and returns and other relevant information. The Company estimates and accrues the cost of returns, which are treated as a reduction of Net sales.

The Company enters into various promotional arrangements, primarily with retail customers, including arrangements entitling such retailers to cash rebates from the Company based on the level of their purchases, which require the Company to estimate and accrue the estimated costs of the promotional programs. These costs are treated as a reduction of Net sales.

The Company also enters into promotional arrangements that target the ultimate consumer. Such arrangements are treated as either a reduction of Net sales or an increase of Cost of goods sold, based on the type of promotional program. The income statement presentation of the Company's promotional arrangements complies with the Emerging Issues Task Force (EITF) No. 01-09, "*Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*."

For all types of promotional arrangements and programs, the Company monitors its commitments and uses various measures, including past experience, to determine amounts to be recorded for the estimate of the earned, but unpaid, promotional costs. The terms of the Company's customer-related promotional arrangements and programs are tailored to each customer and are documented through written contracts, correspondence or other communications with the individual customers.

The Company also enters into various arrangements, primarily with retail customers, which require the Company to make upfront cash, or "slotting" payments, to secure the right to distribute through such customers. The Company capitalizes slotting payments, provided the payments are supported by a time or volume based arrangement with the retailer, and amortizes the associated payment over the appropriate time or volume based term of the arrangement. The amortization of slotting payments is treated as a reduction in Net sales and a corresponding asset is reported in Deferred charges and other in the accompanying Consolidated Balance Sheets.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

(e) Concentrations of Credit Risk, Major Customers and Employees

Trade receivables subject the Company to credit risk. Trade accounts receivable are carried at net realizable value. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history, but generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and will make adjustments to credit policies as required. Provision for losses on uncollectible trade receivables are determined principally on the basis of past collection experience applied to ongoing evaluations of the Company's receivables and evaluations of the risks of nonpayment for a given customer.

(In thousands, except per share amounts)

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This major customer represented approximately 20%, 20% and 21%, of net sales during Fiscal 2008, 2007 and 2006, respectively. This major customer also represented approximately 22% and 11%, respectively, of Trade account receivables, net as of September 30, 2008 and 2007.

Approximately 48%, 51% and 44% of the Company's sales during Fiscal 2008, 2007 and 2006, respectively, occur outside of the United States. These sales and related receivables are subject to varying degrees of credit, currency, and political and economic risk. The Company monitors these risks and makes appropriate provisions for collectibility based on an assessment of the risks present.

(f) Displays and Fixtures

Temporary displays are generally disposable cardboard displays shipped to customers to facilitate display of the Company's products. Temporary displays are generally disposed of after a single use by the customer.

Permanent fixtures are permanent in nature, generally made from wire or other permanent racking, which are shipped to customers for display of the Company's products. These permanent fixtures are restocked with the Company's product multiple times over the fixture's useful life.

The costs of both temporary and permanent displays are capitalized as a prepaid asset and are included in Prepaid expenses and other in the Consolidated Balance Sheets. The costs of temporary displays are expensed in the period in which they are shipped to customers and the costs of permanent fixtures are amortized over an estimated useful life of one to two years once they are shipped to customers and are reflected in Deferred charges and other in the Consolidated Balance Sheets.

(g) Inventories

The Company's inventories are valued at the lower of cost or market. Cost of inventories is determined using the first-in, first-out (FIFO) method.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at lower of cost or at fair value if acquired in a purchase business combination. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Depreciable lives by major classification are as follows:

Building and improvements	20-30 years
Machinery, equipment and other	2-15 years

Plant and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(i) Intangible Assets

Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer lists and proprietary technology intangibles are amortized, using the straight-line method, over their estimated useful lives of approximately 5 to 19 years. Excess of cost over fair value of net assets acquired (goodwill) and indefinite-lived intangible assets (certain trade name intangibles) are not amortized. Goodwill is tested for impairment at least annually, at the reporting unit level with such groupings being consistent with the Company's reportable segments. If an impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Indefinite-lived trade name intangibles are tested for impairment at least annually by comparing the fair value, determined using a relief from royalty methodology, with the carrying value. Any excess of carrying value over fair value is recognized as an impairment loss in income from operations.

SFAS No. 142, *"Goodwill and Other Intangible Assets"* ("SFAS 142") requires that goodwill and indefinite-lived intangible assets be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. During Fiscal 2008, 2007 and 2006, the Company's goodwill and trade name intangibles where tested for impairment as of the Company's August financial period end, the annual testing date for the Company, as well as certain interim periods where an event or circumstance ("triggering event") occurs that indicates an impairment loss may have been incurred.

Intangibles with Indefinite Lives

In accordance with SFAS 142, the Company conducts impairment testing on the Company's goodwill. To determine fair value the Company used the discounted estimated future cash flows methodology, third party valuations and negotiated sales prices. Assumptions critical to the Company's fair value estimates under the discounted estimated future cash flows methodology are: (i) the present value factors used in determining the fair value of the reporting units and trade names; (ii) royalty rates used in the Company's trade name valuations; (iii) projected average revenue growth rates used in the reporting unit and trade name models; and (iv) projected long-term growth rates used in the derivation of terminal year values. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. The Company also tested fair value for reasonableness by comparison to the total market capitalization of the Company, which includes both its equity and debt securities. In addition, in accordance with SFAS 142, as part of the Company's annual impairment testing, the Company tested its indefinite-lived trade name intangible assets for impairment by comparing the carrying amount of such trade names to their respective fair values. Fair value was determined using a relief from royalty methodology. Assumptions critical to the Company's fair value estimates under the relief from royalty methodology were: (i) royalty rates; and (ii) projected average revenue growth rates.

In connection with its annual goodwill impairment testing in Fiscal 2008 the Company first compared the fair value of its reporting units with their carrying amounts, including goodwill. This first step indicated that the fair value of the Company's Global Pet Supplies and Home and Garden Business was less than the Company's carrying amount of those reporting units and, accordingly, further testing of goodwill was required to determine the impairment charge required by SFAS 142. Accordingly, the Company then compared the carrying amount of the Global Pet Supplies and the Home and Garden Business goodwill to the respective implied fair value of their goodwill. The carrying amounts of the Global Pet Supplies and the Home and Garden Business goodwill exceeded their implied fair values and, therefore, during Fiscal 2008 the Company recorded a non-cash pretax impairment charge equal to the excess of the carrying amount of the respective reporting unit's goodwill over the implied fair value of such goodwill of which $270,811 related to Global Pet Supplies and $49,801 related to the Home and Garden Business. In connection with the Company's annual goodwill impairment testing performed during Fiscal 2007 the first step of such testing indicated that the fair value of the Company's Global Batteries and Personal Care and Global Pet Supplies reporting segments were in excess of their carrying amounts and, accordingly, no further testing of goodwill was required. However, as more fully discussed in Note 1, Description of Business, in Fiscal 2007 the Company's Home and Garden Business had been designated as a discontinued operation and classified as an asset held for sale. Therefore, in accordance with SFAS 144, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. Accordingly, the Company recorded a non-cash pretax charge equal to the excess of the carrying amount of the Home and Garden Business goodwill over the implied fair value of such goodwill of approximately $124,013. In connection with the Company's annual goodwill impairment testing performed during Fiscal 2006 the first step of such testing indicated that the fair value of the Company's Global Pet Supplies and the Latin America reporting unit, which is now included in the Global Batteries and Personal Care reportable segment, was less than the Company's carrying amount of those reporting units and, accordingly, further testing of goodwill was required to determine the impairment charge required by SFAS 142. Accordingly, the Company then compared the carrying amount of the Global Pet Supplies and the Latin America reporting unit goodwill to the respective implied fair value of their goodwill. The carrying amounts of the Global Pet Supplies and the Latin America reporting unit goodwill exceeded their implied fair values and, therefore, during Fiscal 2006 the Company recorded a non-cash pretax impairment charge equal to the excess of the carrying amount of the respective reporting unit's goodwill over the implied fair value of such goodwill of which $235,389 related to Global Pet Supplies and $117,489 related to the Latin America reporting unit.

Furthermore, in Fiscal 2008, 2007 and 2006, in connection with its annual impairment testing, the Company concluded that the fair values of certain trade name intangible assets were less than the carrying amounts of those assets. As a result, in Fiscal 2008, 2007 and 2006 the Company recorded non-cash pretax impairment charges of approximately $224,100, $24,400 and $80,100, respectively, equal to the excess of the carrying amounts of the intangible assets over the fair value of such assets.

In accordance with SFAS 144 and SFAS 142, in addition to its annual impairment testing the Company conducts goodwill and trade name intangible asset impairment testing if an event or circumstance (“triggering event”) occurs that indicates an impairment loss may have been incurred. The Company’s management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired. Several triggering events occurred during Fiscal 2008 and Fiscal 2007 which required the Company to test its indefinite-lived intangible assets for impairment between annual impairment test dates. As more fully discussed above in Note 1, Description of Business, on May 20, 2008, the Company entered into a definitive agreement for the sale of Global Pet Supplies with Salton and Applica, which was subsequently terminated. The Company’s intent to dispose of Global Pet Supplies constituted a triggering event for impairment testing. The Company estimated the fair value of Global Pet Supplies, and the resultant estimated impairment charge of goodwill, based on the negotiated sales price of Global Pet Supplies, which management deemed the best indication of fair value at that time. Accordingly, the Company recorded a non-cash pretax charge of $154,916 to reduce the carrying value of goodwill related to Global Pet Supplies to reflect the estimated fair value of the business during the third quarter of Fiscal 2008. Goodwill and trade name intangible assets of the Company’s Home and Garden Business were tested during the third quarter of Fiscal 2008, as a result of lower forecasted profits from this business. This decrease in profitability was primarily due to significant cost increases in certain raw materials used in the production of many of the lawn fertilizer and growing media products manufactured by the Company as well as more conservative growth rates to reflect the current and expected future economic conditions for this business. The Company first compared the fair value of this reporting unit with its carrying amounts, including goodwill. This first step indicated that the fair value of the Company’s Home and Garden Business was less than the Company’s carrying amount of this reporting unit and, accordingly, further testing of goodwill was required to determine the impairment charge. Accordingly, the Company then compared the carrying amount of the Home and Garden Business goodwill against the implied fair value of such goodwill. The carrying amount of the Home and Garden Business goodwill exceeded its implied fair value and, therefore, during Fiscal 2008 the Company recorded a non-cash pretax impairment charge equal to the excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of such goodwill of approximately $110,213. In addition, during the third quarter of Fiscal 2008, the Company concluded that the implied fair values of certain trade name intangible assets related to the Home and Garden Business were less that the carrying amounts of those assets and, accordingly, during Fiscal 2008 recorded a non-cash pretax impairment charge of $22,000. Goodwill and trade name intangibles of the Company’s Home and Garden Business were tested during the first quarter of Fiscal 2008 in conjunction with the Company’s reclassification of that business from an asset held for sale to an asset held and used. The Company first compared the fair value of this reporting unit with its carrying amounts, including goodwill. This first step indicated that the fair value of the Company’s Home and Garden Business was in excess of its carrying amounts and, accordingly, no further testing of goodwill was required. In addition, during the first quarter of Fiscal 2008, the Company concluded that the implied fair values of certain trade name intangible assets related to the Home and Garden Business were less that the carrying amounts of those assets and, accordingly, during Fiscal 2008 recorded a non-cash pretax impairment charge of $12,400. All of the Company’s goodwill and trade name intangibles were tested during the second quarter of Fiscal 2007 in conjunction with the Company’s realignment of reportable segments which occurred in January 2007. The Company first compared the fair value of its reporting units with the respective carrying amounts, including goodwill. This first step indicated that the fair value of the Company’s North America geographic reporting unit, which is now included in the Global Batteries & Personal Care reportable segment, was less than the Company’s North America reporting unit’s carrying amount and, accordingly, further testing of goodwill was required to determine the impairment charge. Accordingly, the Company then compared the carrying amount of the North America reporting unit’s goodwill against the implied fair value of such goodwill. The carrying amount of the North America reporting unit’s goodwill exceeded its implied fair value and, therefore, during Fiscal 2007 the Company recorded a non-cash pretax impairment charge equal to the excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of such goodwill of approximately $214,039. In addition, during the second quarter of Fiscal 2007, the Company concluded that the implied fair values of its trade name intangible assets were in excess of the carrying amounts of those assets and, accordingly, no impairment of trade name intangibles was recorded.

The above impairments of goodwill and trade name intangible assets is primarily attributed to lower current and forecasted profits, reflecting more conservative growth rates versus those assumed by the Company at the time of acquisition, as well as due to a sustained decline in the total market capitalization of the Company.

During the third quarter of Fiscal 2008, the Company developed and initiated a plan to curtail manufacturing operations at its Ningbo Baowang (“Ningbo”) battery manufacturing facility in China. The Company expects manufacturing operations at Ningbo to cease by December 31, 2008. In connection with the Company’s strategy to exit operations at Ningbo, the Company recorded a non-cash pretax charge of $16,193 to reduce the carrying value of goodwill related to Ningbo.

The recognition of the $861,234, $362,452 and $432,978 non-cash impairment of goodwill and trade name intangible assets during Fiscal 2008, 2007 and 2006, respectively, has been recorded as a separate component of Operating expenses and has had a material negative effect on the Company’s financial condition and results of operations during Fiscal 2008, 2007 and 2006. These impairments will not result in future cash expenditures.

Intangibles with Definite or Estimable Useful Lives

The triggering events discussed above under SFAS 142 also indicate a triggering event in accordance with SFAS 144. Management conducted an analysis in accordance with SFAS 144 of intangibles with definite or estimable useful lives in conjunction with the SFAS 142 testing of intangibles with indefinite lives.

The Company assesses the recoverability of intangible assets with definite or estimable useful lives in accordance with SFAS 144 by determining whether the carrying value can be recovered through projected undiscounted future cash flows. If projected undiscounted future cash flows indicate that the unamortized carrying value of intangible assets with finite useful lives will not be recovered, an adjustment would be made to reduce the carrying value to an amount equal to projected future cash flows discounted at the Company's incremental borrowing rate. The cash flow projections used are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions.

Impairment reviews are conducted at the judgment of management when it believes that a change in circumstances in the business or external factors warrants a review. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses, or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. The Company's initial impairment review to determine if an impairment test is required is based on an undiscounted cash flow analysis for asset groups at the lowest level for which identifiable cash flows exist. The analysis requires management judgment with respect to changes in technology, the continued success of product lines and future volume, revenue and expense growth rates, and discount rates.

In accordance with SFAS 144, long-lived assets to be disposed of are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, the Company recorded a non-cash pretax charge of $5,700 in discontinued operations to reduce the carrying value of intangible assets related to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business. (See also Note 11, Discontinued Operations, for additional information regarding this impairment charge). During Fiscal 2007, the Company recorded a non-cash pretax charge of $44,507 in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian Division of the Home and Garden Business in order to reflect the estimated fair value of this business. (See also Note 5, Assets Held for Sale, for additional information regarding this impairment charge).

(j) Debt Issuance Costs

Debt issuance costs are capitalized and amortized to interest expense using the effective interest method over the lives of the related debt agreements.

(k) Accounts Payable

Included in accounts payable are bank overdrafts, net of deposits on hand, on disbursement accounts that are replenished when checks are presented for payment.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of the enactment date.

(m) Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiaries are translated at the rate of exchange existing at year-end, with revenues, expenses, and cash flows translated at the average of the monthly exchange rates. Adjustments resulting from translation of the financial statements are recorded as a component of Accumulated other comprehensive income ("AOCI"). Also included in AOCI are the effects of exchange rate changes on intercompany balances of a long-term nature.

