

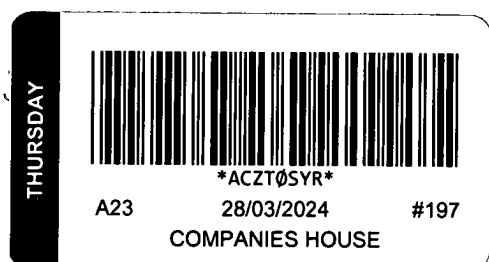
Registered number: 00880499

B & W GROUP LTD

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 2022



B & W GROUP LTD

COMPANY INFORMATION

Directors Lee David Andrew Courtney-Wheatley (appointed 1 August 2022)
Paul Kano Hataishi (appointed 9 May 2023)
David Robert Sheen (appointed 16 December 2022)

Company secretary Lee David Andrew Courtney-Wheatley

Registered number 00880499

Registered office Dale Road
Worthing
West Sussex
BN11 2BH

Independent auditors BDO LLP
55 Baker Street
London
W1U 7EU

B & W GROUP LTD

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B & W GROUP LTD

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

Business review

These financial statements cover a nine-month period, following a change in year end to align with the wider ultimate parent reporting entity, Masimo Corporation ("Masimo", or the "ultimate parent"). On account of this and seasonality, the results between the current period and the prior year are not directly comparable.

B & W Group Ltd. ("the Company") alongside its subsidiaries maintain the strategy of building upon its leadership position in the premium audio category as a consumer driven business continued to be its focus during the period ended 31 December 2022, and will remain so going forward.

During the financial period, the Company launched the next generation of the 700 Series Loudspeakers, the Panorama Soundbar and PX7, PI5 and PI7 Headphones to great reviews, along with the introduction of PX8 Headphones. The Company also focused on the development and manufacture of its signature range of the 800D4 Series Loudspeakers, a refresh of the 600 Series Loudspeakers and the introduction of the Zeppelin, which included collaboration with another iconic British brand, McLaren Group Ltd.

The Company continues to license the use of its patented technology to automotive and premium television customers in connection with the Bowers & Wilkins brand. Revenues from this activity continued to grow as the Company gets the full economic benefits of an increased portfolio of licensing agreements.

The Company's investment in research and development continues to be significant and not only continues to support the Company's core brand position, critical acclaim, and strong sales demand, but also drives the innovative technology in the wireless speaker space. The Company is committed to ensure that new products launch will retain the highest levels of quality that customers have come to expect from the Bowers & Wilkins brand.

The Company has continued to invest in its manufacturing facilities with the innovative use of processes and robotics in the Zhuhai and Worthing, UK, operations facilities.

On April 12, 2022, Sound United, Inc, along with DEI Sales, Inc. and its subsidiaries including B & W Group Ltd., were acquired by Masimo. As a result of the acquisition, most of the sales are now derived through Sound United distribution channels, rather than through direct to third-party distributors. This change created increased global sales opportunities through a larger range of distributors, through its affiliation of a well-established, multi-branded distribution network.

Taking account of planned product launches over the next 18 months, the growth of e-commerce sales and the positive impacts expected from building brand awareness, website activities, expanded licensing portfolio and synergy benefits, the Directors consider the Company to be well positioned to compete successfully going forward in an ever more premium audio segment and in the high-quality headphone category.

The combination of the investment in manufacturing, online presence and distribution networks means the Company has the productive capacity, inventory, infrastructure and available finance to enable it to benefit from better than forecast sales growth should these occur, as well as some cost base flexibility to scale back if necessary.

The group's results continued to be impacted by foreign exchange movements. The Directors continue to monitor and consider that the natural hedges of matched United States Dollars ("USD") sales, and USD purchases provide significant mitigation against normal fluctuations whilst providing flexibility and risk cover.

B & W GROUP LTD

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2022

Financial key performance indicators

The Directors consider that the key measures of the Company's performance are the long-term trends in the figures laid out below:

Revenue and prime margin percentage

Annual revenue per product line (segments) and their prime margins are per below (\$'000 and % of revenue):

	9m to 31 December 2022		12m to 31 March 2022	
	revenue in (\$'000's)	Prime Margin	revenue in (\$'000's)	Prime Margin
Loudspeakers	112,400	51%	144,202	52%
Wireless music systems	22,833	41%	32,649	40%
Headphones	16,585	31%	28,271	27%
Licensing and Royalty	4,263	100%	7,242	100%

The prime margins for Loudspeakers and Wireless systems have remained largely in line with prior year.

Environmental

The Company is committed to minimising the negative impact of its activities on the environment. The Directors have taken steps to ensure that both the Company and its suppliers comply with all relevant environmental legislation and in particular to Restriction Of Hazardous Substances in Electrical and Electronic Equipment II (ROHS), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Waste Electrical and Electronic Equipment recycling (WEEE) directives and Energy Savings Opportunity Scheme (ESOS) regulations. The Company is committed to sustainable operations and continues to review all its operations against this goal.

Business risk management

As a Company focused on the manufacture of its own and third party manufactured goods it is exposed to supply chain, production (including equipment issues), intellectual property, quality and financial risks. The Directors review and agree policies for managing each of these risks and they are summarized below. These policies have remained unchanged from previous financial years and up to the date of the approval of these financial statements.

Supply chain risk

Problems with suppliers can result in delivery or quality issues affecting production, customer satisfaction and brand reputation. Suppliers are selected on the basis of technology, capacity; quality, compliance with environmental and employee standards and finally cost. Wherever possible the Company seeks to create long term working partnerships with suppliers whereby quality and delivery performance is regularly monitored and commercial viability continually reviewed and appropriate insurance held against business interruption. The length of the business' supply chain makes it susceptible to logistic disruption which it seeks to counteract by pre-emptive forecasting of requirements and freight demand as well as leveraging the agreements of the Sound United with carriers.

Production risk

The Company has a limited number of manufacturing facilities which, should they fall out of production through disaster or breakdown could affect the ability of the Company to service its customers. In addition to appropriate insurance to cover catastrophic risk the Company actively seeks to manage the production risk through business continuity plans and preventative maintenance.

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Intellectual property risk

The Company's premium product positioning and brands are based in part on the use of unique and innovative technologies, designs and processes. Copying of such products and technologies can damage the brand and hence where appropriate new technologies are patented, and designs and trademarks are registered with appropriate registries worldwide. The business actively monitors the use of its intellectual property and pursues redress where used inappropriately.

Quality risk

The reputation of the brands distributed by the Company rests on the quality of the underlying product. Quality is maintained through a mixture of quality assurance (e.g. staff training) and quality control (e.g. testing at all stages from component through to final product). In recognition of the importance of this risk area the Company has implemented ISO 9001 systems which are regularly audited both internally and externally. The Company's quality programmes are also implemented and monitored at supplier level.

Financial risk

The Company's liquidity and financial risk is managed as part of the ultimate parents treasury function with funding movements being carefully reviewed and managed through budgeting and forecasting systems. Whilst currency movements, in particularly US Dollar, Pound Sterling, the Euro and the Chinese Yuan can affect reported revenue and cost of raw materials, at the net profit level, the foreign currency gain/loss on sales is substantially matched by the foreign currency loss/gain on purchasing.

The Company seeks to manage financial risk by ensuring the ultimate parents treasury team are aware in good time of the level of sufficient liquidity required to meet foreseeable needs.

