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Registered No. 2390006

KENWOOD APPLIANCES PLC

Report and Financial Statements

31 December 2004

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Kenwood Appliances PLC

DIRECTORS

D Melo'

F De'Longhi

G De'Longhi

SECRETARY

Mr I Fry

AUDITORS

PricewaterhouseCoopers LLP

The Quay

Ocean Village

Southampton

Hampshire

SO14 3QG

REGISTERED OFFICE

New Lane

Havant

Hampshire

PO9 2NH

Kenwood Appliances PLC

DIRECTORS' REPORT

The directors present their report and audited financial statements for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activity is the holding company for Kenwood's subsidiary undertakings operating in the United Kingdom and overseas largely in the manufacturing and distribution of domestic appliances.

The business will continue to be the holding company for Kenwood's subsidiary undertakings operating in the United Kingdom and overseas.

RESULTS AND DIVIDENDS

The profit before taxation, after exceptional items, for the year amounted to £33,198,000 (31 December 2003: £14,622,000).

On 22 December trademarks and licences previously purchased from Kenwood Marks Limited were sold to Kenwood Appliances Luxembourg SA for the same consideration.

On 23 December Kenwood Appliances plc purchased an additional 20,000,000 shares of £1 in Kenwood Limited.

The directors do not recommend the payment of a dividend (31 December 2003: £nil).

DIRECTORS AND THEIR INTERESTS

The names of all those who were directors during the financial year were as follows:

P Crevoisier	Removed	3 December 2004
D Melo'	Appointed	25 November 2004
F De'Longhi		
S Beraldo	Resigned	27 June 2005
G De'Longhi	Appointed	27 June 2005

The directors in office at 31 December 2004 and their families had no beneficial interests in the share capital of the Company.

CREDITOR PAYMENT POLICY

It is the Company's policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction and ensure that these suppliers are made aware of and abide by the terms of payment.

AUDITORS

In accordance with S386 of the Companies Act 1985 the company has by a resolution of the members dated 1 March 2004 dispensed with the obligation to appoint auditors annually. As such PricewaterhouseCoopers LLP remain in office until removed.

DONATIONS

No charitable donations were made by the Company during 2004 (2003: £nil).

By order of the Board

I Fry
Secretary



Kenwood Appliances PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KENWOOD APPLIANCES PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors report.

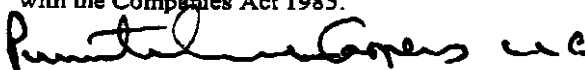
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

25 October 2005.

Kenwood Appliances PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

		<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
	<i>Notes</i>		
Administrative expenses		(6)	(11)
Exchange gain / (loss) on translation of loan balances		17	(8)
OPERATING PROFIT / (LOSS)	2	11	(19)
Exceptional items	4	33,069	2,253
Income from investments	5	-	12,305
Interest receivable	6	319	83
Interest payable	7	(201)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,198	14,622
Taxation on profit	8	-	-
RETAINED PROFIT FOR THE YEAR	13	33,198	14,622

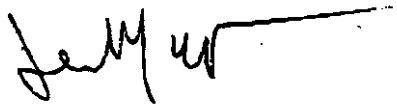
There are no gains or losses for the year attributable to the members other than the profit for the year of £33,198,000 (Year ended 31 December 2003: £14,622,000). Therefore no separate statement of total recognised gains and losses has been presented.

The results for both periods are derived from continuing operations and there are no material differences between the profit retained for the period and their historical cost equivalent.