(In thousands, except per share amounts)

As of September 30, 2008 and 2007, foreign currency translation adjustment balances of $88,719 and $83,483, respectively, were reflected in the Consolidated Balance Sheets in AOCI.

Exchange losses on foreign currency transactions aggregating $3,466, $4,749, and $3,898 for Fiscal 2008, 2007 and 2006, respectively, are included in Other income, net, in the Consolidated Statements of Operations.

(n) Shipping and Handling Costs

The Company incurred shipping and handling costs of $183,676, $180,651 and $169,926 in Fiscal 2008, 2007 and 2006, respectively, which are included in Selling expenses. Shipping and handling costs include costs incurred with third-party carriers to transport products to customers and salaries and overhead costs related to activities to prepare the Company’s products for shipment at the Company’s distribution facilities.

(o) Advertising Costs

The Company incurred expenses for advertising of $46,417, $55,264 and $45,985 in Fiscal 2008, 2007 and 2006, respectively, which are included in Selling expenses.

(p) Research and Development Costs

Research and development costs are charged to expense in the period they are incurred.

(q) Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period. Basic net loss per common share does not consider common stock equivalents. Diluted net loss per common share reflects the dilution that would occur if employee stock options and restricted stock awards were exercised or converted into common shares or resulted in the issuance of common shares that then shared in the net loss of the entity. The computation of diluted net loss per common share uses the “if converted” and “treasury stock” methods to reflect dilution. The difference between the basic and diluted number of shares is due to the effects of restricted stock and assumed conversion of employee stock options awards.

Net loss per common share is calculated based upon the following shares:

	2008	2007	2006
Basic	50,921	50,909	49,459
Effect of restricted stock and assumed conversion of stock options	—	—	—
Diluted	50,921	50,909	49,459

The Company has not assumed the exercise of common stock equivalents in either Fiscal 2008, 2007 or 2006 as the impact would be antidilutive.

(r) Derivative Financial Instruments

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. When entered into, the Company formally designates the financial instrument as a hedge of a specific underlying exposure if such criteria are met, and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument’s change in fair value is immediately recognized in earnings.

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in AOCI and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During Fiscal 2008, 2007 and 2006, $772, $9,043 and $1,914 of pretax derivative gains, respectively, from such hedges were recorded as an adjustment to Interest expense. During Fiscal 2008, 2007 and 2006, $0, $0 and $431 of pretax derivative gains, respectively, were recorded as adjustments to interest expense for ineffectiveness from such hedges and included in the amounts above. At September 30, 2008 the Company had a portfolio of USD-denominated interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt, exclusive of lender spreads, at rates as follows: 4.46% for a notional principal amount of $170,000 through October 2008, 5.49% for a notional principal amount of $225,000 through March 2010 and 3.01% for a notional principal amount of $80,000 through April 2010. In addition, the Company had a portfolio of EUR-denominated interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt, exclusive of lender spreads, at rates as follows: 2.68% for a notional principal amount of $267,029 through September 2008. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was $3,604, net of tax benefit of $2,209. The derivative net gain on these contracts recorded in AOCI at September 30, 2007 was $163, net of tax expense of $100. The derivative net gain on these contracts recorded in AOCI at September 30, 2006 was $6,385, net of tax expense of $3,913. At September 30, 2008, the portion of derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $1,899, net of tax.

(In thousands, except per share amounts)

The Company's interest rate swap derivative financial instruments are summarized as follows:

	2008		2007		2006	
	Notional Amount	Remaining Term	Notional Amount	Remaining Term	Notional Amount	Remaining Term
Interest rate swaps-fixed	$ 267,029	0.07 years	$ 175,000	0.03 years	$ 100,000	0.58 years
Interest rate swaps-fixed	$ 170,000	0.11 years	$ 70,760	0.07 years	$ 251,200	1.00 years
Interest rate swaps-fixed	$ 225,000	1.52 years	$ 261,812	1.07 years	$ 279,400	2.00 years
Interest rate swaps-fixed	$ 80,000	1.62 years	$ 170,000	1.11 years	$ 170,000	2.08 years
Interest rate swaps-fixed			$ 225,000	2.52 years		

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange related to sales or product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net sales or purchase price variance in Cost of goods sold. During Fiscal 2008, 2007 and 2006, $1,729 of pretax derivative losses and $319 and $51, respectively, of pretax derivative gains from such hedges were recorded as an adjustment to Net sales. During Fiscal 2008, 2007 and 2006, $9,293, $2,944 and $334 of pretax derivative losses, respectively, from such hedges were recorded as an adjustment to Cost of goods sold. Following the sale or purchase, subsequent changes in the fair value of the derivative hedge contracts are recorded as a gain or loss in earnings as an offset to the change in value of the related asset or liability recorded in the Consolidated Balance Sheet. During Fiscal 2008, 2007 and 2006, $0, $1,295 and $258 of pretax derivative losses, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. The pretax derivative adjustment to earnings for ineffectiveness from these contracts for 2008, 2007 and 2006 was $0.

At September 30, 2008, 2007 and 2006, respectively, the Company had $144,776, $157,520 and $97,932 of such foreign exchange derivative contracts outstanding. The derivative net gain on these contracts recorded in AOCI at September 30, 2008 was $3,591, net of tax expense of $1,482. The derivative net loss on these contracts recorded in AOCI at September 30, 2007 was $6,010, net of tax benefit of $3,318. The derivative net gain on these contracts recorded in AOCI at September 30, 2006 was $647, net of tax expense of $326. At September 30, 2008, the portion of derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $2,734, net of tax.

The Company is exposed to risk from fluctuating prices for raw materials, including zinc used in its manufacturing processes. The Company hedges a portion of the risk associated with these materials through the use of commodity call options and swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The call options effectively cap the floating price on a specified quantity of raw materials through a specified date. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. During Fiscal 2008, 2007 and 2006, $10,521 of pretax derivative losses and $8,932 and $3,273, respectively, of pretax derivative gains were recorded as an adjustment to Cost of goods sold for swap or option contracts settled at maturity. The hedges are generally highly effective, however, during Fiscal 2008, 2007 and 2006, $433, $608 and $0 of pretax derivative losses, respectively, were recorded as an adjustment to Cost of goods sold for ineffectiveness. At September 30, 2008 the Company had a series of such swap contracts outstanding through September 2010 with a contract value of $31,030. At September 30, 2007 $45,343 of such commodity contracts were outstanding. At September 30, 2006 $28,521 of such commodity contracts were outstanding. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was $5,396, net of tax benefit of $2,911. The derivative net loss on these contracts recorded in AOCI at September 30, 2007 was $1,877, net of tax benefit of $1,002. The derivative net gain on these contracts recorded in AOCI at September 30, 2006 was $4,093, net of tax expense of $2,218. At September 30, 2008, the portion of derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $4,498, net of tax.

(In thousands, except per share amounts)

The Company was also exposed to fluctuating prices of raw materials, such as urea and di-ammonium phosphates, used in its manufacturing processes in the growing products portion of the Home and Garden Business. During Fiscal 2008, 2007 and 2006, $8,925, $5,080 and $(983) of pretax derivative gains (losses), respectively, were recorded as an adjustment to Loss from discontinued operations, net of tax, for swap or option contracts settled at maturity. The hedges are generally highly effective, however, during Fiscal 2008, 2007 and 2006, $(177), $25 and $(24) of pretax derivative gains (losses), respectively, were recorded as an adjustment to Loss from discontinued operations, net of tax, for ineffectiveness. At September 30, 2008, the Company had a series of such swap contracts outstanding through March 2009 with a contract value of $29,174. At September 30, 2007, $18,700 of such commodity contracts were outstanding. At September 30, 2006, $15,093 of such commodity contracts were outstanding. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was $1,886, net of tax benefit of $1,127. The derivative net gain on these contracts recorded in AOCI at September 30, 2007 was $770, net of tax expense of $473. The derivative net loss on these contracts recorded in AOCI at September 30, 2006 was $598, net of tax benefit of $366. At September 30, 2008, the portion of derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $1,886, net of tax.

The Company periodically enters into forward and swap foreign exchange contracts to hedge the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Canadian Dollars, Brazilian Reals, Colombian Pesos or Turkish Lira. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the Consolidated Balance Sheet. The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. During Fiscal 2008, 2007 and 2006, $9,361 and $16,485 of pretax derivative losses and $2,128 of pretax derivative gains, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. At September 30, 2008, 2007 and 2006, $110,174, $125,771 and $129,663, respectively, of such foreign exchange derivative contracts were outstanding.

(s) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term debt approximate fair value. The fair values of long-term debt and derivative financial instruments are generally based on quoted or observed market prices.

The carrying value of financial instruments approximate the fair value of those instruments due to the applicable interest rates being substantially at market ("floating"), except for a $976,458 senior secured U.S. Dollar Term B Loan due March 30, 2013 with interest payable periodically but not less than quarterly at LIBOR plus 4.00%, a €262,000 senior secured Euro Term Loan ($369,283 at September 30, 2008) due March 30, 2013 with interest payable periodically but not less than quarterly at Euro LIBOR plus 4.50%, $2,873 of Senior Subordinated Notes due September 30, 2013 with interest payable semiannually at 8.5%, $347,012 of Senior Subordinated Notes due October 2, 2013 with interest payable semiannually at 12.00% and $700,000 of Senior Subordinated Notes due February 1, 2015 with interest payable semiannually at 7.375%. The total fair value of these Term Loams at September 30, 2008 was approximately $997,654. The total fair value of these Notes at September 30, 2008 was approximately $521,874. (See also Note 2(r), Significant Accounting Policies—Derivative Financial Instruments, and Note 7, Debt).

The carrying amounts and fair values of the Company's financial instruments are summarized as follows ((liability)/asset):

	September 30,			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$(2,523,419)	$(1,647,320)	$(2,460,354)	$(2,256,202)
Interest rate swap agreements	(5,813)	(5,813)	1,986	1,986
Commodity swap and option agreements	(11,320)	(11,320)	(1,636)	(1,636)
Foreign exchange forward agreements	5,251	5,251	(8,974)	(8,974)

(In thousands, except per share amounts)

(t) Environmental Expenditures

Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed or capitalized as appropriate. The Company determines its liability on a site-by-site basis and records a liability at the time when it is probable that a liability has been incurred and such liability can be reasonably estimated. The estimated liability is not reduced for possible recoveries from insurance carriers. Estimated environmental remediation expenditures are included in the determination of the net realizable value recorded for assets held for sale.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

(v) Comprehensive Income

Comprehensive income includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as a hedge of net foreign investments, derivative financial instruments designated as cash flow hedges and additional minimum pension liabilities associated with the Company's pension. Except for the currency translation impact of the Company's intercompany debt of a long-term nature, the Company does not provide income taxes on currency translation adjustments, as earnings from international subsidiaries are considered to be indefinitely reinvested.

Amounts recorded in AOCI on the Consolidated Statements of Shareholders' Equity (Deficit) and Comprehensive Income (Loss) for the years ended September 30, 2008, 2007 and 2006 are net of the following tax (benefit) expense amounts:

	Pension Adjustment	Cash Flow Hedges	Adjustment to Adopt SFAS 158	Translation Adjustment	Total
2008	$ (1,139)	$ (4,765)	$ —	$ (318)	$(6,222)
2007	(1,307)	(3,747)	431	1,217	(3,406)
2006	2,791	6,091	—	266	9,148

(w) Stock Compensation

In connection with the adoption of SFAS 123 (Revised 2004), "*Share-Based Payment*" ("SFAS 123(R)"), the Company is required to recognize expense related to the fair value of its employee stock option awards. Total stock compensation expense associated with both stock options and restricted stock awards recognized by the Company during Fiscal 2008, 2007 and 2006 was $5,098, $21,329 and $15,896 or $3,141, $13,224 and $10,650, net of taxes, respectively. The amounts before tax are included in General and administrative expenses and Restructuring and related charges in the Consolidated Statements of Operations, of which $433 and $9,972 or $267 and $6,681, net of taxes, was included in Restructuring and related charges during Fiscal 2008 and 2007 primarily related to the accelerated vesting of certain awards. There were no amounts before tax included in Restructuring and related charges in the Consolidated Statements of Operation in Fiscal 2006. The Company expects that total stock compensation expense for the fiscal year ended September 30, 2009 ("Fiscal 2009") will be approximately $3,326 before the effect of income taxes. As of September 30, 2008, there was $5,058 of unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted average period of approximately 3 years.

The Company uses or has used two forms of stock based compensation. Shares of restricted stock have been awarded to certain employees and members of management since our fiscal year ended September 30, 2001. Prior to the fourth quarter of Fiscal 2004, the Company also issued stock options to employees, some of which remained unvested at the adoption date of SFAS 123(R). Restricted stock is now the only form of stock based compensation used by the Company.

Stock options previously awarded generally vest under a combination of time-based and performance-based vesting criteria. Under the time-based vesting, the stock options become exercisable primarily in equal increments over a three year period, while under the performance-based vesting such options become exercisable over the same time period or one day prior to the end of the exercise period, if certain performance criteria are not met. The period during which such options, if vested, may be exercised generally extends ten years from the date of grant.

Restricted stock shares granted in Fiscal 2008 and 2007 generally have vesting periods which can range from one to five years. Approximately 61% of the shares granted in Fiscal 2008 and 89% of the shares granted in Fiscal 2007 are purely performance based and vest only upon the achievement of certain performance goals. Such performance goals consist of reportable segment and consolidated company Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") and cash flow components, each as defined by the Company for purposes of such awards. The remaining shares granted in Fiscal 2008 and Fiscal 2007 are time based, which vest either 100% after three years or on a pro rata basis over three years.

Restricted stock shares granted through Fiscal 2006 generally have vesting periods of three to five years. Approximately 50% of the restricted stock shares are purely time-based and vest on a pro rata basis over either a three or four year vesting period and approximately 50% are time-based and performance-based. Vesting of such performance based restricted stock will occur upon achievement of certain performance goals established by the Board of Directors of the Company. Generally, performance targets consist of Earnings Per Share ("EPS"), segment Earnings Before Interest and Taxes ("EBIT") and cash flow components, each as defined by the Company for purposes of such awards. If such performance targets are not met, the performance component of a restricted stock award will not vest in the year that the performance targets applied to and instead will automatically vest one year after the originally scheduled vesting date, effectively making the award time based. The Company recognizes amortization on the time-based component on a straight-line basis over the vesting period. The Company recognizes amortization on the performance-based component over the vesting period, assuming performance targets will not be met, unless and until it is probable that the performance targets will be met. At the point in time when it is probable that the performance target will be met, the recognition period is shortened one year to account for the accelerated vesting requirement of the performance-based component.

The Company currently has one active incentive plan under which additional shares may be issued to employees as equity compensation; the 2004 Rayovac Incentive Plan ("2004 Plan"). Up to 3,500 shares of common stock, net of forfeitures and cancellations, may be issued under the 2004 Plan, which expires in July 2014. As of September 30, 2008, 2,560 restricted shares had been granted and 1,347 restricted shares were outstanding under the 2004 Plan. No options have been granted under the 2004 Plan.

The Company also has two expired plans under which there remain equity based awards outstanding; the 1997 Rayovac Incentive Plan ("1997 Plan"), which expired on August 31, 2007, and the 1996 Rayovac Corporation Stock Option Plan ("1996 Plan"), which expired on September 12, 2006. As of September 30, 2008 there were options with respect to 418 shares of common stock and 526 restricted shares outstanding under the 1997 Plan, and options with respect to 92 shares of common stock outstanding under the 1996 Plan.