Research and development

Product development and innovation are considered key strategies to the group's competitive position within the marketplace and accordingly the Company continues to invest significantly in new products and technologies with 4.8% of continuing revenue (March 2022: 2.6%) being spent on research and development ("R&D"). Reflective of the long-term benefits of the investment in development activities is the capitalisation of and subsequent amortisation of development costs. A significant range of new products have been launched in the subsequent financial year.

Employees

The Company has continued its practice of keeping employees informed through staff briefings and newsletters of matters affecting them as employees and of the financial and economic factors affecting the performance of the B & W business and of the ultimate parent. The ethos of the ultimate parent encourages involvement and feedback from employees on issues affecting the business.

The business is committed to employment practices based on equal opportunities for all employees irrespective of sex, race, colour, disability or sexual orientation. The Company gives full and fair consideration to the employment of disabled persons having regard to their aptitudes and abilities irrespective of whether the disability arose before or during employment. The Company continues to invest in appropriate training and development opportunities for employees with both graduate and apprentice schemes in operation.

B & W GROUP LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Directors' statement of compliance with duty to promote the success of the Company

The Board of Directors ("Board"), in line with their duties under S-172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long-term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by S-172 factors.

Through an open and transparent dialogue with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition and culture. As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long-term. Illustrations of how S-172 factors have been applied by the Board can be found throughout the Strategic Report and in particular the Board's approach to risk management, R&D, carbon reporting and employee involvement.

During the period there were no decision taken by the Directors that can be considered to meet the definition of key decisions for the purpose of S-172.

This report was approved by the board on 19 March 2024 and signed on its behalf.



Lee David Andrew Courtney-Wheatley
Director

B & W GROUP LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

The Directors present their report together with financial statements for the period ended 31 December 2022.

These financial statements cover a nine-month period, following a change in year end to align with the wider ultimate parent reporting entity. On account of this, and seasonality, the results between the current period and the prior year are directly comparable.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In preparing the consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state UK adopted applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company's financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company is principally engaged in the development, manufacture and wholesale distribution of high-quality monitor loudspeakers, premium quality sound systems, high performance headphones, associated equipment and services and related licensing.

Directors' indemnities

As provided by the Articles of Association, the Directors have had during the last financial period, and continue to have the benefit of a qualifying third-party indemnity (as defined by Section 234 Companies Act 2006) through the maintenance of appropriate Directors and Officers liability insurance.

Results and dividends

For the period ended 31 December 2022, profit after taxation, amounted to \$8,795 thousand (March 2022 - \$34,865 thousand).

The Directors are not recommending any dividend be paid for the period ending 31 December 2022 (March 2022 - nil).

The Company has presented the accounts in USD in accordance with UK adopted international accounting standards in conformity with the Companies Act 2006.

B & W GROUP LTD

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2022

Directors

The Directors who served during the period were:

Lee David Andrew Courtney-Wheatley (appointed 1 August 2022)
David Robert Sheen (appointed 16 December 2022)
Bart Diederik Muller (resigned 21 September 2022)
Geoffrey Ivor Edwards (resigned 24 May 2022)
Micah Wesley Young (appointed 27 October 2022, resigned 14 April 2023)
Scott St. Clair (resigned 1 August 2022)
Kevin Patrick Duffy (resigned 9 October 2022)
Subsequent to the year end, on 9 May 2023, Paul Kano Hataishi was appointed as a Director.

Charitable contributions

During the period, the Company made charitable donations of \$7,318 (March 2022 - \$342).

Future developments

Details of the planned future developments of the Company are detailed in the strategic report.

Financial instruments

An analysis of the Company's financial performance is provided within the strategic report. The strategic report also includes details of management's approach to risk management. The Company is not exposed to externally imposed capital requirements.

Research and development activities

Product development and innovation are considered key strategies to the Company's competitive position within the marketplace and accordingly the Company continues to invest significantly in new products and technologies. More information is provided in the strategic report.

Branches of the Company outside the UK

Until June 2022 the Company had a branch in Taiwan (7F, No.57 Xing ai Road, Neil Hu District, Taipei City). The primary purpose was to undertake research and development activities. The branch is currently in a state of being liquidated.

The Company also operates sales of spare parts from branches in France, Germany, Belgium and the Netherlands.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Green house gas emissions, energy consumption and energy efficiency action

The Company is in the storming stage (setting standard processes and managing conflicts within the project) of its carbon-neutral project and with the help of external specialist consultants and continues to evaluate its carbon footprint.

The Company's CO₂ emissions are calculated from the reported activity data using the 2022 Government greenhouse gas conversion factors for Company reporting and the "Green House Gas Protocol of 2001".

For transportation, the UK government-provided conversion factors are used. For claimed mileage, since the Company has no way of knowing the specific car and/or type of fuel used, the "average car" conversion factor is used.

The 9-month period ended 31 March 2022 indicates that over 80% of the Company's carbon footprint of 8,283 tonnes of carbon dioxide equivalent ("tCO₂e") (11,126 tCO₂e prior 12 months) was supply chain related, with manufacturing operations being the next highest contributor at 956 tCO₂e (1,427 tCO₂e prior 12-months).

The Company produced 10,108 tCO₂e or 65 tonnes per \$1 million of sales revenue (13,576 tCO₂e prior 12 months or 64 tonnes per \$1 million of sales revenue) of which 434 tonnes was Scope 1, 789 tonnes was Scope 2 and 8,885 tonnes was Scope 3.

The figures above make up the energy and CO₂ baseline for the Company, following the same format as in the March 2022 report.

The activity data for electricity and natural gas is taken from metered consumption as per supplier invoices.

Scope 1 consumption and emissions relate to the direct combustion of natural gas and fuels utilised for transportation operations, such as vehicle fleets. Transport also includes a proportion of private vehicles used for business travel.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to indirect greenhouse gas emissions not included in scope 2. This included claimed mileage.

These preliminary figures will form part of the parent group's carbon reporting and future reduction strategy.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Anti-Bribery and corruption

The Company has an anti-bribery and anti-corruption policy in place. It is our policy:

- Not to give or offer, directly or indirectly, anything that either is or could reasonably be viewed to be a bribe;
- Not to request or accept, directly or indirectly anything that is or could reasonably be viewed to be a bribe;
- That any offered gifts, no matter how small, must be notified to HR and, if they are confirmed to be acceptable; it must be accepted for the Company Christmas Raffle or for general use within the office;
- That any offered hospitality must be notified to HR to confirm if they can attend or if it can be deemed as an influence, then the decision is it should be declined immediately;
- That we do not make political contributions;
- That all officers, employees and representatives of the Company must use the Company's property and information technology appropriately and responsibly; and
- That each officer, employee and representative of the Company should avoid engaging in communications that are illegal, would be a breach of the Code of Conduct or might bring the Company into disrepute.

The Company also has a number of other internal controls in place designed to minimise the risk of bribery and corruption.

Disclosure of information to auditors

Each Director at the time when this Directors' Report is approved has confirmed that:

- So far as the Director is aware, there is no relevant information of which the Company's auditors are unaware, and
- The Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information relevant for the financial audit and to establish that the Company's auditors are aware of that information.

Going concern

The Directors have reviewed the impact of the ongoing war between Russia and Ukraine on both sales and the Company's supply chain and are of the current opinion that it will not impact materially on the ongoing business or its results.