Kenwood Appliances PLC**COMPANY BALANCE SHEET**
at 31 December 2004

		31 December 2004	31 December 2003
	Notes	£000	£000
FIXED ASSETS			
Investments	9	74,674	20,000
		<u>74,674</u>	<u>20,000</u>
CURRENT ASSETS			
Debtors	10	403	8,915
Cash at bank and in hand		129	56
		<u>532</u>	<u>8,971</u>
CREDITORS: amounts falling due within one year	11	(16,875)	(3,838)
NET CURRENT (LIABILITIES) / ASSETS		<u>(16,343)</u>	<u>5,133</u>
NET ASSETS		<u>58,331</u>	<u>25,133</u>
CAPITAL AND RESERVES			
Called up share capital	12	4,586	4,586
Share premium	13	25,101	25,101
Special reserve	13	33,000	33,000
Profit and loss account	13	(4,356)	(37,554)
EQUITY SHAREHOLDERS' FUNDS	13	<u>58,331</u>	<u>25,133</u>

The financial statements on pages 5-13 were approved by the board of directors on 25 October 2005 and were signed on its behalf by:



D Melo'

Director

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

These financial statements present information about the company as an individual undertaking and not about its group. Kenwood Appliances PLC is a wholly owned subsidiary undertaking of an EC parent undertaking and, as such, avails itself of the exemption from preparing consolidated financial statements under section 228 of the Companies Act 1985.

Cash flow statement

The company has utilised the exemptions provided under Financial Reporting Standard No. 1 (Revised) and has not presented a cash flow statement. The cash flow statement has been presented in the group financial statements of the ultimate parent undertaking.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled into replacement assets and charged to tax only when the replacement assets are sold.
- ~~Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.~~
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Fixed Asset Investments

Investments in subsidiary companies are shown at cost less provisions.

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

2. OPERATING PROFIT

Auditors remuneration for the year was not borne by the company, but was incorporated within the overall auditors remuneration of a subsidiary undertaking.

3. DIRECTORS' REMUNERATION

The directors received no remuneration from the company during the year (Year ended 31 December 2003 £Nil).

The company has no employees.

4. EXCEPTIONAL ITEMS

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Profit on sale of fixed asset investments	33,069	2,253
Purchase of intellectual property from Kenwood Marks Limited	(27,500)	-
Sale of intellectual property to Kenwood Appliances Luxembourg SA	27,500	-
	<u>33,069</u>	<u>2,253</u>

The profit on sale of fixed asset investments relates to the disposal of Kenwood Marks Ltd, in exchange for shares in De'Longhi Capital Services S.p.A.

No tax charge or credit arises in respect of the exceptional items.

5. INCOME FROM INVESTMENTS

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Dividends receivable from subsidiaries	-	12,305

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS For the year ended 31 December 2004

6. INTEREST RECEIVABLE

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Interest receivable on intercompany balance	(318)	(82)
Interest receivable on bank balances	(1)	(1)
	<u>(319)</u>	<u>(83)</u>

7. INTEREST PAYABLE

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
Interest payable on intercompany balance	201	-
	<u>201</u>	<u>-</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in period

	<i>Year ended 31 December 2004 £000</i>	<i>Year ended 31 December 2003 £000</i>
United Kingdom corporation tax	-	-
	<u>-</u>	<u>-</u>

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Profit on ordinary activities before tax	33,198	14,622
Profit multiplied by standard rate of corporation tax in the UK of 30% (2003 : 30%)	9,960	4,387
<i>Effects of:</i>		
UK dividend income not taxable	-	(3,691)
Profit on sale of subsidiary undertaking not taxable	(9,920)	-
Utilisation of tax losses	(40)	(25)
Chargeable gain on sale of intellectual property	1,457	-
Utilisation of capital losses	(1,457)	(676)
Other expenses not tax deductible	-	5
Tax on Profit	-	-

The company has estimated tax losses of £1.3 million carried forward at the year end (2003 - £1.4 million) which may be used to relieve suitable taxable profits in future periods. The potential deferred tax asset (at 30%) of £0.4 million (2003 - £0.4 million) in respect of these losses has not been recognised in the company's financial statements because it is uncertain whether there will be suitable taxable profits which the losses may relieve.

The company had no tax capital losses at the year end (2003 £4.9 million) available to relieve chargeable capital gains in future periods. The tax capital losses brought forward from the previous year were used to relieve a chargeable gain arising on the sale of intellectual property to an overseas wholly owned subsidiary, Kenwood Appliances Luxembourg SA.

The directors consider that any future taxable profits will be relieved against the available taxable losses brought forward.