(In thousands, except per share amounts)

The fair value of restricted stock is determined based on the market price of the Company's shares on the grant date. A summary of the status of the Company's non-vested restricted stock as of September 30, 2008 is as follows:

Restricted Stock	Shares	Weighted Average Grant Date Fair Value	Fair Value
Restricted stock at September 30, 2007	2,265	$ 15.56	$ 35,242
Granted	408	5.31	2,165
Vested	(532)	19.00	(10,108)
Forfeited	(268)	26.82	(7,188)
Restricted stock at September 30, 2008	1,873	$ 10.74	$ 20,111

The following table summarizes the stock option transactions:

	2008		2007		2006	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	1,510	$ 15.82	1,911	$ 14.65	1,988	$ 14.64
Granted	—	—	—	—	—	—
Exercised	—	—	(149)	4.39	(28)	13.08
Forfeited	(1,000)	16.18	(252)	13.68	(49)	15.46
Outstanding, end of period	510	$ 15.06	1,510	$ 15.82	1,911	$ 14.65
Options exercisable, end of period	420	$ 15.30	1,384	$ 15.98	1,659	$ 14.74

The following table summarizes information about options outstanding and options outstanding and exercisable as of September 30, 2008:

	Options Outstanding			Options Outstanding and Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$11.32 – $14.60	425	3.82 years	$ 13.56	341	$ 13.66
$16.19 – $21.50	11	2.94	18.87	8	18.39
$21.63 – $27.13	74	1.42	23.10	71	22.89
	510	3.45	$ 15.06	420	$ 15.30

(x) Restructuring and Related Charges

Restructuring charges are recognized and measured according to the provisions of SFAS No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities*" ("SFAS 146"). Under SFAS 146, restructuring charges include, but are not limited to, termination and related costs consisting primarily of severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by the Company, include, but are not limited to, other costs directly associated with exit and integration activities, including impairment of property and other assets, departmental costs of full-time incremental integration employees, and any other items related to the exit or integration activities. Costs for such activities are estimated by management after evaluating detailed analyses of the cost to be incurred. The Company presents restructuring and related charges on a combined basis. (See also Note 16, Restructuring and Related Charges, for a more complete discussion of restructuring initiatives and related costs).

(y) Adoption of New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (the “FASB”) issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). This statement is intended to improve financial reporting of derivative instruments and hedging activities by requiring enhanced disclosures. This statement is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. The Company does not believe the adoption of SFAS 161 will have a material impact on its financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS 159, “*The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*” (“SFAS 159”) which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS 159 further establishes certain additional disclosure requirements. SFAS 159 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years beginning after November 15, 2007, with earlier adoption permitted. No entity is permitted to apply SFAS 159 retrospectively to fiscal years preceding the effective date unless the entity chooses early adoption. The Company is currently evaluating the impact that SFAS 159 will have on its financial condition, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), “*Business Combinations”* (“SFAS 141(R)”). SFAS 141(R) will significantly change the accounting for future business combinations after adoption. SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired business. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is currently evaluating the impact that SFAS 141(R) will have on its financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements”* (“SFAS 160”), an amendment of Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent’s equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not believe the adoption of SFAS 160 will have a material impact on its financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*” (“SFAS 157”). SFAS 157 provides guidance for using fair value to measure assets and liabilities. The FASB believes SFAS 157 also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. In SFAS 157, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity’s own data. Under SFAS 157, fair value measurements would be separately disclosed by level within the fair value hierarchy. The provisions of SFAS 157 for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements, are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The FASB did, however, provide a one year deferral for the implementation of SFAS 157 for other non-financial assets. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. The Company is currently evaluating the impact that SFAS 157 will have on its financial condition, results of operations or cash flows.

(In thousands, except per share amounts)

(3) Inventories

Inventories consist of the following:

	September 30, 2008	September 30, 2007
Raw materials	$ 89,811	$102,353
Work-in-process	26,160	29,455
Finished goods	267,289	264,521
	$383,260	$396,329

(4) Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 2008	September 30, 2007
Land, buildings and improvements	$ 97,076	$105,660
Machinery, equipment and other	391,701	423,559
Construction in progress	16,555	8,382
	505,332	537,601
Less accumulated depreciation	270,527	256,033
	$234,805	$281,568

(5) Assets Held for Sale

At September 30, 2008, the Company had $7,452 included in Assets held for sale in its Consolidated Balance Sheets consisting primarily of a distribution facility in the Dominican Republic and manufacturing facilities in France and Brazil.

At September 30, 2007, the Company had assets and liabilities of $24,975 and $8,475, respectively, related to the Canadian division of the Home and Garden Business included in Assets held for sale and liabilities held for sale in its Consolidated Balance Sheets. See Note 11, Discontinued Operations, for additional information related to the sale of the Canadian division of the Home and Garden Business.

In accordance with SFAS 144, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, the Company recorded a non-cash pretax charge of $44,507 in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian division of the Home and Garden Business, in order to reflect the estimated fair value of this business. Such estimated fair value was based on a range of estimated sales values.

The remaining balance in Assets held for sale in the Consolidated Balance Sheets as of September 30, 2007, consisted primarily of a distribution facility in the Dominican Republic and manufacturing facilities in France and Brazil.

(In thousands, except per share amounts)

(6) Intangible Assets

Intangible assets consist of the following:

	Global Batteries & Personal Care	Home & Garden	Global Pet Supplies	Total
Goodwill:				
Balance as of September 30, 2006	$ 330,465	$ 297,330	$ 502,389	$1,130,184
Impairment charge	(214,039)	(138,135)	—	(352,174)
Effect of translation	13,473	1,883	27,361	42,717
Balance as of September 30, 2007	$ 129,899	$ 161,078	$ 529,750	$ 820,727
Purchase price allocation during period	—	(1,064)	(379)	(1,443)
Impairment charge	(16,193)	(160,014)	(425,727)	(601,934)
Effect of translation	3,943	—	14,175	18,118
Balance as of September 30, 2008	$ 117,649	$ —	$ 117,819	$ 235,468
Intangible Assets:				
Trade Names Not Subject to Amortization				
Balance as of September 30, 2006, net	$ 393,110	$ 146,634	$ 297,200	$ 836,944
Additions	—	—	37	37
Purchase price allocation during period	(3,236)	—	—	(3,236)
Impairment charge	(23,400)	(9,136)	(1,000)	(33,536)
Effect of translation	21,315	902	14,400	36,617
Balance as of September 30, 2007, net	$ 387,789	$ 138,400	$ 310,637	$ 836,826
Purchase price allocation during period	(23,781)	—	—	(23,781)
Impairment charge	(85,700)	(81,400)	(97,900)	(265,000)
Effect of translation	7,952	—	5,608	13,560
Balance as of September 30, 2008, net	$ 286,260	$ 57,000	$ 218,345	$ 561,605
Intangible Assets Subject to Amortization				
Balance as of September 30, 2006, net	$ 12,304	$ 78,168	$ 130,898	$ 221,370
Additions	—	—	582	582
Amortization during period	(997)	—	(12,849)	(13,846)
Impairment charge	—	(4,249)	—	(4,249)
Effect of translation	1,259	428	4,674	6,361
Balance as of September 30, 2007, net	$ 12,566	$ 74,347	$ 123,305	$ 210,218
Purchase price allocation during period	126	—	39	165
Amortization related to discontinued operations	—	(3,020)	—	(3,020)
Amortization during period	(1,142)	(12,970)	(13,575)	(27,687)
Effect of translation	279	—	1,249	1,528
Balance as of September 30, 2008, net	$ 11,829	$ 58,357	$ 111,018	$ 181,204
Total Intangible Assets, net	$ 298,089	$ 115,357	$ 329,363	$ 742,809

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The carrying value of technology assets was $32,120, net of accumulated amortization of $14,660 at September 30, 2008 and $35,635, net of accumulated amortization of $10,726 at September 30, 2007. The trade names subject to amortization relate to the United Industries Corporation ("United") acquisition. The carrying value of these trade names was $1,820, net of accumulated amortization of $9,135 at September 30, 2008 and $4,868 net of accumulated amortization of $5,690 at September 30, 2007. Remaining intangible assets subject to amortization include customer relationship intangibles. The carrying value of customer relationships was $147,264, net of accumulated amortization of $58,913 at September 30, 2008 and $169,715, net of accumulated amortization of $35,586 at September 30, 2007. Of the intangible assets acquired in the United and Jungle Laboratories Corporation acquisitions, customer relationships and technology assets have been assigned a life of approximately 12 years and other intangibles have been assigned lives of 1 year to 4 years. Of the intangible assets acquired in the Tetra Holing GmbH and its affiliates and subsidiaries in the aquatics business ("Tetra") acquisition, customer relationships have been assigned a life of approximately 12 years and technology assets have been assigned a 6 year life.

The purchase price allocation decrease to Global Batteries & Personal Care trade names not subject to amortization during Fiscal 2007 relates to the reversal of a portion of a deferred tax valuation allowance established in connection with the acquisition of Microlite S.A. (“Microlite”) in May, 2004. In accordance with SFAS No. 109, “*Accounting for Income Taxes*,” intangible assets were reduced as all prior goodwill related to the Microlite acquisition had been previously written off.

SFAS 142 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2008 and 2007, the Company conducted its impairment testing of goodwill and indefinite-lived intangible assets. As a result of these analyses the Company recorded a non-cash pretax impairment charge of approximately $861,234 and $362,452 in Fiscal 2008 and Fiscal 2007, respectively. Of the Fiscal 2008 impairment, approximately $601,934 of the charge related to impaired goodwill and $259,300 related to impaired trade name intangible assets. Of the Fiscal 2007 impairment, approximately $338,052 of the charge related to impaired goodwill and $24,400 related to impaired trade name intangible assets. (See also Note 2(i), Significant Accounting Policies—Intangible Assets, for further details on the impairment charges).

(In thousands, except per share amounts)

As previously disclosed, the Company has designated the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business as discontinued operations. In accordance with SFAS 144, long-lived assets to be disposed are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, the Company recorded a non-cash pretax charge of $5,700 in discontinued operations to reduce the carrying value of intangible assets related to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business. (See also Note 11, Discontinued Operations, for additional information regarding this impairment charge). During Fiscal 2007, the Company recorded a non-cash pretax charge of approximately $44,507 in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian division of the Home and Garden Business in order to reflect the estimated fair value of this business. Approximately $14,122 of this charge related to impaired goodwill, approximately $9,136 related to impaired trade name intangible assets, and approximately $4,249 related to impaired customer relationship intangibles. (See also Note 5, Assets Held for Sale, and Note 11, Discontinued Operations, for additional information relating to this impairment charge).

The amortization expense related to intangibles subject to amortization for Fiscal 2008, 2007 and 2006 is as follows:

	2008(A)	2007(A)	2006
Proprietary technology amortization	$ 3,934	$ 3,601	$ 3,600
Customer list amortization	23,327	9,737	16,421
Trade names amortization	426	508	1,948
	$27,687	$13,846	$21,969

(A) Fiscal 2007 does not include amortization expense associated with the Home and Garden Business, as the Home and Garden Business was designated a discontinued operation in Fiscal 2007, in accordance with SFAS 144. Fiscal 2008 includes amortization expense related to Fiscal 2007, as a result of the reclassification of the Home and Garden Business as a continuing operation during Fiscal 2008. (See also Note 13, Segment Assets, for further details on amortization expense related to the Home and Garden Business).

The Company estimates annual amortization expense for the next five fiscal years will approximate $20,382 per year.

(7) Debt

Debt consists of the following:

	September 30, 2008		September 30, 2007	
	Amount	Rate	Amount	Rate(A)
Senior Subordinated Notes, due February 1, 2015	$ 700,000	7.4%	$ 700,000	7.4%
Senior Subordinated Notes, due October 2, 2013	347,012	12.0%	347,012	11.3%
Term Loan B, U.S. Dollar, expiring March 30, 2013	976,458	6.8%	997,500	9.6%
Term Loan, Euro, expiring March 30, 2013	369,283	9.6%	369,855	8.8%
Senior Subordinated Notes, due October 1, 2013	2,873	8.5%	2,873	8.5%
Revolving Credit Facility, expiring September 28, 2011	80,000	5.0%	—	—
Other notes and obligations	34,210	9.7%	28,719	5.6%
Capitalized lease obligations	13,583	4.9%	14,395	5.0%
	2,523,419		2,460,354	
Less current maturities	48,637		43,438	
Long-term debt	$2,474,782		$2,416,916	

(A) Interest rates on senior credit facilities represent the period-end weighted average rates on balances outstanding exclusive of the effects of any interest rate swaps.

Senior Credit Facilities

During Fiscal 2007, the Company refinanced its outstanding senior credit facilities with new senior secured credit facilities pursuant to a new senior credit agreement (the "Senior Credit Agreement") consisting of a $1,000,000 U.S. Dollar Term B Loan facility (the "U.S. Dollar Term B Loan"), a $200,000 U.S. Dollar Term B II Loan facility (the "U.S. Dollar Term B II Loan"), a

(In thousands, except per share amounts)

€262,000 Term Loan facility (the "Euro Facility"), and a $50,000 synthetic letter of credit facility (the "L/C Facility"). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under the Company's Fourth Amended and Restated Credit Agreement, dated as of February 7, 2005, to pay fees and expenses in connection with the refinancing and the exchange offer completed on March 30, 2007 relating to certain of our senior subordinated notes and for general corporate purposes. Subject to certain mandatory prepayment events, the term loan facilities under the Senior Credit Agreement are subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due on March 30, 2013. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, five business days prior to March 30, 2013.

On September 28, 2007, as provided for in the Senior Credit Agreement, the Company entered into a $225,000 U.S. Dollar Asset Based Revolving Loan Facility (the "ABL Facility") pursuant to a new credit agreement (the "ABL Credit Agreement"). The ABL Facility replaced the U.S. Dollar Term B II Loan, which was simultaneously prepaid using cash on hand generated from the Company's operations and available cash from prior borrowings under its Senior Credit Agreement in connection with the above-referenced refinancing. The Company, at its option, may increase the existing $225,000 commitment under the ABL Facility up to $300,000 upon request to the lenders under the ABL Facility and upon meeting certain criteria specified in the ABL Credit Agreement. The ABL Facility has a maturity date of September 28, 2011, subject to certain mandatory prepayment events. As of September 30, 2008, the Company had aggregate borrowing availability of approximately $108,106, net of lender reserves of $31,894 and outstanding letters of credit of $5,000, under the ABL Facility. As of September 30, 2007, the Company had aggregate borrowing availability of approximately $171,005, net of lenders reserves of $32,370, under the ABL Facility. References to "Senior Credit Facilities" in this Annual Report on Form 10-K, refer, collectively, to the U.S. Dollar Term B Loan, the Euro Facility and the ABL Facility.

During Fiscal 2008, the Company repaid $29,203 of term loan indebtedness under its Senior Credit Agreement with borrowings under the ABL Facility and net proceeds from the sale of the Canadian division of the Home and Garden Business. See Note 11, Discontinued Operations for further details on the sale of the Canadian division of the Home and Garden Business.

At September 30, 2008, the aggregate amount outstanding under the Company's Senior Credit Facilities totaled a U.S. Dollar equivalent of $1,478,727, including principal amounts of $976,458 under the U.S. Dollar Term B Loan, €255,843 under the Euro Facility (USD $369,283 at September 30, 2008), and $85,000 under the ABL Facility, including $5,000 in letters of credit. Letters of credit outstanding under the L/C Facility totaled $47,986 at September 30, 2008.