In light of current levels of economic uncertainty, including but not limited to high inflation, foreign exchange fluctuations, supply chain issues and shipping and logistical challenges the Company has put in place several measures to minimise the risk to the business. These include: reviewing and securing key supplier pricing and agreements, initiating standard costing for raw materials, so that Purchase Price Variance ("PPV") can be tracked and managed internally, setting flags in the ERP system to highlight potential issues at source and making changes to the sales price and transfer pricing where deemed necessary, without damaging the competitiveness of the brand, to maintain expected margins.

Based on cash flow forecasts, prepared by management for a period of not less than 12 months from the date of approval of these financial statements, and taking into consideration reasonable downside scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Further details of this going concern assessment can be found in Note 2 Accounting policies, to the financial statements.

B & W GROUP LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

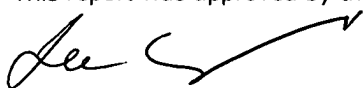
Post balance sheet events

There were no significant post balance sheet events to report.

Auditors

The auditors, BDO LLP, will be invited to tender for reappointment in accordance with section 485 of the Companies Act 2006. The Company commit to offer a tender process every three years.

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



Lee David Andrew Courtney-Wheatley

19 March 2024

Dale Road
Worthing
West Sussex
BN11 2BH

B & W GROUP LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF B & W GROUP LTD

Opinion on the financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the period then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of B & W Group Ltd. ("the Company") for the 9-month period ended 31 December 2022 which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

B & W GROUP LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF B & W GROUP LTD (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF B & W GROUP LTD (CONTINUED)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

we considered the significant laws and regulations applicable to the Company, including, but not limited to, those that relate to the form and content of the financial statements, such as the Company's accounting policies, UK adopted international accounting standards and the Companies Act 2006, and relevant taxation legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and the Bribery Act 2010.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF B & W GROUP LTD (CONTINUED)

- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, of which the principal risks were related to posting of inappropriate journal entries, management bias in accounting estimates, and fraud in revenue recognition.

Our procedures in respect of the above included:

- Management override of controls:

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:

- Challenging assumptions made by management in their significant accounting estimates;
 - Identifying and testing journal entries, which met a defined risk criterion, by agreeing to supporting documentation, in particular journals with unexpected characteristics, high value journals during the period and around the period end, journal entries posted with specific keywords, and journals posted in the preparation of the financial statements; and
 - Testing journal entries to revenue which are inconsistent with the usual transactions of the Company.
- Revenue recognition:

As well as the above, we have performed testing to ensure that the revenue transactions are recorded in accordance with the terms of the contract with customers and ensured that the revenue is recorded in the correct accounting period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

B & W GROUP LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF B & W GROUP LTD (CONTINUED)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

Ian Clayden

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Ian Clayden (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor

London
W1U 7EU

Date: 26 March 2024

B & W GROUP LTD

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Note	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Revenue	7	156,081	212,364
Other operating income	8	673	10,140
Changes in inventories of finished goods and work in progress	22	(534)	2,964
Raw materials and consumables used	22	(92,831)	(135,187)
Employee benefit expenses	12	(14,959)	(22,241)
Depreciation and amortisation expense	17,19	(11,335)	(11,085)
Restructuring		(613)	(155)
Other expenses		(29,234)	(29,923)
Profit from operations		<u>7,248</u>	<u>26,877</u>
Finance income	14	134	166
Finance expense	14	(1,317)	(1,385)
Impairment of investments in subsidiaries	20	(5,267)	(5,375)
Profit on disposal of subsidiary undertakings	15	-	5,118
Profit before tax		<u>798</u>	<u>25,401</u>
Tax credit	16	7,997	9,464
Profit for the period		<u>8,795</u>	<u>34,865</u>
Total comprehensive income		<u><u>8,795</u></u>	<u><u>34,865</u></u>

The notes on pages 23 to 60 form part of these financial statements.

B & W GROUP LTD
REGISTERED NUMBER: 00880499

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December 2022 \$000	31 March 2022 \$000
Assets			
Non-current assets			
Property, plant and equipment	17,18	6,364	7,438
Intangible assets Investments in subsidiaries	19	15,633	17,008
Trade and other receivables	20	2,554	7,821
Deferred tax assets	23	20,273	20,273
	16	18,782	8,912
Current assets		<u>63,606</u>	<u>61,452</u>
Inventories	22	22,531	23,062
Trade and other receivables	23	99,322	86,994
Cash and cash equivalents	32	11,825	19,861
		<u>133,678</u>	<u>129,917</u>
Total assets		<u>197,284</u>	<u>191,369</u>

B & W GROUP LTD
REGISTERED NUMBER: 00880499

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	31 December 2022 \$000	31 March 2022 \$000
Liabilities			
Non-current liabilities			
Trade and other payables	24	15,977	16,807
Loans and borrowings	25	14,031	14,834
		<u>30,008</u>	<u>31,641</u>
Current liabilities			
Trade and other payables	24	76,659	77,700
Loans and borrowings	25	1,133	1,339
Provisions	26	4	4
		<u>77,796</u>	<u>79,043</u>
Total liabilities		<u>107,804</u>	<u>110,684</u>
Net assets		<u>89,480</u>	<u>80,685</u>
Issued capital and reserves			
Share capital	27	3,380	3,380
Share premium reserve		124,101	124,101
Treasury and ESOP share reserve		12,991	12,991
Foreign exchange reserve		3,137	3,137
Retained earnings		(54,129)	(62,924)
TOTAL EQUITY		<u>89,480</u>	<u>80,685</u>

The financial statements on pages 17 to 60 were approved and authorised for issue by the Board of Directors on 19 March 2024 and were signed on its behalf by:



Lee David Andrew Courtney-Wheatley

Director

The notes on pages 23 to 60 form part of these financial statements.

B & W GROUP LTD

**STATEMENT OF CHANGES IN EQUITY FOR
THE PERIOD ENDED 31 DECEMBER 2022**

	Share capital \$000	Share premium \$000	Treasury shares ESOP \$000	Foreign exchange reserve \$000	Retained earnings \$000	Total equity \$000
At 1 April 2021	3,380	124,101	12,991	3,137	(97,789)	45,820
Profit for the year	-	-	-	-	34,865	34,865
Total comprehensive income for the year	-	-	-	-	34,865	34,865
At 31 March 2022	3,380	124,101	12,991	3,137	(62,924)	80,685
At 1 April 2022	3,380	124,101	12,991	3,137	(62,924)	80,685
Profit for the period	-	-	-	-	8,795	8,795
Total comprehensive income for the period	-	-	-	-	8,795	8,795
At 31 December 2022	3,380	124,101	12,991	3,137	(54,129)	89,480

The notes on pages 23 to 60 form part of these financial statements.

