Registered No 2390006

KENWOOD APPLIANCES LIMITED

Report and Financial Statements

31 December 2011

DIRECTORS AND ADVISORS

DIRECTORS
F De'Longhi
G De'Longhi
S De'Longhi

COMPANY SECRETARY
R Kirk

INDEPENDENT AUDITORS
Ernst and Young LLP
Chartered Accountants and Statutory Auditors
19 Threefield Lane
Hampshire
Southampton
SO14 3QB

REGISTERED OFFICE
Kenwood Business Park
New Lane
Havant
Hampshire
PO9 2NH

DIRECTORS' REPORT
For the year ended 31 December 2011

The directors present their annual report and the audited financial statements of the company for the financial year ended 31 December 2011

RESULTS AND DIVIDENDS
The profit after taxation for the year amounted to £20,127,000 (31 December 2010 profit £4,693,000)

The company paid an interim dividend of £22,000,000 (7 193p per allotted share of 10p each) to its immediate parent undertaking, De'Longhi Household S A , on 22 December 2011 (2010 £8,000,000 interim dividend (2 616p per allotted share of 10p each) to De'Longhi Household S A on 20 December 2010)

The directors do not recommend the payment of a final dividend for the year (2010 £Nil final dividend)

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS
The company's principal activity is to be the holding company for Kenwood subsidiary undertakings operating in the United Kingdom and overseas, largely in the manufacture and distribution of domestic appliances

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

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development and position of the business

GOING CONCERN
After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS
The company's assets and liabilities include the following financial instruments

- cash, liquid resources and short-term debtors and creditors that arise directly from the company's activities

The company does not enter into forward exchange contracts as a means of limiting its exposure to foreign currencies, due to the low level of currency balances held

FINANCIAL AND BUSINESS RISK
The potential areas of risk arising from the company's financial instruments are foreign currency risk, interest rate risk, and liquidity risk

Foreign currency risk
The company's profits and net assets are not significantly affected by currency movements as only a very low level of the company's assets and liabilities are denominated in currencies other than sterling Dividends receivable from overseas subsidiaries may however give rise to exchange gains or losses

Interest rate risk
The company's finances are assisted by short-term borrowing facilities Changes in interest rates affect the company's bottom line profit or loss

Liquidity risk

Any additional funding requirements may be met by short term borrowing, potentially supported by the ultimate parent company, De'Longhi S p A

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2011

Investment risk

In addition, the company carries investment risk, but mitigates this by investing only in other De'Longhi group companies, of which it has a good working knowledge

DONATIONS

No charitable donations were made by the Company during 2011 (2010 £Nil)

DIRECTORS

The directors who held office during the year are given below

F De'Longhi

G De'Longhi

S De'Longhi

INDEPENDENT AUDITORS

The auditors, Ernst and Young LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2011

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

R. Kirk

R Kirk
Company Secretary

Date: 1 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENWOOD APPLIANCES LIMITED

We have audited the financial statements of Kenwood Appliances Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Ernst & Young LLP

Julian Gray (Senior Statutory Auditor)
for and on behalf of Ernst and Young LLP, Statutory Auditor
Southampton
Date 3 August 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

	Notes	*Year ended 31 December 2011 £000*	*Year ended 31 December 2010 £000*
Administrative expenses		(138)	93
OPERATING (LOSS)/PROFIT	2	(138)	93
Income from investments	4	21,329	4,884
Interest receivable/(payable)	5	194	(333)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,385	4,644
Tax on profit	6	(1,258)	49
PROFIT FOR THE FINANCIAL YEAR	12	20,127	4,693

There are no gains or losses for the year attributable to the members other than the profit for the year of £20,127,000 (year ended 31 December 2010 profit £4,693,000), 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 profits on ordinary activities before tax and the profits for the years stated above and their historical cost equivalents

BALANCE SHEET
At 31 December 2011

	Notes	31 December 2011 £000	31 December 2010 £000
FIXED ASSETS			
Investments	7	100,756	100,756
CURRENT ASSETS			
Debtors	8	393	1,286
		393	1,286
CREDITORS amounts falling due within one year	10	(11,930)	(11,315)
NET CURRENT LIABILITIES		(11,537)	(10,029)
NET ASSETS		89,219	90,727
CAPITAL AND RESERVES			
Called up share capital	11	30,586	30,586
Share premium	12	25,466	25,101
Special reserve	12	33,000	33,000
Profit and loss account	12	167	2,040
TOTAL SHAREHOLDER FUNDS	12	89,219	90,727

The financial statements on pages 6 - 14 were approved by the board of directors on 1 August 2012 and were signed on its behalf by