The aggregate scheduled maturities of debt as of September 30, 2008 are as follows:

2009	$ 48,637
2010	14,525
2011	94,403
2012	14,366
2013	1,292,316
Thereafter	1,059,172
	$2,523,419

Aggregate capitalized lease obligations included in the amounts above are payable in installments of $1,008 in 2009, $826 in 2010, $844 in 2011, $807 in 2012, $811 in 2013 and $9,287 thereafter.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum senior secured leverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Senior Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on the Company's ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, the Company and its domestic subsidiaries have guaranteed their respective obligations under the Senior Credit Agreement and related loan documents and have pledged substantially all of their respective assets to secure such obligations.

The ABL Credit Agreement also contains customary restrictive covenants, including, but not limited to, restrictions on the Company's ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, the Company and its domestic subsidiaries have guaranteed their respective obligations under the ABL Credit Agreement and related loan documents and have pledged certain of their liquid assets, including, but not limited to, deposit accounts, trade receivables and inventory to secure such obligations.

The Senior Credit Agreement and ABL Credit Agreement each provide for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing under either agreement, amounts due under such agreement may be accelerated and the rights and remedies of the lenders under such agreement available under the applicable loan documents may be exercised, including rights with respect to the collateral securing the obligations under such agreement.

As of September 30, 2008, the Company was in compliance with all of the covenants under the Senior Credit Agreement and ABL Credit Agreement.

Senior Subordinated Notes

At September 30, 2008, the Company had outstanding principal of $700,000 under its 7 3/8% Senior Subordinated Notes due 2015, outstanding principal of $2,873 under its 8 1/2% Senior Subordinated Notes due 2013, and outstanding principal of $347,012 under its Variable Rate Toggle Senior Subordinated Notes due 2013 (collectively, the "Senior Subordinated Notes"). The Variable Rate Toggle Senior Subordinated Notes due 2013 are subject to a variable rate of interest that increases semi-annually, varying depending on whether interest is paid in cash or increased principal. As of September 30, 2008, the Variable Rate Toggle Senior Subordinated Notes due 2013 bore interest at a rate of 12%.

The Company may redeem all or a part of the Variable Rate Toggle Senior Subordinated Notes due 2013 upon not less than 30 nor more than 60 days notice, at specified redemption prices. The terms of the 8 1/2% Senior Subordinated Notes due 2013 and 7 3/8% Senior Subordinated Notes due 2015 do not currently permit redemption. Further, the indentures governing the 7 3/8% Senior Subordinated Notes due 2015 and the Variable Rate Toggle Senior Subordinated Notes due 2013 require the Company to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Company, as defined in such indentures and require prepayment in connection with certain asset sales.

The indentures governing the Senior Subordinated Notes contain customary covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur additional indebtedness, pay dividends on or redeem or repurchase its equity interests, make certain investments, expand into unrelated businesses, create liens on assets, merge or consolidate with another company, transfer or sell all or substantially all of its assets, and enter into transactions with affiliates.

In addition, the indentures governing the Senior Subordinated Notes each provide for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the respective indentures arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the notes subject to that indenture. If any other event of default under an indenture occurs and is continuing, the trustee for that indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of those notes, may declare the acceleration of the amounts due under those notes.

As of September 30, 2008, the Company was in compliance with all covenants under the Senior Subordinated Notes and the respective indentures. The Company, however, is subject to certain limitations as a result of the Company's Fixed Charge Coverage Ratio under each of the indentures being below 2:1. Until the test is satisfied, the Company and certain of its subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. The Company does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

(8) Shareholders' Equity

The Company granted approximately 408 shares of restricted stock during Fiscal 2008. Of these grants, 158 shares are time-based and vest on a pro rata basis over a three year period and 250 are purely performance-based and vest only upon achievement of certain performance goals. All vesting dates are subject to the recipient's continued employment with the Company, except as otherwise permitted by the Company's Board of Directors or if the employee is terminated without cause. The total market value of the restricted shares on the date of grant was approximately $2,165.

(In thousands, except per share amounts)

The Company granted approximately 1,689 shares of restricted stock during Fiscal 2007. Of these grants, approximately 194 shares are time-based and vest either 100% after three years or on a pro rata basis over a three-year period and 1,495 shares are purely performance-based and vest only upon achievement of certain performance goals. The total market value of the restricted shares on the date of grant was approximately $12,750. Unearned compensation is being amortized to expense over the appropriate vesting period. All vesting dates are subject to the recipient's continued employment with the Company, except as otherwise permitted by the Company's Board of Directors or Compensation Committee or if the employee is terminated without cause.

The Company granted approximately 965 shares of restricted stock during Fiscal 2006. Of these grants, approximately 415 shares are time-based and vest on a pro rata basis over either a three or four-year period and 390 shares are performance-based and vest upon achievement of certain performance goals. If the performance targets are not met, the performance component of a restricted stock award will automatically vest one year after the originally scheduled vesting date, effectively making the award time-based. The remaining 160 shares vest at specific dates throughout 2008 and 2009. The total market value of the restricted shares on the date of grant was approximately $18,875. Unearned compensation is being amortized to expense over the appropriate vesting period. All vesting dates are subject to the recipient's continued employment with the Company, except as otherwise permitted by the Company's Board of Directors or Compensation Committee or if the employee is terminated without cause.

(See also Note 2(w), Significant Accounting Policies—Stock Compensation, for additional information on grants and forfeitures of restricted shares during Fiscal 2008, 2007 and 2006).

(9) Stock Option Plans

In 1996, the Company's Board of Directors ("Board") approved the Rayovac Corporation 1996 Stock Option Plan ("1996 Plan"). Under the 1996 Plan, stock options to acquire up to 2,318 shares of common stock, in the aggregate, may be granted to select employees and non-employee directors of the Company under either or both a time-vesting or a performance-vesting formula at an exercise price equal to the market price of the common stock on the date of grant. As of September 30, 2008, there were options with respect to 92 shares of common stock outstanding under the 1996 Plan. The 1996 Plan expired on September 12, 2006.

In 1997, the Board adopted the 1997 Rayovac Incentive Plan ("1997 Plan"). Under the 1997 Plan, the Company could grant to employees and non-employee directors stock options, stock appreciation rights ("SARs"), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting will occur in the event of a change in control, as defined in the 1997 Plan. Up to 5,000 shares of Common stock may be issued under the 1997 Plan. The 1997 Plan expired in August 31, 2007. As of September 30, 2008, there were options with respect to 418 shares of common stock and 526 restricted shares outstanding under the 1997 Plan.

In 2004, the Board adopted the 2004 Rayovac Incentive Plan ("2004 Plan"). The 2004 Plan supplements the 1997 Plan. Under the 2004 Plan, the Company may grant to employees and non-employee directors stock options, SARs, restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting will occur in the event of a change in control, as defined in the 2004 Plan. Up to 3,500 shares of common stock, net of forfeitures and cancellations, may be issued under the 2004 Plan. At September 30, 2008, 2,560 restricted shares had been granted and 1,347 restricted shares were outstanding under the 2004 Plan. No options have been granted under the 2004 Plan. The 2004 Plan expires on July 31, 2014.

See also Note 2(w), Significant Accounting Policies—Stock Compensation, and Note 8, Shareholders' Equity, for information on grants and forfeitures of restricted shares during Fiscal 2008, 2007 and 2006.

(10) Income Taxes

Income tax (benefit) expense was calculated based upon the following components of income from continuing operations before income tax:

	2008	2007	2006
Pretax (loss) income:			
United States	$(654,003)	$(544,967)	$(246,723)
Outside the United States	(260,815)	37,712	(214,179)
Total pretax loss	$(914,818)	$(507,255)	$(460,902)

(In thousands, except per share amounts)

The components of income tax expense (benefit) are as follows:

	2008	2007	2006
Current:			
Federal	$ —	$ (219)	$ 819
Foreign	20,964	15,445	23,678
State	2,089	1,245	450
Total current	23,053	16,471	24,947
Deferred:			
Federal	27,109	57,382	(50,193)
Foreign	(63,064)	(16,140)	3,690
State	3,442	(1,944)	(7,887)
Total deferred	(32,513)	39,298	(54,390)
Income tax (benefit) expense	$ (9,460)	$ 55,769	$(29,443)

The following reconciles the Federal statutory income tax rate with the Company's effective tax rate:

	2008	2007	2006
Statutory federal income tax rate	35.0%	35.0%	35.0%
Non U.S. permanent items	(0.4)	(2.4)	(0.8)
Revaluation of Deferred Taxes	0.2	5.6	—
Foreign statutory rate vs. U.S. statutory rate	(1.8)	0.9	0.6
State income taxes, net of federal benefit	1.4	2.4	1.5
Net nondeductible (deductible) interest expense	0.2	1.5	1.7
SFAS 142 Impairment	(10.9)	(10.4)	(23.7)
Valuation allowance	(23.8)	(42.3)	(6.0)
Other	1.1	(0.2)	(1.5)
	1.0%	(9.9)%	6.8%

The tax effects of temporary differences, which give rise to significant portions of the deferred tax assets and deferred tax liabilities, are as follows:

	September 30,	
	2008	2007
Current deferred tax assets:		
Employee benefits	$ 4,545	$ 2,774
Restructuring	1,460	9,847
Inventories and receivables	14,035	16,870
Marketing and promotional accruals	3,788	3,776
Foreign currency hedges	3,800	1,750
Other	18,313	12,939
Valuation allowance	(26,544)	(24,315)
Total current deferred tax assets	19,397	23,641
Current deferred tax liabilities:		
Inventory	(1,143)	(1,433)
Other	(4,297)	—
Total current deferred tax liabilities	(5,440)	(1,433)
Net current deferred tax assets	$ 13,957	$ 22,208
Noncurrent deferred tax assets:		
Employee benefits	$ 7,398	$ 18,920
Restructuring and purchase accounting	13,335	4,708

(In thousands, except per share amounts)

	September 30, 2008	September 30, 2007
Marketing and promotional accruals	932	1,622
Net operating loss and credit carry forwards	447,329	354,506
Other	10,729	7,894
Valuation allowance	(469,426)	(283,062)
Total noncurrent deferred tax assets	10,297	104,588
Noncurrent deferred tax liabilities:		
Property, plant, and equipment	(22,778)	(30,080)
Unrealized gains	(4,044)	(4,631)
Intangibles	(93,749)	(231,859)
Other	(4,400)	(7,105)
Total noncurrent deferred tax liabilities	(124,971)	(273,675)
Net noncurrent deferred tax liabilities	$(114,674)	$(169,088)
Net current and noncurrent deferred tax liabilities	$(100,717)	$(146,880)

Undistributed earnings of the Company’s foreign operations amounting to approximately $357,933 and $329,952 at September 30, 2008 and 2007, respectively, are intended to remain permanently invested. Accordingly, no residual income taxes have been provided on those earnings at September 30, 2008 and 2007. The tax liability that would result from the distribution of these earnings via a dividend distribution is not practicable to determine.

The Company, as of September 30, 2008 has U.S. federal and state net operating loss carryforwards of approximately $1,008,814 and $1,831,990, respectively which will expire between 2009 and 2028. The Company has foreign net operating loss carryforwards of approximately $141,653 which will expire beginning in 2009. Certain of the foreign net operating losses have indefinite carryforward periods. As of September 30, 2007 the Company has U.S. federal, state and foreign net operating loss carryforwards of approximately $763,308, $1,141,205 and $117,116, respectfully. The Company has had a change of ownership, as defined under Internal Revenue Code Section 382, that subjects the Company’s U.S. net operating losses to certain limitations. These limitations include an overall annual limitation and a limitation related to gains generated upon the divestiture of certain assets.

A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. As of September 30, 2008 and September 30, 2007, the Company’s valuation allowance, established for the tax benefit that may not be realized, totaled approximately $495,970 and $307,376, respectively. As of September 30, 2008 and September 30, 2007, approximately $467,546 and $235,181, respectively related to U.S. net deferred tax assets, and approximately $28,424 and $72,195, respectively related to foreign net deferred tax assets. The increase in the allowance during 2008 totaled approximately $188,594, of which approximately $232,365 related to an increase in the valuation allowance against U.S. net deferred tax assets, and approximately $43,771 related to a decrease in the valuation allowance against foreign net deferred tax assets. Included in the total change in the valuation allowance related to foreign net deferred tax assets, approximately $23,781 was recorded as a reduction in other identified intangible assets.

The Company is continuously undergoing examination by various taxing authorities. The IRS and other state and foreign taxing authorities routinely challenge certain deductions and credits reported by the Company on its income tax returns. In accordance with SFAS 109, “*Accounting for Income Taxes*,” the Company establishes reserves for tax contingencies that reflect its best estimate of the deductions and credits that it may be unable to sustain, or that it could be willing to concede as part of a broader tax settlement. In 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN 48”), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires the Company to recognize in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The Company adopted the provisions of FIN 48 on October 1, 2007. As a result of the adoption of FIN 48, the Company recognized no cumulative effect adjustment. As of October 1, 2007 and September 30, 2008, the Company had approximately $7,933 and $7,479 of unrecognized tax benefits, respectively, of which approximately $4,630 and $4,860, respectively, would affect the Company’s effective tax rate if recognized and approximately $2,629 and $1,945, respectively, of which would result in a reduction in goodwill if recognized. The change from October 1, 2007 to September 30, 2008 is primarily a result of the accrual of additional interest and penalties and the settlement of a tax examination in Germany as further discussed below.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of October 1, 2007 and September 30, 2008, the Company had approximately $1,525 and $1,806, respectively, of accrued interest and penalties related to uncertain tax positions.

The Company does not expect any significant increases in the unrecognized tax benefits within twelve months of the reporting date of this Annual Report on Form 10-K.

The Company files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions and is subject to ongoing examination by the various taxing authorities. The Company's major taxing jurisdictions are the U.S. and Germany. In the U.S., federal tax filings for years prior to and including the Company's fiscal year ended September 30, 2004 are closed. However, the federal net operating loss carryforward from the Company's fiscal year ended September 30, 2004 is subject to Internal Revenue Service ("IRS") examination until the year that such net operating loss carryforward is utilized and that year is closed for audit. The Company's fiscal years ended September 30, 2005, 2006 and 2007 remain open to examination by the IRS. Filings in various U.S. state and local jurisdictions are also subject to audit and to date no significant audit matters have arisen.

During Fiscal 2008, certain of the German legal entities acquired by the Company in April, 2005 settled German tax audits for the fiscal years ended 2001 through 2004. As a result of the settlement, the Company reduced its unrecognized tax benefits by approximately $734, resulting in a reduction of goodwill of approximately $379 and the remainder of which was reclassified as a current tax liability.

The Company cannot predict the ultimate outcome of its current tax examinations. However, it is reasonably possible that during the next 12 months some portion of previously unrecognized tax benefits could be recognized.

SFAS 142 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. During 2008 and 2007, the Company, as a result of its testing, recorded non-cash pre tax impairment charges of $861,234 and $362,452, respectively. The tax impact, prior to consideration of the current year valuation allowance, of the impairment charges was a deferred tax benefit of $142,877 and $76,500 in Fiscal 2008 and 2007, respectively, as a result of a significant portion of the impaired assets not being deductible for tax purposes.

(11) Discontinued Operations

In the third quarter of the Company's fiscal year ended September 30, 2006, the Company engaged advisors to assist it in exploring possible strategic options, including divesting certain assets, in order to reduce its outstanding indebtedness. In connection with this undertaking, during the first quarter of the Company's fiscal year ended September 30, 2007 the Company approved and initiated a plan to sell the Home and Garden Business, which at the time was comprised of United States ("U.S.") and Canadian divisions and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result, the Company designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations.