B & W GROUP LTD

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

		9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
	Note		
Cash flows from operating activities			
Profit for the period		8,795	34,865
Adjustments for			
Depreciation of owned property, plant and equipment	17	2,118	2,989
Depreciation of financed property, plant and equipment	17	383	497
Amortisation and impairment of intangible fixed assets	19	7,003	6,756
Impairment losses on intangible assets	19	1,831	610
Impairment of non-current investments	20	5,267	5,375
RDEC		(165)	(801)
Finance income	14	(134)	(166)
Finance expense	14	1,317	1,385
Profit on sale of discontinued operations, net of tax	15	-	(5,118)
Gain on sale of property, plant and equipment		(2,585)	(8,156)
Net foreign exchange loss		541	151
Income tax credit	16	(7,997)	(9,464)
		<u>16,374</u>	<u>28,923</u>
Movements in working capital:			
Increase in trade and other receivables	23	(12,328)	(41,905)
Decrease/(increase) in inventories	22	531	(959)
(Decrease)/increase in trade and other payables	24	(3,141)	31,117
Decrease in provisions and employee benefits		-	(158)
		<u>1,436</u>	<u>17,018</u>
Cash generated from operations			
Income taxes received		-	13
		<u>1,436</u>	<u>17,031</u>
Net cash from operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment	17	(1,427)	(2,844)
Purchase of intangibles / development	19	(7,461)	(9,915)
Interest received		-	4
		<u>(8,888)</u>	<u>(12,755)</u>
Net cash used in investing activities			

B & W GROUP LTD

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

		9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Cash flows from financing activities			
Loan to parent Company		-	(12,000)
Loan repayments from parent Company		-	1,500
Proceeds from sale and lease back of land and buildings		-	26,108
Loans to related parties	24	2,100	-
Interest paid	14	(960)	(1,033)
Interest paid on lease liabilities	14	(357)	(352)
Repayment of lease liabilities		(1,367)	(1,028)
Net cash (used in)/generated from financing activities		<u>(584)</u>	<u>13,195</u>
Net (decrease)/increase in cash and cash equivalents		<u>(8,036)</u>	<u>17,471</u>
Cash and cash equivalents at the beginning of period		19,861	2,390
Cash and cash equivalents at the end of the period	32	<u><u>11,825</u></u>	<u><u>19,861</u></u>

The notes on pages 23 to 60 form part of these financial statements.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

1. Reporting entity

B & W Group Ltd. (the 'Company') is a limited company incorporated in England & Wales. The Company's registered office is at Dale Road, Worthing, West Sussex, BN11 2BH. The Company's principal activity is manufacture and wholesale distribution of high quality loudspeakers, high performance headphones and associated equipment and services. The company have opted for Consolidation Exemption for the reporting of these financial statements under FRS 102.

2. Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards (collectively IFRSs). They were authorised for issue by the Company's Board on 19 March 2024.

Details of the Company's accounting policies, including changes during the period, are included in Note 3. In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas where judgements and estimates have been made in preparing the financial statements and their effects are disclosed in Note 5.

Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise disclosed.

Going concern

Following on from the acquisition of the Company by DEI Sales Inc (also known as the Sound United, Inc.) on 9 October 2020, the day-to-day working capital needs remain financed from cash and without external borrowings.

On 31 March 2021, following the sale of the Company's United States ("US") distribution subsidiary to the parent Company, the Company became debt free with adequate free cash for foreseeable working capital and investment needs. Through intercompany movements, the Company has been a net contributor to group treasury finance and holds material net receivables (see notes 23 and 24) that can be drawn on for working capital purposes.

Trading was strong for the period as expected due to the increased access to Sound United, Inc.'s customer portfolio. This has continued through fiscal year 2023 with revenues of approximately \$200 million and further growth is anticipated in fiscal year 2024 on the back of strong forecast demand for the Companies' products in the US market. Gross margins are dependent on the transfer pricing arrangements within the wider ultimate parent but management is satisfied that these allow the Company to remain profitable and generate sufficient cash for working capital. Having considered reasonable down-side scenarios, management has concluded, based on forecasts, that the Company will have sufficient liquidity, including available intercompany receivables as noted above, to remain a going concern for a period of not less than 12 months from the date of approval of these financial statements and have not identified a material uncertainty in this regard.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

As at the end of December 2023 the Company has net current assets of \$58.9 million including \$6.8 million of cash. The Company therefore continues to adopt the going concern basis in preparing its Company financial statements.

3. Accounting policies

3.1 New standards, interpretations and amendments effective from 1 April 2022

No new standards have been adopted mandatory for the first time, or adopted early, by the Company during the year. The following amendments are effective for the Company for the period beginning 1 April 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16);
- References to Conceptual Framework (Amendments to IFRS 3)

The following amendments are effective for periods beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12).

The adoption of these standards, amendments and interpretations are not expected to have a material impact on the Company's Statement of Profit and Loss and Other Comprehensive Income, net assets or equity.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

3. Accounting policies (continued)

3.2 Foreign currency

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these financial statements, the assets and liabilities of the Company's foreign operations are translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.3 Revenue (continued)

(i) Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer. A receivable is recognised when the performance obligations have been satisfied at the point of transfer of ownership at the relevant point in time in the delivery process, the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Warranty costs are accounted for separately from revenue.

(ii) Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, revenue for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(iii) Licensing income

Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Licensing income determined on a time basis are recognised on a straight-line basis over the period of the agreement. Licensing arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

(iv) Management fees & commission

From 1 April 2021 B&W Group Ltd.'s ultimate parent Company decided to make a global change to the existing distribution model in that from that date, all distribution sales would be made via US entities within the parent Company group, outside of the B&W Group Ltd. perimeter. The B&W Group Ltd. subsidiaries, remaining as a local support and sales office, charge the ultimate parent Company's US entities both management fees on a cost plus basis and a commission in compensation for lost direct sales margins. These revenues are recognised on an accrual basis in accordance with the substance of the relevant transactions (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.4 Leasing

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate which is determined by Bank of England published borrowing rates.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is included in the "Loans and borrowing" line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the "Property, Plant and Equipment" and "Investment Property" lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3.9.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Sale and lease back transactions

Where an asset transfer satisfies IFRS 15's requirements to be accounted for as a sale, the entity as the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the entity recognises the amount of gain or loss that relates only to the rights transferred to the buyer and does not recognise any amount of the gain or loss that relates

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.4 Leasing (continued)

The Company as a lessee (continued)

to the right of use it retains.

Where the fair value of the sale consideration is not equal the asset's fair value, or if the lease payments are not at market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.

3.5 Employee benefits

(i) Pension

Contributions to defined contribution pension schemes are charged to the consolidated Statement of Comprehensive Income in the year to which they relate.

(ii) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Post-employment obligations

Employees may belong to a group personal pension plan or money purchase scheme (defined contribution schemes). The assets of the schemes are administered in funds independent from those of the Company. Figures in the accounts relate to the amounts paid, or due, to the independent pension fund.

Holiday pay

Holiday entitlement accruals are made to reflect holiday owing to employees.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from "profit

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.6 Taxation (continued)

(i) Current tax (continued)

before tax" as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Company claims the research and development expenditure credit ("RDEC"). This is treated like a grant in the accounts in line with standard practice, resulting in income being recognised in the accounts within other income, rather than within taxation. The RDEC can be used to reduce the current tax payable or can be claimed for a tax refund if the Company is in a tax loss position.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entity where there is an intention to settle the balances on net basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.6 Taxation (continued)

(iii) Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The Company claims the research and development expenditure credit (RDEC). This is treated like a grant in the financial statements in line with standard practice, resulting in income being recognised in the financial statements within other income, rather than within taxation. The RDEC can be used to reduce tax payable or, if the Company is in a tax loss position, can be claimed as a tax refund.

3.7 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold land	Not depreciated
Freehold buildings	25-50 years straight line
Short-term leasehold property	Straight line over the period of the lease
Plant and machinery	2-10 years straight line
Motor vehicles	Straight line over the period of the lease

Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Where assets are subject to revaluations, at the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated Statement of Comprehensive Income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.8 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Management have assessed the expected useful economic life, currently 3 to 5 years, based on the historic life cycles of products and consider it an appropriate method to match the expenditure to the revenue.

(ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, on account of uncertainty over whether the above criteria will be met, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Where appropriate, accelerated amortisation or an impairment charge is recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.9 Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Financial instruments

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.13 Financial instruments (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Classification

The Company classifies its financial assets, excluding derivatives, as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 1 year after the end of the reporting period, which are classified as non-current assets. Financial assets comprise "trade and other receivables", "amounts owed by group undertakings" and "cash and cash equivalents". Derivatives are classified as financial assets and liabilities at fair value through profit or loss.

Financial liabilities (excluding derivatives) and equity instruments are classified according to the substance of the contractual obligations entered into. An equity instrument is any contract that evidences a residual interest in the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Finance costs and gains or losses relating to financial liabilities are included in the profit or loss.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are taken directly to reserves. Financial liabilities comprise "trade and other payables", "borrowings" and "amounts owed to related parties".

Recognition and measurement

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Borrowings comprise of overdrafts, finance leases, bank, intercompany and other loans which are disclosed in Note 25, Loans and Borrowings.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment in accordance with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

3. Accounting policies (continued)

3.13 Financial instruments (continued)

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial assets and liabilities that are recognised at fair value are re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the income statement in finance income and finance costs respectively. Fair value measurements can be made at three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not currently hold any financial instruments requiring remeasurement to fair value and has not designated any investments in equity instruments to be measured this way.

Impairment of financial assets carried at amortised cost

The Directors assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3.14 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

3.15 Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

4. Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Accounting estimates and judgements

5.1 Judgement

Judgements and sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

5.2 Estimates and assumptions

Development costs

Management considers that the capitalisation of development costs to be a critical judgement based on the material size of the costs. The guidance in IAS38 for capitalisation is included within the research and development accounting policy and management applies these policies when deciding whether it is appropriate to capitalise these costs.

Management uses their experience from previous products and their knowledge of the market to ascertain whether it is appropriate to capitalise costs and the estimated life of the products. Forecast sales are then used to assess whether the product can be expected to generate more funds than the development costs capitalised. If the future sales review reveals that previously capitalised items are no longer fully recoverable then the existing balance will be impaired.

Warranty/remorse provision

The warranty provision comprised of warranty costs and remorse returns is based on the actual warranty costs and remorse expense incurred in the current financial period. The Directors have assumed that the costs will remain materially consistent year on year. The assumption is supported by the minimal level of problems with existing products post period end.

Inventories provision

Management perform regular reviews of inventory held to assess whether a provision is necessary against specific products or materials based on its age, condition and popularity within the relevant market. Provisioning is therefore undertaken on a product line basis.

As part of the review of the provisioning, management will also review whether general production costs are being correctly assigned to stock. Management will review absorption rates to ensure these are reasonable and adjust if necessary.

Inventory returned from customers is initially fully provisioned. Once each individual stock item has been assessed the provision will be adjusted, or removed, to reflect the product's condition and potential for resale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

5. Accounting estimates and judgements (continued)

5.2 Estimates and assumptions (continued)

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less accumulated impairment. Management undertakes an annual review of the net cost of these holdings in subsidiaries compared to forecast cash flows to determine whether any impairment to be made or adjusted.

Forecast cash flows are based on a mixture of historic performance of the entity, forecast launch of new products and knowledge of any change in relationships with key customers. These cash flows are normally discounted at a pre-tax discount of 13% to provide a present value thereof.

Deferred tax asset

The Company has incurred significant tax losses which has created the potential for considerable future deferred tax assets. Deferred tax assets are only recognised if it is reasonably foreseeable that the Company will be able to get an economic advantage from the asset in the foreseeable future. The Company are treating the foreseeable future as within 3 years.

Management expects the Company to increase revenue significantly in the next few years, due to the investment made in research and development in prior and current periods. The Company expects that the investment in research and development, and increased future revenues will allow the Company to utilise prior period tax losses.

A deferred tax asset for such tax losses has been recognised on the basis that it is probable that these will be offset against the Company's deferred tax liability and/or future taxable profits.

Provision for dilapidations

On the inception of a new lease management estimate the amount of any expected dilapidations costs. The liabilities are recorded on the balance sheet and capitalised in accordance with IFRS 16 where necessary.

Sale and leaseback transactions

In order to determine the appropriate treatment in accordance with IFRS16, management first considers whether the "sale" meets the conditions of a sale in accordance with IFRS15, in particular, whether control of the asset has passed to the buyer.

Where management has determined a sale to have taken place, in order to determine the value of the right-of-use asset, lease liability and resulting gain or loss on disposal further estimates are required with regard to:

- The fair value of the asset(s) at the time of the transaction;
- The lease term;
- Lease costs to be included or excluded from the calculation of the lease liability;
- The value, if any, of the unguaranteed residual value;
- The interest rate implicit in the lease, or, where this cannot be readily determined, the entity's incremental borrowing rate; and
- Costs to make good the asset for the buyer on exit at the end of the lease term.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

6. Financial risk management

The business risk management note within the Strategic Report includes the Company's business objectives, policies and processes for managing its financial risk management objectives and its exposure to credit risk and liquidity risk.

Capital management

The Company has exposure to three main areas of risk: foreign exchange currency, customer credit and liquidity risk. The Company has taken several steps to address this.

Foreign exchange transactional currency exposure

The Company is exposed to currency exchange rate risk due to a proportion of its receivables and operating expenses being denominated in non USD currencies. There are currently no official hedges used, however, efforts have been made to limit foreign exchange impact within the group by selling between group Companies in USD where appropriate.

Customer credit exposure

The majority of the Company's sales and debtors are related Companies within Sound United, Inc. The Company may offer credit terms to third-party customers which allow for payment of the debt after delivery of the goods or services subject to an individual analysis of creditworthiness. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong ongoing customer relationships, strong credit control procedures and recovery of the goods as a final option. There were no trade receivables past due and not impaired. The Company believe the credit quality of financial assets is therefore reasonably high and expects the receivables to be recoverable.

Liquidity risk

Sound United, Inc. manages its cash requirements through forecasts prepared for Sound United's treasury function and is supported by a larger but informal cash pooling arrangement meaning the liquidity risk is quite low. The Company has a rolling 13-week cash forecast which enables their part of the Company's cash requirements to be anticipated.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

7. Revenue

The following is an analysis of the Company's revenue for the period from continuing operations:

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Revenue by type		
Sale of goods	151,818	205,122
Licensing / royalties	4,263	7,242
Total revenue by type	<u>156,081</u>	<u>212,364</u>

Revenue by destination

United Kingdom	1,729	2,132
Rest of Europe	52,208	121,548
Rest of the world	102,144	88,684
Total revenue by destination	<u>156,081</u>	<u>212,364</u>

Revenue by product segment

Loudspeakers and related equipment	112,400	144,202
Wireless music systems	22,833	32,649
Headphones	16,585	28,271
Licensing / royalties	4,263	7,242
Total revenue by product segment	<u>156,081</u>	<u>212,364</u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

8. Other operating income

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Other operating income		
Other operating income	630	1,162
Profit on disposal of property, plant and equipment	43	8,978
Other operating income	<u>673</u>	<u>10,140</u>

9. Expenses by nature

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Expenses by nature		
Changes in inventories of finished goods and work in progress	534	(2,964)
Raw materials and consumables used	92,831	135,187
Employee costs	14,959	22,241
Depreciation of property, plant and equipment	2,501	3,718
Amortisation of intangible assets	7,003	6,756
Impairment of intangible assets	1,831	610
Restructuring costs	613	155
Other administrative expenses	<u>29,234</u>	<u>29,923</u>