F De'Longhi
Director

Company registered number 2390006

1. ACCOUNTING POLICIES

Accounting convention
These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

These financial statements present information about the company as an individual undertaking and not about its group Kenwood Appliances Limited is a wholly owned subsidiary undertaking of an EU parent undertaking and, as such, avails itself of the exemption from preparing consolidated financial statements under section 400 of the Companies Act 2006

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 A cash flow statement has been presented in the group financial statements of the ultimate parent undertaking (see note 14)

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

Investments
Investments in subsidiary companies are shown at cost less provisions for impairment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011

2. OPERATING (LOSS)/PROFIT

	Year ended 31 December 2011 £000	*Year ended 31 December 2010 £000*
This is after charging/ (crediting)		
Auditors' remuneration - audit Services	3	3
Other professional fees (see note 12)	125	(119)

3. DIRECTORS' REMUNERATION

No director received remuneration in respect of qualifying services from the company during the year (year ended 31 December 2010 £Nil), their duties being considered incidental to those carried out on behalf of other group companies

The company has no employees

4. INCOME FROM INVESTMENTS

	Year ended 31 December 2011 £000	*Year ended 31 December 2010 £000*
Dividends received from UK subsidiaries	18,000	2,615
Dividends received from overseas subsidiaries	3,329	2,269
	21,329	4,884

5. INTEREST RECEIVABLE/(PAYABLE)

	Year ended 31 December 2011 £000	*Year ended 31 December 2010 £000*
Interest on VAT recovery received/ (repaid) (see note 12)	299	(272)
Bank interest payable	(105)	(61)
	194	(333)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax (charge)/credit in period

	Year ended 31 December 2011 £000	*Year ended 31 December 2010 £000*
Current tax		
UK corporation tax		
Based on profit for the period	-	-
Adjustment in respect of previous periods	(1,200)	-
	(1,200)	-
Group relief		
Based on profit for the period	-	63
Adjustment in respect of previous periods	-	-
Total current tax	(1,200)	63
Deferred tax		
Based on profit for the period	(58)	(14)
Adjustment in respect of previous periods	-	-
Total deferred tax	(58)	(14)
Tax (charge)/credit on profit on ordinary activities	(1,258)	49

b) Factors affecting tax (charge)/credit for the period

The tax assessed for the period is higher (2010 lower) than the average standard rate of UK corporation tax in the year of 26 5% (2010 28%) The differences are explained below

	Year ended 31 December 2011 £000	*Year ended 31 December 2010 £000*
Profit on ordinary activities before tax	21,385	4,644
Profit multiplied by average standard rate of corporation tax in the UK of 26 5% (2010 28%)	(5,667)	(1,300)
Effects of		
Dividends received not taxable	5,652	1,367
Sundry items not tax deductible	(1)	(4)
Adjustments in respect of previous periods (note 13)	(1,200)	-
Utilisation of tax losses of previous periods	16	-
Current tax (charge)/credit for period (note 6a)	(1,200)	63

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

c) Factors that may affect future tax charges

The Provisional Collection of Taxes Act at the end of the March 2012 Budget Debate, which was substantively enacted on 26 March 2012, included legislation to reduce the main rate of corporation tax from 26% to 24% with effect from 1 April 2012 The March 2012 Budget Statement also included proposals for further reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 The company's deferred tax asset at 31 December 2011 has been recognised at the rate of 24% The overall effect of the changes from 24% to 22%, if applied to the company's deferred tax balance at 31 December 2011, would have been to reduce the deferred tax asset included in debtors (see note 9) by a total of £27,000

Other factors which may affect the tax position of the company are detailed in note 13

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Historical cost £000	*Impairment provision £000*	*Net book value £000*
At 1 January and 31 December 2011	100,756	-	100,756

Name of Company	*Country of registration (or incorporation) and operation*
Kenwood Limited	England
Kenwood International Limited	England
* De'Longhi-Kenwood GmbH	Austria
* De'Longhi Kenwood Hellas S A	Greece
* Kenwood Appliances (Malaysia) SND BHD	Malaysia
De'Longhi Benelux S A	Luxembourg
* Kenwood Appliances (Singapore) Limited	Singapore
* Kenwood Home Appliances (PTY) Limited	South Africa
De'Longhi Capital Services Srl	Italy
* De'Longhi Kenwood MEIA F Z E	Dubai

* denotes that shares are held through an intermediate holding company

All the undertakings are wholly owned, with the exception of De'Longhi Capital Services Srl (where the holding is 88 68%) and De'Longhi Kenwood Hellas S A (previously named Kenwood Appliances Hellas S A) (where the holding is 9%)