On November 1, 2007, the Company sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled $14,931 and were used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in the Consolidated Statements of Cash Flows included in this Annual Report on Form 10-K. On February 5, 2008, the Company finalized the contractual working capital adjustment in connection with this sale which increased proceeds received by the Company by $500. As a result of the finalization of the contractual working capital adjustments the Company recorded a loss on disposal of $1,087, net of tax benefit.

During the second quarter of the Company's fiscal year ended September 30, 2008 the Company determined that in view of the difficulty in predicting the timing or probability of a sale of the Home and Garden Business, the requirements of SFAS 144, necessary to classify the Home and Garden Business as discontinued operations were no longer met. As a result, effective December 31, 2007, the Company reclassified the Home and Garden Business, which had been designated as a discontinued operation since October 1, 2006, as a continuing operation.

On November 11, 2008, the Company's Board of Directors approved the shutdown of the growing products portion of its Home and Garden Business segment, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed. This decision was made only after attempts by the Company to sell this segment, in whole or in part, were unsuccessful. The shutdown of the growing products portion of its Home and Garden Business was completed during the second quarter of the Company's fiscal year ending September 30, 2009. (See also Note 1, Description of Business; Note 2, Significant Accounting Policies

(In thousands, except per share amounts)

- *(b)*; *(e)*; *(i)*; *(n)*; *(o)* and *(r)*, *Revenue Recognition*; *Concentrations of Credit Risk, Major Customers, and Employees*; *Intangible Assets*; *Shipping and Handling Costs*; *Advertising Costs* and *Derivative Financial Statements*, respectively; Note 6, Intangible Assets; Note 10, Income Taxes; Note 13, Segment Information; Note 17, Subsequent Events; Note 18, Quarterly Results (Unaudited); and Note 20, Consolidating Financial Statements for Notes to Consolidated Financial Statements that have been recast in this Current Report on Form 8-K as a result of the shutdown of the growing products portion of the Home and Garden Business segment in comparison with the Company's Fiscal 2008 Annual Report on Form 10-K filed with the SEC on December 10, 2008.)

In accordance with SFAS 144, long-lived assets to be disposed of are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, the Company recorded a non-cash pretax charge of $5,700 in discontinued operations to reduce the carrying value of intangible assets related to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business.

Accordingly, the presentation herein of the results of continuing operations includes the Home and Garden Business, without the growing products portion of the Home and Garden business, which the shutdown was completed during the second quarter of the Company's Fiscal 2009, and the Canadian division which, as indicated above, was sold on November 1, 2007, for all periods presented. (See also Note 5, Assets Held for Sale, where the specific assets and liabilities to be sold are further discussed.)

The presentation herein of the results of continuing operations has been changed to exclude the growing products portion of the Home and Garden Business for all periods presented. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the years ended September 30, 2008, 2007 and 2006, respectively:

	2008	2007	2006
Net sales	$261,439	$232,010	$233,733
(Loss) income from discontinued operations before income taxes	$ (27,124)	$ 6,359	$ 5,194
Provision for income tax (benefit) expense	(2,182)	—	1,947
(Loss) income from discontinued operations, net of tax	$ (24,942)	$ 6,359	$ 3,247

In accordance with SFAS 144, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, the Company recorded a non-cash pretax charge of $44,507 in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian division of the Home and Garden Business, in order to reflect the estimated fair value of this business. Such estimated fair value was based on a range of estimated sales values.

The presentation herein of the results of continuing operations has been changed to exclude the Canadian division of its Home and Garden Business for all periods presented. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the years ended September 30, 2008, 2007 and 2006, respectively:

	2008	2007	2006
Net sales	$ 4,732	$ 88,724	$89,506
Loss from discontinued operations before income taxes	$(1,896)	$(46,324)	$ (378)
Provision for income tax benefit	(651)	(6,276)	(138)
Loss from discontinued operations (including loss on disposal of $1,087 in 2008), net of tax	$(1,245)	$(40,048)	$ (240)

On January 25, 2006, the Company sold its fertilizer technology and Canadian professional fertilizer products businesses of Nu-Gro to Agrium Inc. Proceeds from the sale were used to reduce outstanding debt. Nu-Gro Pro and Tech Fiscal 2005 revenue approximated $80,000 from sales of high-end specialty controlled-release nitrogen fertilizer and other products to professional turf markets and specialty wholesale fertilizer customers. As part of the transaction, the Company signed strategic multi-year reciprocal supply agreements with Agrium. Proceeds from the sale totaled approximately $83,000 after selling expenses and contractual working capital adjustments which were finalized on October 30, 2006.

(In thousands, except per share amounts)

Effective October 1, 2005, the Company reflected the operations of Nu-Gro Pro and Tech as discontinued operations. Therefore, the presentation herein of the results of continuing operations has been changed to exclude Nu-Gro Pro and Tech for all periods presented. The Company discontinued these operations as part of the United integration initiatives. (See also Note 16, Restructuring and Related Charges, for additional discussion of United integration initiatives). The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the year ended September 30, 2006:

	2006(A)
Net sales	$16,314
Loss from discontinued operations before income taxes	$ (6,388)
Provision for income tax benefit	(868)
Loss from discontinued operations (including loss on disposal of $3,901), net of tax	$ (5,520)

(A) Represents results for the discontinued operations for October 1, 2005 through January 2006.

(12) Employee Benefit Plans

Pension Benefits

The Company has various defined benefit pension plans covering some of its employees in the United States and certain employees in other countries, primarily the United Kingdom and Germany. Plans generally provide benefits of stated amounts for each year of service. The Company funds its U.S. pension plans at a level to maintain, within established guidelines, the IRS-defined 92 percent current liability funded status. At January 1, 2008, the date of the most recent calculation, all U.S. funded defined benefit pension plans reflected a current liability funded status equal to or greater than 92 percent. Additionally, in compliance with the Company's funding policy, annual contributions to non-U.S. defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries.

The Company also sponsors or participates in a number of other non-U.S. pension arrangements, including various retirement and termination benefit plans, some of which are covered by local law or coordinated with government-sponsored plans, which are not significant in the aggregate and therefore are not included in the information presented below. The Company also has various nonqualified deferred compensation agreements with certain of its employees. Under certain of these agreements, the Company has agreed to pay certain amounts annually for the first 15 years subsequent to retirement or to a designated beneficiary upon death. It is management's intent that life insurance contracts owned by the Company will fund these agreements. Under the remaining agreements, the Company has agreed to pay such deferred amounts in up to 15 annual installments beginning on a date specified by the employee, subsequent to retirement or disability, or to a designated beneficiary upon death.

Other Benefits

Under the Rayovac postretirement plan the Company provides certain health care and life insurance benefits to eligible retired employees. Participants earn retiree health care benefits after reaching age 45 over the next 10 succeeding years of service and remain eligible until reaching age 65. The plan is contributory; retiree contributions have been established as a flat dollar amount with contribution rates expected to increase at the active medical trend rate. The plan is unfunded. The Company is amortizing the transition obligation over a 20-year period. During Fiscal 2007 the Company recognized a curtailment gain of approximately $2,417 associated with this plan as retirees now pay the full actuarial cost for health care benefits offered under this plan.

Under the Tetra U.S. postretirement plan the Company provides postretirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is contributory with retiree contributions adjusted annually and contains other cost-sharing features such as deductibles, coinsurance and copayments. During Fiscal 2007 the Company terminated this plan which resulted in a gain of approximately $2,730.

Effective September 30, 2007, the Company adopted SFAS No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans —an amendment of FASB Statements No. 87, 88, 106, and 132(R),*" ("SFAS 158"). The recognition and disclosure provisions of this statement requires recognition of the overfunded or underfunded status of defined benefit pension and postretirement plans as an asset or liability in the statement of financial position, and to recognize changes in that funded status in AOCI in the year in which the adoption occurs. The Company measures plan assets and obligations of its domestic pension plans as of June 30 each year and either June 30 or September 30 each year for its foreign pension plans and its domestic other postretirement plans. The measurement date provisions of SFAS 158, which for the Company becomes effective Fiscal 2009, will require the

(In thousands, except per share amounts)

Company to measure all of its defined benefit pension and postretirement plan assets and obligations as of September 30, its fiscal year end. The Company does not believe the adoption of the measurement date provisions of SFAS 158 will have a material impact on its financial position, results of operations and cash flow.

The adoption of SFAS 158 had no impact on the Company's results of operations or its cash flows. SFAS 158 did have an incremental effect on individual line items in the Company's Consolidated Balance Sheet as of September 30, 2007, as reflected in the following table. Had the Company not been required to adopt SFAS 158 at September, 30, 2007, an additional minimum liability would have been recognized pursuant to the provisions SFAS No. 87, "*Employers' Accounting for Pensions*". The effect of recognizing the additional minimum liability is included in the table below in the column labeled "Prior to Adopting SFAS 158".

The adoption of SFAS 158 on September 30, 2007, resulted in incremental adjustments to the following accounts in the Consolidated Balance Sheet:

	At September 30, 2007		
	Prior to Adopting SFAS 158	Effect of Adopting SFAS 158	Total
Deferred Tax Asset-Long-term	$ 431	$ (431)	$ —
Intangible Assets	831,122	(1,824)	829,298
Other Assets	1,967,986	319	1,968,305
Total Employee Benefit Obligation	(58,306)	3,836	(54,470)
AOCI	(63,764)	(1,900)	(65,664)

(In thousands, except per share amounts)

The following tables provide additional information on the Company's pension and other postretirement benefit plans:

	Pension and Deferred Compensation Benefits		Other Benefits	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation, beginning of year	$ 118,589	$ 113,391	$ 458	$ 5,298
Service cost	2,616	3,197	13	223
Interest cost	6,475	6,294	27	163
Other events	66	—	—	—
Actuarial (gain) loss	(9,874)	(8,975)	(75)	157
Loss (gain) on curtailment	—	694	—	(5,147)
Participant contributions	320	119	—	—
Benefits paid	(8,159)	(4,414)	(21)	(236)
Foreign currency exchange rate changes	(659)	8,283	—	—
Benefit obligation, end of year	$ 109,374	$ 118,589	$ 402	$ 458
Change in plan assets				
Fair value of plan assets, beginning of year	$ 73,422	$ 63,133	$ —	$ —
Assets acquired with acquisitions	—	—	—	—
Actual return on plan assets	(3,301)	5,864	—	—
Employer contributions	7,344	4,882	21	236
Employee contributions	2,081	119	—	—
Benefits paid	(8,159)	(4,414)	(21)	(236)
Assets transferred out	—	(216)	—	—
Plan expenses paid	(178)	(198)	—	—
Foreign currency exchange rate changes	(797)	4,252	—	—
Fair value of plan assets, end of year	$ 70,412	$ 73,422	$ —	$ —
Funded status before fourth quarter contributions	$ (38,962)	$ (45,167)	$(402)	$ (458)
Fourth quarter contributions	548	4,352	—	—
Accrued Benefit Cost	**(38,414)**	**(40,815)**	**(402)**	**(458)**
Weighted-average assumptions:				
Discount rate	5.0%-7.0%	4.50%-6.25%	6.75%	6.25%
Expected return on plan assets	4.5%-8.0%	4.5%-8.0%	N/A	N/A
Rate of compensation increase	0%-4.6%	0%-4.4%	N/A	N/A

The net underfunded status of $38,414 is recognized in the accompanying Consolidated Balance Sheet as $1,290 within Other Assets for our overfunded plans and $39,704 within Total Employee Benefit Obligations for our underfunded plans. Included in AOCI as of September 30, 2008 are the following amounts that have not yet been recognized as components of net periodic pension cost: unrecognized net losses of $4,173 and unrecognized net prior service costs of $1,626. The net loss, and net prior services costs in AOCI expected to be recognized during Fiscal 2009 are $159 and $214, respectively.

At September 30, 2008, the Company's total pension and deferred compensation benefit obligation of $109,374 consisted of $36,116 associated with U.S. plans and $73,258 associated with international plans. The fair value of the Company's assets of $70,412 consisted of $30,137 associated with U.S. plans and $40,275 associated with international plans. The weighted average discount rate used for the Company's domestic plans was approximately 6.8% and approximately 6.4% for its international plans. The weighted average expected return on plan assets used for the Company's domestic plans was approximately 8.0% and approximately 5.3% for its international plans.

At September 30, 2007, the Company's total pension and deferred compensation benefit obligation of $118,589 consisted of $38,069 associated with U.S. plans and $80,520 associated with international plans. The fair value of the Company's assets of $73,422 consisted of $28,012 associated with U.S. plans and $45,410 associated with international plans. The weighted average discount rate used for the Company's domestic plans was approximately 6.3% and approximately 5.6% for its international plans. The weighted average expected return on plan assets used for the Company's domestic plans was approximately 8.0% and approximately 5.4% for its international plans.

	Pension and Deferred Compensation Benefits			Other Benefits		
	2008	2007	2006	2008	2007	2006
Components of net periodic benefit cost						
Service cost	$ 2,616	$ 3,197	$ 4,686	$ 13	$223	$614
Interest cost	6,475	6,294	5,215	27	163	299
Expected return on assets	(4,589)	(4,146)	(3,838)	—	—	—
Amortization of prior service cost	371	703	404	—	—	22
Amortization of transition obligation	—	—	34	—	—	—
Curtailment loss	11	—	—	—	—	—
Recognized net actuarial loss (gain)	136	208	1,607	(61)	(58)	—
Net periodic cost (benefit)	$ 5,020	$ 6,256	$ 8,108	$ (21)	$328	$935

The contributions to the Company's pension plans between July 1 and September 30 were $1,418, $6,492 and $3,778 in Fiscal 2008, 2007 and 2006, respectively. All of the Company's plans individually have accrued benefit costs.

The discount rate is used to calculate the projected benefit obligation. The discount rate used is based on the rate of return on government bonds of the respective countries as well as current market conditions.

Below is a summary allocation of all pension plan assets along with expected long-term rates of return by asset category as of the measurement date.

(In thousands, except per share amounts)

Asset Category	Weighted Average Allocation Target 2008	Actual 2008	Actual 2007
Equity Securities	0-60%	36%	32%
Fixed Income Securities	0-40%	16%	15%
Other	0-100%	48%	53%
Total	100%	100%	100%

The weighted average expected long-term rate of return on total assets is 6.4%.

The Company has established formal investment policies for the assets associated with these plans. Policy objectives include maximizing long-term return at acceptable risk levels, diversifying among asset classes, if appropriate, and among investment managers, as well as establishing relevant risk parameters within each asset class. Specific asset class targets are based on the results of periodic asset liability studies. The investment policies permit variances from the targets within certain parameters. The weighted average expected long-term rate of return is based on a Fiscal 2008 review of such rates. The plan assets currently do not include holdings of Spectrum common stock.

The Company's Fixed Income Securities portfolio is invested primarily in commingled funds and managed for overall return expectations rather than matching duration against plan liabilities; therefore, debt maturities are not significant to the plan performance.

The Company's Other portfolio consists of all pension assets, primarily life insurance contracts, in the United Kingdom, Germany and the Netherlands.