The other administrative expenses are detailed in the note below.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

10. Other administrative expenses

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Corporate management fees	6,998	7,250
Foreign Exchange (gain)/loss	(92)	3,168
Marketing	5,939	4,291
Development	(282)	(2,304)
Warehouse	1,419	954
IT	1,504	2,991
Rent & rates	2,862	1,479
Maintenance	1,978	2,193
Travel & entertaining	443	412
Office costs	148	275
Staff training & welfare	1,035	966
Shipping	4,729	4,162
Insurance	374	431
Debt finance	3	10
Commission & royalty	585	585
Manufacturing	32	39
Point of sale	51	(31)
Accountancy	203	574
Legal & professional services	1,270	2,442
Subscriptions	35	36
Total other administrative expenses	29,234	29,923

11. Auditors' remuneration

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Fees payable to the Company's auditors for the audit of the Company's financial statements	444	338

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

12. Employee benefit expenses

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	15,862	22,361
Defined contribution pension cost	931	1,096
Directors	777	609
Social security contributions and similar taxes	2,348	2,118
Capitalised development salary costs	(4,959)	(3,943)
Employee benefit expenses	<u>14,959</u>	<u>22,241</u>

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company listed on page 1, of the Company.

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Key management personnel compensation		
Salary	362	609
Compensation for loss of office	415	-
Key management personnel compensation	<u>777</u>	<u>609</u>

The monthly average number of persons, including the Directors, employed by the Company during the period was as follows:

	9m to 31 December 2022 No.	12m to 31 March 2022 No.
Production	185	212
Selling	13	8
Administration	204	208
Total	<u>402</u>	<u>428</u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

13. Pension scheme

Employees may belong to a personal pension plan or money purchase scheme (defined contribution schemes). The assets of the schemes are administered in funds independent of those of the Company. For the 9 months ending 31 December 2022, the pension cost charged represents contributions payable to the schemes of \$931,000 for the Company (31 March 2022: \$1,096,000). At 31 December 2022, the Company owed \$202,000 (31 March 2022: \$159,000) to pension schemes.

14. Finance income and expense**Recognised in profit or loss**

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Finance income		
Interest receivable from group companies	134	133
Other interest receivable	-	33
Total finance income	<u>134</u>	<u>166</u>
Finance expense		
Bank interest payable	102	87
Interest on lease liabilities	357	352
Loans from group undertakings	285	260
Other interest payable	573	686
Total finance expense	<u>1,317</u>	<u>1,385</u>
Net finance expense recognised in profit or loss	<u>(1,183)</u>	<u>(1,219)</u>

15. Amounts written off and profit or loss on disposal of a subsidiary

Profit on disposal of subsidiary undertaking	<u>-</u>	<u>5,118</u>
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B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

16. Tax expense

16.1 Income tax recognised in profit or loss

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Current tax		
Current tax on profits for the period	879	(538)
Adjustments in respect of prior years	994	-
Overseas tax	-	(14)
Total current tax	<u>1,873</u>	<u>(552)</u>
Deferred tax (credit)/expense		
Origination and reversal of timing differences	(9,279)	(8,912)
Adjustments in respect of prior years	(591)	-
Total deferred tax	<u>(9,870)</u>	<u>(8,912)</u>
Income tax recognised in profit or loss	<u><u>(7,997)</u></u>	<u><u>(9,464)</u></u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

16. Tax expense (continued)

16.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the period is as follows:

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Factors affecting total tax charge for the current period		
Profit for the period	8,795	34,865
Income tax credit	(7,997)	(9,464)
Profit before income taxes	<u>798</u>	<u>25,401</u>
Factors affecting total tax charge for the current period		
Tax on profit at standard UK tax rate of 19.00% (31 March 2022: 19.00%)	152	4,827
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	1,189	(1,136)
Capital allowances for the year in excess of depreciation	-	(891)
RDEC	(165)	(1,494)
Non qualifying depreciation	69	-
Overseas tax	-	(14)
Adjustments to tax charge in respect of prior periods	994	(690)
Tax losses transferred to deferred tax/used	-	(3,106)
Short-term timing difference leading to an decrease in taxation	-	(186)
Movement in deferred tax not recognised	(8,614)	(8,912)
Non-taxable income	(89)	(152)
Capital gains	-	2,290
Difference between current and deferred tax rates	(1,533)	-
Total tax credit	<u>(7,997)</u>	<u>(9,464)</u>

Changes in tax rates and factors affecting the future tax charges

There were no factors that may affect future tax charges.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

16. Tax expense (continued)

16.2 Current tax assets

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Current tax assets		
Corporation tax	2,628	2,261
Overseas tax	14	7
Current tax assets	<u>2,642</u>	<u>2,268</u>

16.3 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the Statement of Financial Position:

	9m to 31 December 2022 \$000	12m to 31 March 2022 \$000
Deferred tax balances		
Deferred tax assets	18,782	8,912
Deferred tax balances	<u>18,782</u>	<u>8,912</u>

B & W GROUP LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

16. Tax expense (continued)

16.3 Deferred tax balances (continued)

	Opening balance \$000	Recognised in profit or loss \$000	Closing balance \$000
2022			
Property, plant and equipment	1,069	(3,366)	(2,297)
Temporary differences trading	(294)	7,409	7,115
R&D expenditure credit	(2,194)	3,729	1,535
Tax losses carried forward	10,331	(692)	9,639
Non-IFRS16 deductions available for carried forward		2,790	2,790
	<u>8,912</u>	<u>9,870</u>	<u>18,782</u>

The deferred tax asset stems from the impact of provisions made within the Company and trading losses carried forward.

The Finance Act 2021 legislated to increase the UK standard rate of corporation tax to 25% from 1 April 2023 for all Companies/Groups with taxable profits over £250,000. Unrelieved tax losses of \$54,129,000 (31 March 2022: \$62,924,000) remain available to offset against future taxable trading profits. This is based on a tax rate of 25%.

17. Property, plant and equipment

	Freehold property \$000	Short-term leasehold property \$000	Plant and machinery \$000	Motor vehicles \$000	Total \$000
Cost or valuation					
At 1 April 2021	7,184	3,673	36,951	44	47,852
Additions	-	1,144	1,693	7	2,844
Disposals	(6,294)	-	-	(15)	(6,309)
At 31 March 2022	<u>890</u>	<u>4,817</u>	<u>38,644</u>	<u>36</u>	<u>44,387</u>
Additions	-	-	1,427	-	1,427
At 31 December 2022	<u>890</u>	<u>4,817</u>	<u>40,071</u>	<u>36</u>	<u>45,814</u>

B & W GROUP LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

17. Property, plant and equipment (continued)

	Freehold property \$000	Short-term leasehold property \$000	Plant and machinery \$000	Motor vehicles \$000	Total \$000
Accumulated depreciation and impairment					
At 1 April 2021	4,518	1,635	31,532	27	37,712
Charge owned for the period	50	531	2,408	-	2,989
Charged financed for the period	-	438	38	16	492
Disposals	(4,229)	-	-	(15)	(4,244)
At 31 March 2022	339	2,604	33,978	28	36,949
Charge owned for the period	17	396	1,705	-	2,118
Charged financed for the period	-	348	27	8	383
At 31 December 2022	356	3,348	35,710	36	39,450
Net book value					
At 31 March 2022	551	2,213	4,666	8	7,438
At 31 December 2022	534	1,469	4,361	-	6,364

18. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Company Statement of Financial Position is as follows:

	31 December 2022 \$000	31 March 2022 \$000
Owned and right-of-use assets		
Property, plant and equipment owned	5,058	5,744
Right-of-use assets (IFRS 16)	1,306	1,694
Owned and right-of-use assets	6,364	7,438

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Information about right-of-use assets under IFRS 16 is summarised below.