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

9. INVESTMENTS

	2004 £000	2003 £000
Investments in subsidiary undertakings	74,674	20,000
	<u>74,674</u>	<u>20,000</u>
<i>(a) Investments in subsidiary undertakings</i>		
Historical cost:		£000
At 31 December 2003		20,000
Additional investment in the period		54,674
Disposal of investments in the period		-
As at 31 December 2004		<u>74,674</u>
Net book value:		
At 31 December 2004		<u>74,674</u>
At 31 December 2003		<u>20,000</u>

On 17 January 2004, Kenwood Appliances plc made a £900,000 capital contribution to Kenwood Limited.

On 20 December 2004 Kenwood Appliances plc acquired 100% of the share capital of Kenwood Appliances Luxembourg SA. (Cost £704,980).

Kenwood Appliances plc acquired on the 28 December 2004, one preferred ordinary share in De'Longhi Capital Services S.p.A (Cost: £33,069,200) in exchange for the entire share capital, £2, of Kenwood Marks Limited. This constitutes a holding of 88.67%, with 11% of the voting rights.

On 23 December 2004 Kenwood Appliances plc purchased 20,000,000 ordinary shares of £1 each at par in Kenwood Limited. (Cost £20,000,000)

<i>Name of Company</i>	<i>Country of registration (or incorporation) and operation</i>
* Ariete S.p.A.	Italy
* Kenwood Limited	England
Kenwood International Limited	England
* Kenwood Manufacturing GmbH	Austria
* Kenwood Appliances (Malaysia) SND BHD	Malaysia
Kenwood Appliances Luxembourg SA	Luxembourg
* Kenwood Appliances (Singapore) Limited	Singapore
* Kenwood Home Appliances (PTY) Limited	South Africa
De'Longhi Capital Services S.p.A.	Italy

All the undertakings are wholly owned, with the exception of De'Longhi Capital Services S.p.A. (*denotes that shares are held through an intermediate holding Company).

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

9 INVESTMENTS (CONTINUED)

De'Longhi Capital Services S.p.A. is engaged in making portfolio, cash and securities investments on behalf of the De'Longhi Group. Kenwood Appliances Luxembourg SA is engaged in the collection of licence fees and royalties arising from the use of the Kenwood trademark. Kenwood International Limited acts as the intermediate holding Company for overseas subsidiary undertakings. All other subsidiary undertakings are principally engaged in the manufacture and/or distribution of domestic appliances.

Kenwood Appliances plc is a wholly owned subsidiary of an EC parent undertaking and, as such, avails itself of the exemption from preparing consolidated financial statements under section 228 of the Companies Act 1985.

10. DEBTORS

	2004 £000	2003 £000
Amounts owed by subsidiary undertakings	403	8,848
Other debtors	-	67
	<u>403</u>	<u>8,915</u>

Amounts due from subsidiary undertakings are unsecured, interest free or for certain balances interest is charged at 0.75% above the EBR and repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £000	2003 £000
Amounts owed to subsidiary undertakings	16,838	3,802
Accruals	37	36
	<u>16,875</u>	<u>3,838</u>

Amounts due to subsidiary undertakings are unsecured, interest free or for certain balances interest is charged at 0.75% above the EBR and repayable on demand.

Kenwood Appliances PLC

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

12. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of 10p each	201,680,000	201,680,000	4,586	4,586

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital £000</i>	<i>Share premium account £000</i>	<i>Non distributable special reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 December 2003	4,586	25,101	33,000	(37,554)	25,133
Retained profit for the year	-	-	-	33,198	33,198
At 31 December 2004	4,586	25,101	33,000	(4,356)	58,331

14. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is De'Longhi Finance S.A. The Company's ultimate parent undertaking and controlling party is De'Longhi S.p.A., which is the parent undertaking of the smallest and largest group to consolidate these financial statements and is incorporated in Italy. Copies of its Group financial statements will be available from Via L.Seitz 47, 31100 Treviso, Italy.

15. RELATED PARTY TRANSACTIONS

The company has utilised exemptions under Financial Reporting Standard No. 8 as a wholly owned subsidiary not to disclose transactions with other group entities.