The Company expects to make minimal contributions to its pension plans in 2009. The Company's expected future pension benefit payments for Fiscal 2009 through our fiscal year 2018 are as follows:

2009	$ 3,917
2010	4,077
2011	4,426
2012	4,725
2013	5,108
2014 to 2018	30,395

The Company sponsors a supplemental executive retirement plan ("SERP") for eligible employees. Each October 1, the account of each participant is credited by an amount equal to 15% of the participant's salary. In addition, each quarter each account is credited by an amount equal to 2% of the participant's account value. Each participant vests 20% per year in his account, with immediate full vesting occurring upon death, disability or a change in control of the Company. During Fiscal 2007 the Company began funding this plan, however, prior to Fiscal 2007 the plan was unfunded. As of September 30, 2008 and 2007, the Company had recorded an obligation of $983 and $468, respectively, related to the plan. Subsequent to the end of Fiscal 2008, the Company froze the SERP and made all participants 100% vested. The full value of the account for each participant will be paid to those participants prior to or on December 31, 2008.

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company contributes annually from 3% to 6% of participants' compensation based on age or service, and may make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for Fiscal 2008, 2007 and 2006 were $5,083, $4,109 and $5,900, respectively.

(13) Segment Information

In Fiscal 2007, the Company began managing its business in three operating segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) the Home and Garden Business. The presentation of all historical segment reporting herein has been reclassified to conform to this segment structure.

(In thousands, except per share amounts)

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment.

Net sales and Cost of goods sold to other business segments have been eliminated. The gross contribution of intersegment sales is included in the segment selling the product to the external customer. Segment net sales are based upon the segment from which the product is shipped.

The operating segment profits do not include restructuring and related charges, interest expense, interest income, impairment charges and income tax expense. In connection with the realignment of operating segments in Fiscal 2007, as discussed above, expenses associated with the Company's global operations group, which consisted of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, which were previously reflected in corporate expenses, are now included in the determination of operating segment profits. In addition, certain general and administrative expenses necessary to reflect the operating segments on a stand alone basis and which were previously reflected as corporate expenses, have been included in the determination of operating segment profits. Accordingly, corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans. Segment reporting results for Fiscal 2006 have been reclassified to conform to the changes described above. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are identified to operating segments or corporate expense according to the function of each cost center.

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Segment information for Fiscal 2008, 2007 and 2006 is as follows:

Net sales to external customers

	2008	2007	2006
Global Batteries & Personal Care	$1,493,736	$1,431,475	$1,351,518
Global Pet Supplies	598,618	563,047	543,223
Home and Garden	334,217	338,154	333,772
Total segments	$2,426,571	$2,332,676	$2,228,513

Depreciation and amortization

	2008	2007	2006
Global Batteries & Personal Care	$32,535	$33,660	$34,462
Global Pet Supplies	22,891	22,269	21,709
Home and Garden(A)	21,636	—	12,107
Total segments	77,062	55,929	68,278
Corporate	7,959	21,496	14,341
Total Depreciation and amortization	$85,021	$77,425	$82,619

(A) Fiscal 2007 does not include depreciation and amortization expense associated with the Home and Garden Business, as the Home and Garden Business was designated a discontinued operation in Fiscal 2007, in accordance with SFAS 144. Fiscal 2008 includes depreciation and amortization expense of $10,821 related to Fiscal 2007, as a result of the reclassification of the Home and Garden Business as a continuing operation during Fiscal 2008.

(In thousands, except per share amounts)

Segment profit

	2008	2007	2006
Global Batteries & Personal Care(A)	$ 162,889	$ 143,850	$ 117,409
Global Pet Supplies(A)	68,885	71,038	72,471
Home and Garden(B)	29,458	40,671	50,047
Total segments	261,232	255,559	239,927
Corporate expenses(A)	45,246	46,902	41,315
Restructuring and related charges	39,337	98,026	54,709
Goodwill and intangibles impairment	861,234	362,452	432,978
Interest expense(C)	229,013	255,765	175,923
Other expense (income), net	1,220	(331)	(4,097)
Loss from continuing operations before income taxes	$(914,818)	$(507,255)	$(460,901)

(A) In connection with the realignment of operating segments in Fiscal 2007, certain expenses previously reflected in corporate expenses are now included in the determination of operating segment profit. Segment reporting results for Fiscal 2006 have been reclassified to conform to this change. Accordingly, previously reported Global Batteries & Personal Care segment profit for Fiscal 2006 has been decreased by approximately $46,914 and previously reported Global Pet Supplies segment profit for Fiscal 2006 has been decreased by approximately $11,140. As a result of these reclassifications, previously reported Corporate expenses for Fiscal 2006 has been reduced by approximately $58,054.

(B) Fiscal 2007 does not include depreciation and amortization expense associated with the Home and Garden Business, as the Home and Garden Business was designated a discontinued operation in Fiscal 2007, in accordance with SFAS 144. Fiscal 2008 includes depreciation and amortization expense of $10,821 related to Fiscal 2007, as a result of the reclassification of the Home and Garden Business as a continuing operation during Fiscal 2008.

(C) Fiscal 2007 includes $24,576 in debt issuance costs and $11,649 in prepayment penalties in connection with the refinancing of the Company's previously existing senior credit facilities and the exchange of the Company's 8 1/2% Senior Subordinated Notes due 2013 for Variable Rate Toggle Senior Subordinated Notes due 2013 pursuant to the terms of an exchange offer, both of which occurred on March 30, 2007. (See also Note 7, Debt, for additional information related to Company's refinancing).

Segment total assets

	September 30, 2008	September 30, 2007
Global Batteries & Personal Care	$ 1,182,515	$ 1,376,910
Global Pet Supplies	700,475	1,202,263
Home & Garden(A)	289,628	573,409
Total segments	2,172,618	3,152,582
Corporate	74,861	58,804
Total assets at year end	$ 2,247,479	$ 3,211,386

(A) Fiscal 2007 Home and Garden includes $24,975 related to the Canadian division of the Home and Garden Business which is classified as an Asset held for sale. (See also Note 5, Assets Held for Sale, where the specific assets and liabilities to be sold are further discussed).

Segment long-lived assets

	September 30, 2008	September 30, 2007
Global Batteries & Personal Care	$ 580,358	$ 729,661
Global Pet Supplies	514,756	1,033,133
Home & Garden	147,222	418,388
Total segments	1,242,336	2,181,182
Corporate	51,546	53,803
Long-lived assets at year end	$ 1,293,882	$ 2,234,985

(In thousands, except per share amounts)

Capital expenditures

	2008	2007	2006
Global Batteries & Personal Care	$ 8,198	$13,137	$41,764
Global Pet Supplies	8,231	8,964	13,181
Home and Garden	2,102	1,076	648
Total segments	$18,531	$23,177	$55,593
Corporate	397	—	—
	$18,928	$23,177	$55,593

Geographic Disclosures—Net sales to external customers

	2008	2007	2006
United States	$1,272,100	$1,144,470	$1,244,379
Outside the United States	1,154,471	1,188,206	984,134
Total net sales to external customers	$2,426,571	$2,332,676	$2,228,513

Geographic Disclosures—Long-lived assets

	September 30, 2008	September 30, 2007
United States	$ 683,557	$ 1,273,767
Outside the United States	610,325	961,218
Long-lived assets at year end	$ 1,293,882	$ 2,234,985

(14) Commitments and Contingencies

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of approximately $4,238, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Included in long-term liabilities assumed in connection with the acquisition of Microlite is a provision for “presumed” credits applied to the Brazilian excise tax on Manufactured Products, or “IPI taxes”. Although a previous ruling by the Brazilian Federal Supreme Court has been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI “presumed” credits. This decision is applicable to all similarly-situated taxpayers. At September 30, 2008 and September 30, 2007, these amounts totaled approximately $14,243 and $32,747, respectively, and are included in Other long-term liabilities in the Consolidated Balance Sheets.

The Company is a defendant in various other matters of litigation generally arising out of the normal course of business.

The Company is involved in an ongoing arbitration proceeding with Tabriza Brasil Empreendimentos Ltda., Interelectrica Administração e Participações Ltda., and VARTA AG, the former owners of the Company’s subsidiary Microlite, with respect to a number of matters arising out of the Company’s acquisition of Microlite, including the Company’s right to receive indemnification for various alleged breaches of representations, warranties, covenants and agreements made by the selling shareholders in the acquisition agreement and the Company’s obligation to pay additional amounts to Tabriza arising out of its earn-out rights under the acquisition agreement. The Company acquired Microlite in Fiscal 2004. In November 2007, the arbitration panel resolved certain matters at the summary judgment stage. All other disputed matters remain open pending final decision by the arbitration panel. Among the matters decided at the summary judgment stage, the arbitration panel found in favor of Tabriza with respect to the questions of whether Tabriza is entitled to receive from the Company interest on certain earn-out payments previously made and whether Tabriza is entitled to receive from the Company an additional amount with respect to the earn-out as a result of a decision issued by an independent auditor engaged by the parties to determine certain disputed matters submitted to it with respect to the earn-out calculation. The Company currently estimates that the additional earn-out amounts owed to Tabriza arising out of the decisions on these two matters, which has been reflected as additional acquisition consideration, will be at least $5,000. Such additional amount due to Tabriza is included in Accrued liabilities: Other in the Consolidated Balance Sheets as of September 30, 2008. Determination of the total net amount owed by or payable to the Company arising out of the arbitration proceeding cannot be determined until the arbitration panel has issued its final decision, which is currently anticipated to be issued in the first quarter of Fiscal 2009.

(In thousands, except per share amounts)

The Company does not believe that any other matters or proceedings presently pending will have a material adverse effect on the results of operations, financial condition, liquidity or cash flow of the Company.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Future minimum rental commitments under non-cancelable operating leases, principally pertaining to land, buildings and equipment, are as follows:

2009	$ 34,209
2010	31,509
2011	28,455
2012	27,305
2013	21,866
Thereafter	72,956
Total minimum lease payments	$216,300

All of the leases expire during the years Fiscal 2009 through our fiscal year 2022. Total rental expenses were $37,068, $31,733, and $29,333 for Fiscal 2008, 2007 and 2006, respectively.

(15) Related Party Transactions

On February 7, 2005, the Company acquired all of the equity interests of United pursuant to the Agreement and Plan of Merger (as amended, the “Merger Agreement”) by and among the Company, Lindbergh Corporation and United dated as of January 3, 2005 filed as an exhibit to the Annual Report on Form 10-K filed by the Company on January 4, 2005. Pursuant to the terms of the Merger Agreement, Lindbergh Corporation merged with and into United, with United continuing as the surviving corporation (the “Merger”). The purchase price for the acquisition, excluding fees and expenses, consisted of $70,000 in cash, 13,750 shares of the Company’s Common Stock and the assumption of outstanding United indebtedness, which was $911,500 as of January 21, 2005. The purchase price was determined through negotiations between representatives of the Company, who were operating under supervision and direction of an acquisition committee of the Board of Directors of the Company, and representatives of United.

Certain affiliates of Thomas H. Lee Partners, L.P. were the majority shareholders of United immediately prior to the consummation of the Company’s acquisition of United, and as a result of the Company’s acquisition of United, became significant shareholders of the Company. In addition, two of the Company’s former directors were members of Thomas H. Lee Advisors, LLC, which is the general partner of Thomas H. Lee Partners, L.P., which is the manager of THL Equity Advisors IV, LLC, which, in turn, is the general partner of each of the Thomas H. Lee related funds that were shareholders of United immediately prior to the Merger and thereafter became significant shareholders of the Company. Those two directors resigned from the Board of Directors on May 28, 2007 and affiliates of Thomas H. Lee Partners, L.P. were no longer significant shareholders of the Company as of the end of Fiscal 2008.

Mr. Shepherd, a member of our Board of Directors, is an investor in Thomas H. Lee Equity Fund IV, L.P., a large shareholder of United immediately prior to the Merger, and, as a result of the Merger, currently is a large shareholder of our Common Stock.

Mr. Jones, the Company’s former Chairman of the Board and Chief Executive Officer, and trusts for his family members, collectively owned approximately 203 shares of United common stock as of immediately prior to the Merger, which shares were converted into an aggregate of approximately 36 shares of Company Common Stock pursuant to the Merger. Mr. Jones was a member of the Board of Directors of United from January 20, 1999 to December 31, 2003 and provided consulting services to United under an agreement that was terminated on September 28, 2004. A member of the Company’s Board of Directors is an investor in Thomas H. Lee Equity Fund IV, L.P., a large shareholder of United immediately prior to the Merger, and, as a result of the Merger, became a large shareholder of the Company. Thomas H. Lee Equity Fund IV, L.P. was no longer a significant shareholder of the Company as of the end of Fiscal 2008.

In connection with the acquisition of United, the Company entered into certain agreements with UIC Holdings, L.L.C. (“Holdings”), the majority stockholder of United as of the date the Company entered into the definitive agreement to acquire United, Thomas H. Lee Partners, L.P. and certain of its affiliates and certain former stockholders of United. The agreements are described further below. As mentioned above, Thomas H. Lee Partners, L.P. and its affiliates were no longer significant shareholders of the Company as of the end of Fiscal 2008.

On February 7, 2005, the Company entered into a registration rights agreement (the “Registration Rights Agreement”) with certain former stockholders of United, including certain affiliates of Thomas H. Lee Partners, L.P. and an affiliate of Banc of America Securities LLC, pursuant to which the Company agreed to prepare and file with the SEC, not later than nine months following the consummation of the acquisition of United on February 7, 2005, a registration statement to permit the public offering and resale under the Securities Act of 1933 on a continuous basis of shares of Common Stock issued in connection with its acquisition of United (the “Shelf Registration Statement”). As of December 4, 2007, the Company has not so registered these shares. Pursuant to the Registration Rights Agreement, the Company also granted to the former stockholders of United certain rights to require the Company, on not more than three occasions, to amend the Shelf Registration Statement or prepare and file a new registration statement to permit an underwritten offering of shares of the Company’s stock received by them in the acquisition of United as well as certain rights to include those shares in any registration statement proposed to be filed by the Company. As mentioned above, Thomas H. Lee Partners, L.P. and its affiliates were no longer significant shareholders of the Company as of the end of Fiscal 2008.

On February 7, 2005, the Company entered into a standstill agreement (the “Standstill Agreement”) with Thomas H. Lee Equity Fund IV, L.P., THL Equity Advisors IV, LLC, Thomas H. Lee Partners, L.P. and Thomas H. Lee Advisors, L.L.C. (the “Restricted Parties”). Pursuant to the Standstill Agreement, the Restricted Parties are prohibited until February 7, 2010 from acquiring ownership in excess of 28% of the Company’s outstanding voting capital stock, on a fully-diluted basis, soliciting proxies or consents with respect to the Company’s voting capital stock, soliciting or encouraging third parties to acquire or seek to acquire the Company, a significant portion of the Company’s assets or more than 5% of the Company’s outstanding voting capital stock or joining or participating in a pooling agreement, syndicate, voting trust or other similar arrangement with respect to the Company’s voting capital stock for the purpose of acquiring, holding, voting or disposing of such voting capital stock. As mentioned above, Thomas H. Lee Partners, L.P. and its affiliates were no longer significant shareholders of the Company as of the end of Fiscal 2008.

The Company is the lessee of several operating facilities from Rex Realty, Inc., a company owned by certain of the Company’s stockholders and operated by a former United executive and past member of United’s Board of Directors. These affiliate leases expire at various dates through December 31, 2010. The Company has options to terminate the leases by giving advance notice of at least one year. The Company also leases a portion of its operating facilities from the same company under a sublease agreement expiring on December 31 each year with minimum annual rentals of $700. The term of the sublease agreement shall automatically be extended on a year-to-year basis from January 1 through December 31 of each year through and until December 31, 2010, unless either party elects to terminate such year-to-year extension by giving termination notice in which case, the term shall terminate at the end of the year following the year during which such termination notice is given.