	31 December 2022 \$000	31 March 2022 \$000
Right-of-use assets		
Net book value of right-of-use assets		
Property	1,258	1,611
Plant and machinery	48	75
Motor vehicles	-	8
Net book value of right-of-use assets	<u>1,306</u>	<u>1,694</u>
Movement in net book value of right-of-use assets		
Brought forward	1,694	1,035
Additions	-	1,151
Amortisation	(383)	(492)
Other adjustment	(5)	-
Total net book value of right-of-use assets	<u>1,306</u>	<u>1,694</u>
Depreciation charged for the period for the right-of-use assets		
Property	348	438
Plant and machinery	27	38
Motor vehicles	8	16
Total depreciation charged for the period for the right-of-use assets	<u>383</u>	<u>492</u>
Lease liability		
Brought forward	(16,174)	(1,059)
Additions	-	(16,139)
Interest charge	(357)	(352)
Lease payments	1,367	1,377
Lease liability	<u>(15,164)</u>	<u>(16,173)</u>
Lease liability summary		
Due within 1 year	(1,133)	(1,339)
Due in more than 1 year	(14,031)	(14,834)
Total Lease liability summary	<u>(15,164)</u>	<u>(16,173)</u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

19. Intangible assets

	Development expenditure \$000	Intellectual Property \$000	Total \$000
Cost			
At 1 April 2021	43,890	12,748	56,638
Additions - external	9,900	15	9,915
Disposals	(9,489)	-	(9,489)
At 31 March 2022	44,301	12,763	57,064
Additions - external	7,461	-	7,461
Disposals	(8)	-	(8)
At 31 December 2022	51,754	12,763	64,517
	Development expenditure \$000	Intellectual Property \$000	Total \$000
Accumulated amortisation and impairment			
At 1 April 2021	31,093	11,086	42,179
Charge for the year - owned	6,124	632	6,756
Disposals	(9,489)	-	(9,489)
Impairment charge	610	-	610
At 31 March 2022	28,338	11,718	40,056
Charge for the period - owned	6,582	421	7,003
Disposals	(6)	-	(6)
Impairment charge	1,831	-	1,831
At 31 December 2022	36,745	12,139	48,884
Net book value			
At 31 March 2022	15,963	1,045	17,008
At 31 December 2022	15,009	624	15,633

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

20. Other non-current investments

		31 December 2022 \$000	31 March 2022 \$000
	Note		
Investments in subsidiary companies	21	2,554	7,821
		<u>2,554</u>	<u>7,821</u>

Movement in investments in subsidiary companies

	31 December 2022 \$000	31 March 2022 \$000
NBV of non-current investments		
Brought forward	7,821	13,196
Additions	-	-
Impairment	(5,267)	(5,375)
NBV of non-current investments	<u>2,554</u>	<u>7,821</u>

During the financial period the management conducted an impairment review of its subsidiaries and has recognised an impairment in the period of \$5,266,800 (PY \$5,375,000). The adjustments are detailed below:

• B&W Group France	\$1,263,200 (PY \$NIL)
• B&W Group Belgium	\$352,500 (PY \$670,000)
• B&W Group Germany GmbH	\$3,479,100 (PY \$1,650,000)
• B&W Group Espana	\$20,500 (PY \$1,478,000)
• B&W Group (Logistics)	\$151,500 (PY NIL)
• B&W Asia	\$NIL (PY \$1,651,000)
• Sound United Sales & Marketing Pty Limited	\$NIL (PY release of (\$74,000))

Any reasonable change in assumptions would not cause a material impairment. Management believe the carrying value of the remaining investments is supported by their underlying cash flows.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

21. Subsidiaries

Details of the Company's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company (%)	
			Dec 2022	Mar 2022
1) B&W Group Asia Ltd.	Retailer and distributor	Hong Kong	100	100
2) B&W Group Belgium NV	Distributor	Belgium	100	100
3) B&W Group Finland OY	Retailer and distributor	Finland	100	100
4) B&W Group France SARL	Distributor	France	100	100
5) B&W Group Germany GmbH	Distributor	Germany	100	100
6) B&W Group (Logistics) Ltd.	Dormant	UK	100	100
7) B&W Group (Schweiz) GmbH	Distributor	Switzerland	100	100
8) B&W Group Espana S.A.	Distributor	Spain	100	100
9) B&W Group Nederland BV	Distributor	Netherlands	100	100
10) B&W Loudspeakers Ltd.	Dormant	UK	100	100
11) Sound United Sales & Marketing Pty. Limited	Retailer and distributor	Australia	100	100
12) Bowers & Wilkins Trading (Zhuhai) Co Ltd.	Manufacturer	China	100	100
13) B&W Group Japan Limited	Dormant	Japan	100	100
14) Bowers & Wilkins Korea Inc.	Dormant	Korea	100	100
15) B&W Group (China) Limited	Distributor	China	100	100
16) B&W Group Production (HK) Ltd.	Dormant	Hong Kong	100	100

22. Inventories

	31 December 2022 \$000	31 March 2022 \$000
Inventories		
Raw materials	9,477	9,474
Work-in-progress	2,374	2,916
Finished goods and goods for resale	10,680	10,672
Inventories	<u>22,531</u>	<u>23,062</u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

22. Inventories (continued)

The amount of inventories recognised as an expense during the nine-months ended 31 December 2022 were \$92,831,000 (31 March 2022 - \$135,187,000). There were no significant differences between the replacement cost and the values disclosed for inventories. Finished goods are stated net of any provisions for obsolete and slow moving stock. The provision included in the accounts for the nine-months ended 31 December 2022 was \$1,915,000 (31 March 2022 - \$2,139,000).

23. Trade and other receivables

	31 December 2022 \$000	31 March 2022 \$000
Non-current		
Loans to related parties	20,273	20,273
Total financial assets other than cash and cash equivalents classified as loans and receivables	<u>20,273</u>	<u>20,273</u>
Total non-current trade and other receivables	<u><u>20,273</u></u>	<u><u>20,273</u></u>
Current		
Trade receivables	1,557	390
Trade receivables - net	<u>1,557</u>	<u>390</u>
Receivables from related parties	91,709	75,737
Receivables from participating interests	7	8
Total financial assets other than cash and cash equivalents classified as loans and receivables	<u>93,273</u>	<u>76,135</u>
Prepayments and accrued income	1,185	1,253
Tax recoverable	2,642	2,268
Other receivables	2,222	7,338
Total current trade and other receivables	<u><u>99,322</u></u>	<u><u>86,994</u></u>

Amounts owed by group undertakings relate to current accounts that are incurred in the course of normal trading activity. Balances are unsecured, repayable on demand and overdue balances incur interest of 4% to reflect a market rate of interest. The carrying value of trade and other receivables held at amortised cost approximates fair value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

24. Trade and other payables

	31 December 2022 \$000	31 March 2022 \$000
Non-current		
Deferred income	15,977	16,807
Total non-current trade and other payables	<u>15,977</u>	<u>16,807</u>
Current		
Trade payables	15,194	22,701
Payables to related parties	39,817	35,979
Other payables	416	353
Accruals	4,944	6,379
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>60,371</u>	<u>65,412</u>
Other payables - tax and social security payments	675	684
Payables to related parties (debt)	12,338	10,238
Deferred income	3,275	1,366
Total current trade and other payables	<u>76,659</u>	<u>77,700</u>

Amounts owed to group undertakings relate to current accounts that are incurred in the course of normal trading activity. Balances are unsecured, repayable on demand and overdue balances incur interest of 4% to reflect a market rate of interest.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

25. Loans and borrowings

	31 December 2022 \$000	31 March 2022 \$000
Non-current		
Lease liabilities	14,031	14,834
	<u>14,031</u>	<u>14,834</u>
Non-current		
Current		
Lease liabilities	1,133	1,339
	<u>1,133</u>	<u>1,339</u>
Current		
	<u>1,133</u>	<u>1,339</u>
Total loans and borrowings	<u><u>15,164</u></u>	<u><u>16,173</u></u>

26. Provisions

	Warranty Provision \$000
At 1 Apr 2022	4
At 31 Dec 2022	<u><u>4</u></u>
Due within one year or less	4
	<u><u>4</u></u>
Warranty	

Provision for warranty work is made according to IAS 37 "Provisions, contingent liabilities and contingent assets". The amount provided is the Directors' best estimate of the obligation likely to arise. The provisions are all for costs expected to be realised in the next financial year.

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

27. Share capital

Authorised

	31 December 2022 Number	31 December 2022 \$000	31 March 2022 Number	31 March 2022 \$000
Shares treated as equity				
Preferred Ordinary shares of \$1.582500 each	800,000	1,266	800,000	1,266
Ordinary shares of \$1.565693 each	1,350,201	2,114	1,350,201	2,114
Shares treated as equity	<u>2,150,201</u>	<u>3,380</u>	<u>2,150,201</u>	<u>3,380</u>

Issued and fully paid

	31 December 2022 Number	31 December 2022 \$000	31 March 2022 Number	31 March 2022 \$000
Preferred Ordinary shares of \$1.582500 each				
At 31 March and 31 December	<u>800,000</u>	<u>1,266</u>	<u>800,000</u>	<u>1,266</u>

	31 December 2022 Number	31 December 2022 \$000	31 March 2022 Number	31 March 2022 \$000
Ordinary shares of \$1.565693 each				
At 31 March and 31 December	<u>1,350,201</u>	<u>2,114</u>	<u>1,350,201</u>	<u>2,114</u>

B & W GROUP LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

28. Reserves

Share premium

The share premium reserve represents the amount paid for shares in excess of their nominal values. This reserve is non-distributable.

Foreign exchange reserve

This comprises the foreign currency reserve established at the date that the functional currency was changed to USD as of 1 October 2014.

Retained earnings

The retained earning account comprises the balance of profits accumulated over the life of the Company.

29. Leases

(i) Leases as a lessee

Lease liabilities are due as follows:

	31 December 2022 \$000	31 March 2022 \$000
Lease liabilities included in the Statement of Financial Position at period end	15,164	16,173
Non-current	14,031	14,834
Current	1,133	1,339

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

30. Accounting classifications

The Company is exposed through its operations to the following financial risks:

- Credit risk;
- Foreign exchange risk; and
- Liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. Managements note in the Strategic Report describes the accounting policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade receivables;
- Cash and cash equivalents; and
- Trade and other payables.

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value. For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans and borrowings, which are classified in level 3 of the fair value hierarchy.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

For all financial assets and liabilities measured at amortised cost their fair values approximate their carrying values. All financial instruments are considered to be Level 3 (unobservable inputs).

	31 December 2022 \$000	31 March 2022 \$000
Financial assets that are debt instruments held at amortised cost		
Trade receivables	1,557	390
Cash and cash equivalents	11,825	19,861
Receivables from related parties	91,709	75,737
Non-current loans	20,273	20,273
Other receivables	2,222	7,338
Prepayments and accrued income	1,185	1,253

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Financial liabilities held at amortised cost

Trade payables	(15,194)	(22,701)
Amounts owed to group companies	(52,155)	(46,217)
HP, finance leases and other lease liabilities	(1,133)	(1,339)
HP, finance leases and other lease liabilities greater than 1 year	(14,031)	(14,834)
Other payables (including directors loans)	(416)	(353)
Tax due to HMRC	(675)	(684)
Accruals and deferred income	(8,219)	(7,745)
Accruals and deferred income greater than 1 year	(15,977)	(16,807)
	<u>(15,977)</u>	<u>(16,807)</u>

31. Related party transactions

Details of transactions between the Company and its related parties are disclosed below.

31.1 Trading transactions

During the period, the Company entered into the following trading transactions with related parties:

	Sales of goods		Purchases of goods	
	31 December 2022 \$000	31 March 2022 \$000	31 December 2022 \$000	31 March 2022 \$000
Related party transactions				
Sound United (Parent)	144,087	187,214	-	-
B&W (Intercompany subsidiaries)	5,163	11,471	36,958	60,745
Related party transactions	<u>149,250</u>	<u>198,685</u>	<u>36,958</u>	<u>60,745</u>

B & W GROUP LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

31. Related party transactions (continued)

31.1 Trading transactions (continued)

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2022 \$000	31 March 2022 \$000	31 December 2022 \$000	31 March 2022 \$000
Related party balances				
Sound United (Parent)	71,366	70,171	16,857	9,168
B&W (Intercompany subsidiaries)	20,343	5,566	35,298	37,049
Related party balances	<u>91,709</u>	<u>75,737</u>	<u>52,155</u>	<u>46,217</u>

No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties. No guarantees have been given or received.

31.2 Loans to related parties

	31 December 2022 \$000	31 March 2022 \$000
Loan to parent Company		
Loan to DEI Sales, Inc: \$12 million	12,000	12,000
Loan to DEI Sales, Inc: \$8 million, including interest	8,273	8,273
Total loan to parent Company	<u>20,273</u>	<u>20,273</u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

32. Notes supporting Statement of Cash Flows

	31 December 2022 \$000	31 March 2022 \$000
Cash at bank available on demand	11,825	19,861
Cash and cash equivalents in the Statement of Financial Position	<u>11,825</u>	<u>19,861</u>
Cash and cash equivalents in the Statement of Cash Flows	<u>11,825</u>	<u>19,861</u>

33. Contingent liabilities

Audit exemption guarantee:

The Company has guaranteed the period end liabilities of B&W Group (Logistics) Ltd. (Company number 05259045) under section 479A of the Companies Act 2006 and as such the subsidiary has taken advantage of the audit exemption.

34. Capital management

The Company's financing is managed as part of the ultimate parent's treasury function against an objective to consistently reduce borrowings through profitable trading and strong working capital management whilst permitting capital investments necessary for long term growth.

The Company is not subject to any externally imposed capital requirements.

35. Controlling party

DEI Sales Inc. of 5541 Fermi Ct., Carlsbad, CA 92008, United States acquired B&W Group Ltd. on the 9 October 2020 and their parent Company became Viper Holdings Corporation Inc. (Sound United, Inc.) of 54th Floor, 200 Clarendon Street, Boston, Massachusetts.

On 12th April 2022 the Sound United, Inc., of which B & W Group Ltd. and its subsidiaries are part, was acquired by Masimo Corporation, Inc., a publicly traded company (NASDAQ: **MASI**), who is the ultimate parent.