(16) Restructuring and Related Charges

The Company reports restructuring and related charges associated with manufacturing and related initiatives in Cost of goods sold. Restructuring and related charges reflected in Cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives, and other costs directly related to the restructuring or integration initiatives implemented.

The Company reports restructuring and related charges relating to administrative functions in Operating expenses, such as initiatives impacting sales, marketing, distribution, or other non-manufacturing related functions. Restructuring and related charges reflected in Operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the functional areas described above, and other costs directly related to the initiatives implemented.

(In thousands, except per share amounts)

The following table summarizes restructuring and related charges incurred by segment:

	2008	2007	2006
Cost of goods sold:			
Global Batteries & Personal Care	$16,159	$18,126	$15,212
Global Pet Supplies	340	13,154	5,855
Corporate	—	35	—
Total restructuring and related charges in cost of goods sold	16,499	31,315	21,067
Operating expense:			
Global Batteries & Personal Care	12,012	30,375	9,452
Global Pet Supplies	2,702	9,292	2,766
Home and Garden	3,770	6,986	21,424
Corporate	4,354	20,058	—
Total restructuring and related charges in operating expense	22,838	66,711	33,642
Total restructuring and related charges	$39,337	$98,026	$54,709

The following table summarizes restructuring and related charges incurred by type of charge:

	2008	2007	2006
Costs included in cost of goods sold:			
Breitenbach, France facility closure:			
Termination benefits	$ —	$ 18	$ 259
Other associated costs	—	468	—
United & Tetra integration:			
Termination benefits	30	149	5,430
Other associated costs	299	13,005	425
European initiatives:			
Termination benefits	(830)	7,494	14,953
Other associated costs	88	308	—
Latin America initiatives:			
Termination benefits	—	712	—
Other associated costs	253	9,847	—
Global Realignment initiatives:			
Termination benefits	106	(686)	—
Other associated costs	154	—	—
Ningbo Exit Plan:			
Termination benefits	1,230	—	—
Other associated costs	15,169	—	—
Total included in cost of goods sold	16,499	31,315	21,067
Costs included in operating expenses:			
United & Tetra integration:			
Termination benefits	1,954	1,112	23,915
Other associated costs	883	12,800	1,791
European initiatives:			
Termination benefits	—	(1,298)	7,936
Other associated costs	35	—	—
Latin America initiatives:			
Termination benefits	64	363	—
Global Realignment:			
Termination benefits	12,338	48,755	—
Other associated costs	7,564	4,979	—
Total included in operating expenses	22,838	66,711	33,642
Total restructuring and related charges	$39,337	$98,026	$54,709

(In thousands, except per share amounts)

2008 Restructuring Initiatives

The Company implemented an initiative within the Global Batteries & Personal Care segment in China to reduce operating costs and rationalize the Company's manufacturing structure. These initiatives include the plan to exit the Company's Ningbo battery manufacturing facility in China (the "Ningbo Exit Plan"). The Company recorded $16,399 of pretax restructuring and related charges during Fiscal 2008 in connection with the Ningbo Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately $22,500.

Ningbo Exit Plan Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2007	$ —	$ —	$ —
Provisions	912	233	1,145
Non-cash items	(1)	—	(1)
Accrual balance at September 30, 2008	$ 911	$ 233	$ 1,144
Expensed as incurred(A)	$ 318	$14,936	$15,254

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

2007 Restructuring Initiatives

The Company has implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs (the "Latin American Initiatives"). These initiatives, which are substantially complete, include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. The Company recorded $317 and $10,923 of pretax restructuring and related charges during Fiscal 2008 and 2007, respectively, in connection with the Latin American Initiatives. The Company has recorded pretax restructuring and related charges of $11,240 since the inception of the Latin American Initiatives.

The following table summarizes the remaining accrual balance associated with the Latin American Initiatives and activity that occurred during Fiscal 2008:

Latin American Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2007	$ 124	$576	$700
Provisions	—	250	250
Non-cash items	—	(49)	(49)
Accrual balance at September 30, 2008	$ 124	$777	$901
Expensed as incurred(A)	$ 64	$ 3	$ 67

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

In Fiscal 2007, the Company began managing its business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, the Company's Global Operations organization, previously included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 13, Segment Results, for additional discussion on the Company's realignment of its operating segments. In connection with these changes the Company undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the "Global Realignment Initiatives"). The Company recorded $20,161and $53,048 of pretax restructuring and related charges during Fiscal 2008 and 2007, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2008, relate primarily to severance and are projected at approximately $85,000, the majority of which will be cash costs.

(In thousands, except per share amounts)

The following table summarizes the remaining accrual balance associated with the Global Realignment Initiatives and activity that have occurred during Fiscal 2008:

Global Realignment Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2007	$ 27,477	$ 4,043	$ 31,520
Provisions	8,041	1,811	9,852
Cash expenditures	(18,372)	(558)	(18,930)
Non-cash items	429	(1,608)	(1,179)
Accrual balance at September 30, 2008	$ 17,575	$ 3,688	$ 21,263
Expensed as incurred(A)	$ 4,403	$ 5,906	$ 10,309

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

The following table summarizes the expenses as incurred during Fiscal 2008, the cumulative amount incurred to date and the total future expected costs incurred associated with the Global Realignment Initiatives by operating segment:

	Global Batteries and Personal Care	Home and Garden	Corporate	Total
Restructuring and related charges during Fiscal 2008	$ 12,037	$ 3,769	$ 4,355	$20,161
Restructuring and related charges since initiative inception	$ 42,495	$ 6,265	$ 24,449	$73,209
Total future restructuring and related charges expected	$ —	$ 5,290	$ 6,110	$11,400

2006 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize the Company’s manufacturing structure (the “European Initiatives”). These initiatives, which are substantially complete, include the relocation of certain operations at the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant, transferring private label battery production at the Company’s Dischingen, Germany battery plant to the Company’s manufacturing facility in China and restructuring its sales, marketing and support functions. The Company recorded $(707), $6,504 and $21,242 of pretax restructuring and related charges during Fiscal 2008, 2007 and 2006, respectively, in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of $27,039 since the inception of the European Initiatives.

The following table summarizes the remaining accrual balance associated with the 2006 initiatives and activity that have occurred during Fiscal 2008:

European Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2007	$ 5,224	$ —	$5,224
Provisions	(830)	(58)	(888)
Cash expenditures	(446)	(401)	(847)
Non-cash items	(894)	938	44
Accrual balance at September 30, 2008	$ 3,054	$ 479	$3,533
Expensed as incurred(A)	$ —	$ 181	$ 181

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

(In thousands, except per share amounts)

2005 Restructuring Initiatives

In connection with the acquisitions of United and Tetra in 2005, the Company implemented a series of initiatives to optimize the global resources of the combined companies. These initiatives included: integrating all of United's home and garden administrative services, sales and customer service functions into the Company's operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities of the Company's Global Pet Supplies business. In addition, certain corporate finance functions were shifted to the Company's global headquarters in Atlanta, Georgia.

Effective October 1, 2006, initiatives to integrate the activities of the Home and Garden Business into the Company's operations in Madison, Wisconsin were suspended. The Company recorded $125, $4,487, and $21,424 of pretax restructuring and related charges during Fiscal 2008, 2007 and 2006, respectively, representing the finalization of expenditures in connection with the integration of the United home and garden business. The Company recorded pretax restructuring and related charges of $30,726 since the inception of the initiatives.

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2008. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of the distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. The Company recorded $3,041, $22,446 and $8,622 of pretax restructuring and related charges during Fiscal 2008, 2007 and 2006, respectively, representing the finalization of expenditures in connection with its integration activities within the Global Pet Supplies business. The Company has recorded pretax restructuring and related charges of $34,562 since the inception of the integration activities within Global Pet Supplies.

During the fiscal year ended September 30, 2005, the Company also announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries and Personal Care. The Company recorded no pretax restructuring and related charges during Fiscal 2008 in connection with this closure. The Company recorded $485 and $259 in Fiscal 2007 and 2006, respectively. The costs associated with the initiative are complete and totaled $10,955.

The following tables summarize the remaining accrual balance associated with the 2005 initiatives and activity that have occurred during Fiscal 2008:

2005 Restructuring Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2007	$ 2,747	$ 2,138	$ 4,885
Provisions	1,277	130	1,407
Cash expenditures	(1,606)	(1,585)	(3,191)
Non-cash items	(1,204)	836	(368)
Accrual balance at September 30, 2008	$ 1,214	$ 1,519	$ 2,733
Expensed as incurred[(A)]	$ 707	$ 1,052	$ 1,759

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

2005 Restructuring Initiatives Summary—Pursuant to Acquisitions[(A)]

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2007	$ 100	$11,770	$11,870
Cash expenditures	(82)	(2,610)	(2,692)
Non-cash expenditures	(18)	(4,175)	(4,193)
Accrual balance at September 30, 2008	$ —	$ 4,985	$ 4,985

(A) Represents costs to exit activities of the acquired United and Tetra businesses. These costs, which include severance, lease termination costs, inventory disposal costs and other associated costs, relate to the closure of certain acquired Global Pet Supplies and home and garden manufacturing and distribution facilities. Such amounts are recognized as liabilities assumed as part of the United acquisition and included in the allocation of the acquisition cost in accordance with the provisions of EITF Issue 95-3.

(17) Subsequent Events

(a) *Shutdown of growing products*

In November 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands of the growing product portion of the Home and Garden Business for the Company's Fiscal 2009. The Company believes the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. During the second quarter of Fiscal 2009, the Company completed the shutdown of the growing products portion of the Home and Garden Business. See Note 11, Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

(b) *Chapter 11 Proceedings (unaudited)*

On February 3, 2009, the Company announced that it had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of its outstanding senior subordinated notes (the "Significant Noteholders"), to pursue a refinancing that, if implemented as proposed, would significantly reduce the Company's outstanding debt. The agreements contemplated that the refinancing would occur pursuant to a pre-arranged plan of reorganization that would be supported by each of the Significant Noteholders. On the same day, the Company and its wholly owned U.S. subsidiaries (together with the Company, collectively, the "Debtors") filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court (the "Bankruptcy Court") for the Western District of Texas seeking reorganization relief under the provisions of Chapter 11 of Title 11 of the United States Bankruptcy Code and filed with the Bankruptcy Court a proposed plan of reorganization that detailed its proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455. On July 15, 2009, the Bankruptcy Court entered a written order confirming the Debtors' Joint Plan of Reorganization, as amended by the first modification and the second modification (as amended, the "Plan").

On August 28, 2009 (the "Effective Date"), the Plan became effective and the Debtors emerged from reorganization proceedings under the United States Bankruptcy Code.

On the Effective Date, by operation of the refinancing provided for in the Plan, the Company's old common stock and other equity interests existing immediately prior to the Effective Date were cancelled. Pursuant to the Plan, the Company issued an aggregate of 27,030 shares of common stock, par value $0.01 per share (the "New Common Stock"), to holders of Allowed Noteholder Claims (as defined in the Plan). In addition, on the Effective Date, the Company issued an aggregate of 2,970 shares of New Common Stock to participants in its supplemental debtor-in-possession credit facility in respect of the equity fee earned under the facility.

On the Effective Date, pursuant to the Plan, the Company and its United States subsidiaries, as guarantors, entered into an indenture (the "2019 Indenture") with U.S. Bank National Association, as trustee, and issued a global note representing $218,076 in aggregate principal amount of 12% Senior Subordinated Toggle Notes due 2019 under the 2019 Indenture for the benefit of holders of Allowed Noteholder Claims.

Also on the Effective Date, pursuant to the Plan, the Company refinanced its debtor-in-possession credit facility with a $242,000 asset-based exit loan facility pursuant to a credit agreement among the Company, the subsidiaries of the Company party thereto, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto.

(In thousands, except per share amounts)

The confirmation of the Plan is subject to an appeal by the official committee of equity security holders (the “Equity Committee”) appointed in the Bankruptcy Cases. On July 15, 2009, the Equity Committee appealed the confirmation order. On July 23, 2009, the United States District Court for the Western District of Texas entered an order declining to stay the approval of the plan of reorganization pending the Equity Committee’s appeal (the “District Court Stay Denial”). The Equity Committee appealed the District Court Stay Denial and on July 27, 2009, the Fifth Circuit Court of Appeals imposed a temporary stay of proceedings until further order of the Fifth Circuit Court of Appeals. By order dated August 19, 2009, and released to the Company on August 20, 2009, the Fifth Circuit Court of Appeals lifted this stay. While there can be no assurances, the Company believes the record demonstrates that the Bankruptcy Court reached the correct decision and, accordingly, that the confirmation will be upheld.

(18) Quarterly Results (unaudited)

	Quarter Ended			
	September 30, 2008	June 29, 2008	March 30, 2008	December 30, 2007
Net sales	$ 667,914	$ 638,763	$ 532,452	$ 587,442
Gross profit	255,605	242,353	205,495	216,648
Net loss	(492,568)	(283,862)	(111,713)	(43,402)
Basic net loss per common share	$ (9.68)	$ (5.58)	$ (2.19)	$ (0.85)
Diluted net loss per common share	$ (9.68)	$ (5.58)	$ (2.19)	$ (0.85)

	Quarter Ended			
	September 30, 2007	July 1, 2007	April 1, 2007	December 31, 2006
Net sales	$ 627,528	$ 581,705	$ 527,463	$ 595,980
Gross profit	231,786	228,084	196,230	220,551
Net loss	(333,001)	(7,388)	(237,515)	(18,809)
Basic net loss per common share	$ (6.60)	$ (0.15)	$ (4.77)	$ (0.38)
Diluted net loss per common share	$ (6.60)	$ (0.15)	$ (4.77)	$ (0.38)

(19) Consolidating Financial Statements

In connection with the acquisitions of Remington Products Company, L.L.C., United and Tetra, the Company completed debt offerings of Senior Subordinated Notes. Payment obligations of the Senior Subordinated Notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company’s domestic subsidiaries.

The following consolidating financial data illustrates the components of the consolidated financial statements. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Earnings of subsidiaries are therefore reflected in the Company’s and Guarantor Subsidiaries’ investment accounts and earnings. The elimination entries presented herein eliminate investments in subsidiaries and intercompany balances and transactions. Separate consolidated financial statements of the Guarantor Subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

Consolidating Balance Sheet
September 30, 2008

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 9,786	$ 3,667	$ 91,320	$ —	$ 104,773
Receivables:					
Trade accounts receivables, net of allowances	94,859	90,719	168,371	—	353,949
Other	167,197	352,832	41,283	(520,556)	40,756
Inventories	65,970	156,234	164,967	(3,911)	383,260
Deferred income taxes	(3,149)	11,969	4,404	733	13,957
Assets held for sale	—	316	7,136	—	7,452
Prepaid expenses and other	21,118	7,361	20,971	—	49,450
Total current assets	355,781	623,098	498,452	(523,734)	953,597
Property, plant and equipment, net	47,621	63,749	123,435	—	234,805
Long term intercompany receivables	675,951	—	(421,804)	(254,147)	—
Deferred charges and other	15,724	439,571	(411,166)	—	44,129
Goodwill	—	58,653	174,491	2,324	235,468
Intangible assets, net	213,523	305,547	223,926	(187)	742,809
Debt issuance costs	36,671	—	—	—	36,671
Investments in subsidiaries	3,908,119	3,357,348	3,549,876	(10,815,343)	—
Total assets	$ 5,253,390	$4,847,966	$ 3,737,210	$(11,591,087)	$ 2,247,479
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 138,165	$ 12	$ 35,059	$ (124,599)	$ 48,637
Accounts payable	497,397	333,830	109,405	(662,506)	278,126
Accrued liabilities:					
Wages and benefits	30,253	8,594	33,452	—	72,299
Income taxes payable	105	543	9,624	—	10,272
Restructuring and related charges	12,982	7,292	14,285	—	34,559
Accrued interest	49,769	—	745	—	50,514
Other	13,313	16,562	57,797	—	87,672
Total current liabilities	741,984	366,833	260,367	(787,105)	582,079
Long-term debt, net of current maturities	2,462,070	602,379	50,984	(640,651)	2,474,782
Employee benefit obligations, net of current portion	10,191	(1,278)	38,781	—	47,694
Deferred income taxes	158,242	(28,087)	(15,481)	—	114,674
Other	10,277	—	45,211	—	55,488
Total liabilities	3,382,764	939,847	379,862	(1,427,756)	3,274,717
Shareholders' equity:					
Common stock	692	451	537,926	(538,377)	692
Additional paid-in capital	674,252	2,134,693	3,547,564	(5,682,139)	674,370
Accumulated deficit	(1,654,508)	(489,611)	(818,795)	1,267,999	(1,694,915)
Accumulated other comprehensive income	2,927,020	2,262,586	90,653	(5,210,814)	69,445
	1,947,456	3,908,119	3,357,348	(10,163,331)	(950,408)
Less treasury stock, at cost	(76,830)	—	—	—	(76,830)
Total shareholders' equity (deficit)	1,870,626	3,908,119	3,357,348	(10,163,331)	(1,027,238)
Total liabilities and shareholders' deficit	$ 5,253,390	$4,847,966	$ 3,737,210	$(11,591,087)	$ 2,247,479

Consolidating Statement of Operations
Year Ended September 30, 2008

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 357,187	$1,003,593	$ 1,147,672	$ (81,881)	$2,426,571
Cost of goods sold	198,072	715,979	659,928	(84,008)	1,489,971
Restructuring and related charges	5	340	16,154	—	16,499
Gross profit	159,110	287,274	471,590	2,127	920,101
Operating expenses:					
Selling	78,516	157,852	269,746	251	506,365
General and administrative	80,153	44,654	64,127	—	188,934
Research and development	14,220	5,888	5,207	—	25,315
Restructuring and related charges	9,236	6,471	7,131	—	22,838
Goodwill and intangibles impairment	8,100	482,985	370,149	—	861,234
	190,225	697,850	716,360	251	1,604,686
Operating loss	(31,115)	(410,576)	(244,770)	1,876	(684,585)
Interest expense	182,158	22,864	24,116	(125)	229,013
Other expense (income), net	764,954	206,361	(4,839)	(965,256)	1,220
Loss from continuing operations before income taxes	(978,227)	(639,801)	(264,047)	967,257	(914,818)
Income tax expense (benefit)	155,955	(123,350)	(42,799)	734	(9,460)
Loss from continuing operations	(1,134,182)	(516,451)	(221,248)	966,523	(905,358)
(Loss) income from discontinued operations, net of tax	(34)	(26,157)	4	—	(26,187)
Net loss	$(1,134,216)	$ (542,608)	$ (221,244)	$ 966,523	$ (931,545)

Consolidating Statement of Cash Flows
Year Ended September 30, 2008

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities of continuing operations	$(1,413,373)	$(1,044,662)	$ 796,142	$ 1,656,990	$ (4,903)
Net cash used by operating activities of discontinued operations	—	(5,259)	—	—	(5,259)
Net cash (used) provided by operating activities	(1,413,373)	(1,049,921)	796,142	1,656,990	(10,162)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(3,902)	(5,828)	(9,198)	—	(18,928)
Proceeds from sale of property, plant, and equipment	—	—	285	—	285
Intercompany investments	(107,465)	107,465	—	—	—
Net cash (used) provided by investing activities of continuing operations	(111,367)	101,637	(8,913)	—	(18,643)
Net cash provided by investing activities of discontinued operations	—	12,376	—	—	12,376
Net cash (used) provided by investing activities	(111,367)	114,013	(8,913)	—	(6,267)
Cash flows from financing activities:					
Reduction of debt	(415,838)	—	(9,235)	—	(425,073)
Proceeds from debt financing	477,759	—	—	—	477,759
Debt issuance costs	(152)	—	—	—	(152)
Treasury stock purchases	(744)	—	—	—	(744)
Proceeds (advances related to) from intercompany transactions	1,461,899	938,102	(743,011)	(1,656,990)	—
Net cash provided (used) by financing activities	1,522,924	938,102	(752,246)	(1,656,990)	51,790
Effect of exchange rate changes on cash and cash equivalents	—	—	(441)	—	(441)
Net increase (decrease) in cash and cash equivalents	(1,816)	2,194	34,542	—	34,920
Cash and cash equivalents, beginning of period	11,602	1,473	56,778	—	69,853
Cash and cash equivalents, end of period	$ 9,786	$ 3,667	$ 91,320	$ —	$ 104,773

Consolidating Balance Sheet
September 30, 2007

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11,602	$ 1,473	$ 56,778	$ —	$ 69,853
Receivables, net	266,997	292,498	137,326	(296,422)	400,399
Inventories	145,850	74,832	176,601	(954)	396,329
Assets held for sale	(22,397)	47,688	8,355	—	33,646
Prepaid expenses and other	40,699	9,305	24,702	1,468	76,174
Total current assets	442,751	425,796	403,762	(295,908)	976,401
Property, plant and equipment, net	65,427	64,351	151,790	—	281,568
Deferred charges and other	702,934	426,867	23,446	(1,112,507)	40,740
Goodwill	3,298	435,603	379,502	2,324	820,727
Intangible assets, net	226,515	433,842	386,874	(187)	1,047,044
Debt issuance costs	44,906	—	—	—	44,906
Investments in subsidiaries	5,097,465	4,326,785	3,559,881	(12,984,131)	—
Total assets	$6,583,296	$6,113,244	$ 4,905,255	$(14,390,409)	$3,211,386
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 72,134	$ 30	$ 29,628	$ (58,354)	$ 43,438
Accounts payable	440,746	236,438	191,634	(589,270)	279,548
Accrued liabilities:					
Wages and benefits	26,549	6,820	34,123	—	67,492
Income taxes payable	7,537	1,218	9,590	—	18,345
Restructuring and related charges	30,537	4,924	20,332	—	55,793
Accrued interest	50,778	—	344	—	51,122
Liabilities held for sale	(39,213)	47,688	—	—	8,475
Other	18,540	7,972	55,431	—	81,943
Total current liabilities	607,608	305,090	341,082	(647,624)	606,156
Long-term debt, net of current maturities	2,403,531	609,706	66,730	(663,051)	2,416,916
Employee benefit obligations, net of current portion	10,531	(513)	44,451	—	54,469
Deferred income taxes	4,973	101,496	62,618	1	169,088
Other	4,997	—	63,589	(1)	68,585
Total liabilities	3,031,640	1,015,779	578,470	(1,310,675)	3,315,214
Shareholders' equity:					
Common stock	690	547	537,944	(538,491)	690
Additional paid-in capital	669,156	1,438,763	4,303,169	(5,741,814)	669,274
(Accumulated deficit) Retained earnings	(721,829)	57,938	(597,425)	497,946	(763,370)
Accumulated other comprehensive income	3,679,725	3,600,217	83,097	(7,297,375)	65,664
	3,627,742	5,097,465	4,326,785	(13,079,734)	(27,742)
Less treasury stock, at cost	(76,086)	—	—	—	(76,086)
Total shareholders' equity (deficit)	3,551,656	5,097,465	4,326,785	(13,079,734)	(103,828)
Total liabilities and shareholders' equity	$6,583,296	$6,113,244	$ 4,905,255	$(14,390,409)	$3,211,386

Consolidating Statement of Operations
Year Ended September 30, 2007

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 968,639	$ 346,960	$ 1,145,238	$ (128,161)	$2,332,676
Cost of goods sold	625,465	252,348	675,200	(128,303)	1,424,710
Restructuring and related charges	540	12,941	17,834	—	31,315
Gross profit	342,634	81,671	452,204	142	876,651
Operating expenses:					
Selling	209,673	30,747	270,256	(434)	510,242
General and administrative	(362,552)	150,100	374,703	—	162,251
Research and development	17,726	4,653	4,437	—	26,816
Restructuring and related charges	37,338	8,018	21,355	—	66,711
Goodwill and intangibles impairment	338,052	1,000	23,400	—	362,452
	240,237	194,518	694,151	(434)	1,128,472
Operating income (loss)	102,397	(112,847)	(241,947)	576	(251,821)
Interest expense	199,659	(18,744)	24,785	50,065	255,765
Other expense (income), net	377,889	214,490	(5,753)	(586,957)	(331)
Loss from continuing operations before income taxes	(475,151)	(308,593)	(260,979)	537,468	(507,255)
Income tax (benefit) expense	88,139	23,403	(16,894)	(38,879)	55,769
Loss from continuing operations	(563,290)	(331,996)	(244,085)	576,347	(563,024)
Loss from discontinued operations, net of tax	(23,127)	4,959	(15,521)	—	(33,689)
Net loss	$(586,417)	$(327,037)	$ (259,606)	$ 576,347	$ (596,713)

Consolidating Statement of Cash Flows
Year Ended September 30, 2007

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided (used) by operating activities of continuing operations	$ 194,627	$ 35,327	$ (121,297)	$ (136,454)	$ (27,797)
Net cash used by operating activities of discontinued operations	—	(4,832)	—	—	(4,832)
Net cash provided (used) by operating activities	194,627	30,495	(121,297)	(136,454)	(32,629)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(10,019)	(1,873)	(11,285)	—	(23,177)
Proceeds from sale of property, plant, and equipment	—	—	1,572	—	1,572
Intercompany investments	(27,758)	22,758	5,000	—	—
Net cash (used) provided by investing activities of continuing operations	(37,777)	20,885	(4,713)	—	(21,605)
Net cash used by investing activities of discontinued operations	—	(1,477)	—	—	(1,477)
Net cash (used) provided by investing activities	(37,777)	19,408	(4,713)	—	(23,082)
Cash flows from financing activities:					
Reduction of debt	(1,181,026)	—	(856,252)	—	(2,037,278)
Proceeds from debt financing	1,547,500	—	629,123	—	2,176,623
Debt issuance costs	(43,969)	—	—	—	(43,969)
Proceeds from exercise of stock options	655	—	—	—	655
Stock option income tax benefit	37	—	—	—	37
Treasury stock purchases	(3,003)	—	—	—	(3,003)
(Advances related to) proceeds from intercompany transactions	(468,118)	(49,806)	381,470	136,454	—
Net cash (used) provided by financing activities	(147,924)	(49,806)	154,341	136,454	93,065
Effect of exchange rate changes on cash and cash equivalents	—	—	4,069	—	4,069
Net increase in cash and cash equivalents	8,926	97	32,400	—	41,423
Cash and cash equivalents, beginning of period	2,676	1,376	24,378	—	28,430
Cash and cash equivalents, end of period	$ 11,602	$ 1,473	$ 56,778	$ —	$ 69,853

Consolidating Statement of Operations
Year Ended September 30, 2006

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 833,975	$ 522,960	$ 1,016,961	$ (145,383)	$2,228,513
Cost of goods sold	490,066	372,198	618,513	(144,538)	1,336,239
Restructuring and related charges	—	4,682	16,385	—	21,067
Gross profit	343,909	146,080	382,063	(845)	871,207
Operating expenses:					
Selling	186,179	70,444	230,445	(112)	486,956
General and administrative	182,507	(62,378)	56,010	—	176,139
Research and development	20,969	5,252	4,347	—	30,568
Restructuring and related charges	22,793	2,766	8,083	—	33,642
Goodwill and intangibles impairment	—	142,919	290,059	—	432,978
	412,448	159,003	588,944	(112)	1,160,283
Operating loss	(68,539)	(12,923)	(206,881)	(733)	(289,076)
Interest expense	112,850	40,028	22,377	668	175,923
Other expense (income), net	574,186	245,570	(1,274)	(822,579)	(4,097)
Loss from continuing operations before income taxes	(755,575)	(298,521)	(227,984)	821,178	(406,902)
Income tax (benefit) expense	(46,126)	22,032	(5,930)	581	(29,443)
Income from continuing operations	(709,449)	(320,553)	(222,054)	820,597	(431,459)
Income (loss) from discontinued operations, net of tax	32,442	11,100	(46,055)	—	(2,513)
Net loss	$(677,007)	$(309,453)	$ (268,109)	$ 820,597	$ (433,972)

Consolidating Statement of Cash Flows
Year Ended September 30, 2006

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities of continuing operations	$ (798,558)	$ 201,863	$ 281,476	$ 358,637	$ 43,418
Net cash provided by operating activities of discontinued operations	(991)	—	4,365	—	3,374
Net cash (used) provided by operating activities	(799,549)	201,863	285,841	358,637	46,792
Cash flows from investing activities:					
Purchases of property, plant and equipment	(18,558)	(5,427)	(31,609)	—	(55,594)
Proceeds from sale of property, plant, and equipment	4,831	—	608	—	5,439
Proceeds from sale of assets held for sale	10,641	—	—	—	10,641
Payments for acquisitions, net of cash acquired	—	(1,728)	(9,410)	—	(11,138)
Intercompany investments	(337,386)	178,635	158,751	—	—
Net cash (used) provided by investing activities of continuing operations	(340,472)	171,480	118,340	—	(50,652)
Net cash (used) provided by investing activities of discontinued operations	(11,693)	—	82,986	—	71,293
Net cash (used) provided by investing activities	(352,165)	171,480	201,326	—	20,641
Cash flows from financing activities:					
Reduction of debt	(817,498)	—	(142,701)	—	(960,199)
Proceeds from debt financing	817,719	—	80,801	—	898,520
Debt issuance costs	(5,236)	—	—	—	(5,236)
Proceeds from exercise of stock options	365	—	—	—	365
Stock option income tax benefit	80	—	—	—	80
Treasury stock purchases	(2,263)	—	—	—	(2,263)
Proceeds from (advances related to) intercompany transactions	1,145,467	(374,624)	(412,206)	(358,637)	—
Net cash provided (used) by financing activities	1,138,634	(374,624)	(474,106)	(358,637)	(68,733)
Effect of exchange rate changes on cash and cash equivalents	—	—	(122)	—	(122)
Net increase/(decrease) in cash and cash equivalents	(13,080)	(1,281)	12,939	—	(1,422)
Cash and cash equivalents, beginning of period	15,756	2,657	11,439	—	29,852
Cash and cash equivalents, end of period	$ 2,676	$ 1,376	$ 24,378	$ —	$ 28,430

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the years ended September 30, 2008, 2007 and 2006 (In thousands)

Column A	Column B	Column C Additions	Column D Deductions		Column E
Descriptions	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other Adjustments(A)	Balance at End of Period
September 30, 2008:					
Accounts receivable allowances	$ 17,196	$ 1,368	$ 462	—	$ 18,102
September 30, 2007:					
Accounts receivable allowances	$ 21,394	$ 3,242	$ 1,373	$ 6,067	$ 17,196
September 30, 2006:					
Accounts receivable allowances	$ 20,262	$ 7,838	$ 6,706	—	$ 21,394

(A) Represents changes in estimates of accounts receivable allowances of $4,135 and the reclassification of accounts receivable allowances to assets held for sale of $1,932 which related to the Canadian division of the Home and Garden Business which has been designated as discontinued operations.