De'Longhi Capital Services Srl is engaged in making portfolio, cash and securities investments on behalf of the De'Longhi Group De'Longhi Benelux S A (previously named Kenwood Appliances Luxembourg S A) is engaged in both the management of licence fees and royalties arising from the use of the Kenwood trademark and, following its merger in the year with De'Longhi Nederland B V , the distribution of domestic appliances 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

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

Kenwood Appliances Limited is a wholly owned subsidiary of an EU parent undertaking and, as such, avails itself of the exemption from preparing consolidated financial statements under section 400 of the Companies Act 2006

8. DEBTORS

	2011	*2010*
	£000	*£000*
Amounts owed by subsidiary undertakings	63	898
Deferred tax asset (note 9)	330	388
	393	1,286

9. DEFERRED TAX ASSET

	2011	*2010*
	£000	*£000*
Estimated recoverable after more than one year	330	388

The company's potential deferred tax asset comprises the following major components, calculated at the standard UK corporation tax rate with effect from 1 April 2012 of 24% (2010 calculated at 27%)

	Recognised		Not Recognised	
	2011	2010	2011	2010
	£000	*£000*	*£000*	*£000*
Tax losses carried forward	330	388	-	-

The deferred tax asset has not been discounted The total potential deferred tax asset at 31 December 2011 is £330,000 (2010 £388,000), a net decrease in the year of £58,000 Of this decrease of £58,000, £16,000 is attributable to the utilisation of tax losses and £42,000 is attributable to a reduction in the rate of tax at which the asset has been recognised (see note 6c)

The recovery of the deferred tax asset recognised in the accounts has been assessed having regard to the forecast taxable profits position of the company for future periods This indicates that the company will recover the recognised asset by way of utilising the tax losses carried forward at the year end to relieve taxable income of future periods

10. CREDITORS: amounts falling due within one year

	2011	*2010*
	£000	*£000*
Bank overdrafts	10,712	10,800
Amounts owed to subsidiary undertakings	3	506
Accruals	15	9
Corporation Tax	1,200	-
	11,930	11,315

11. SHARE CAPITAL

	Authorised		*Allotted, called up and fully paid*	
	2011	*2010*	*2011*	*2010*
	No	*No*	*£000*	*£000*
Ordinary shares of 10p each	500,000,000	500,000,000	30,586	30,586

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital	*Share premium account*	*Non distributable special reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 1 January 2011	30,586	25,101	33,000	2,040	90,727
Profit for the year	-	-	-	20,127	20,127
Dividends	-	-	-	(22,000)	(22,000)
Share issue costs recovered	-	365	-	-	365
At 31 December 2011	30,586	25,466	33,000	167	89,219

The company paid an interim dividend of £22,000,000 (7 193p per allotted share of 10p each) to its immediate parent company undertaking, De'Longhi Household S A , on 22 December 2011 (2010 £8,000,000 interim dividend (2 616p per allotted share of 10p each) paid to De'Longhi Household S A on 20 December 2010)

The directors do not recommend the payment of a final dividend for the year (2010 £Nil final dividend)

During the year the company recovered a total of £365,000 from HM Revenue and Customs ("HMRC") in respect of input value added tax ("VAT") relating to share issue costs incurred by the company in 1992 and 1994 This VAT had previously been charged to the company's share premium account in 1992 (£322,000) and 1994 (£43,000), therefore the VAT recovered has been credited to the same account in the year ended 31 December 2011 The company has also received £299,000 statutory interest from HMRC, and incurred £125,000 in fees to its professional advisors, in respect of the VAT recovery The interest received, and the professional fees incurred, have been credited and charged respectively to the company's profit and loss account for the current year

13. CONTINGENT LIABILITIES

The directors, after taking advice, consider that dividends totalling £11 2 million received from subsidiary undertakings resident in the European Union ("EU") in previous years are not taxable in the UK on the grounds that the relevant UK tax legislation under which they are potentially taxable is in breach of Article 43 of the EC Treaty because it hinders the freedom of establishment within the EU The supremacy of EU law over UK tax law is however an area of uncertainty and there remains the possibility of the benefit of the EC Treaty being denied

Kenwood Appliances Limited ("KAL") has a wholly owned subsidiary, De'Longhi Benelux SA (previously Kenwood Appliances Luxembourg SA), which is resident in Luxembourg KAL has claimed exemption from the UK controlled foreign companies regime in respect of this company HMRC has queried whether the exemption is due, and KAL has provided further information to support its claim The matter remains under discussion and the directors confirm that the amount now provided in relation to this matter (see note 6) represents their best estimate of the likely outcome

14. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is De'Longhi Household 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 are 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 (see note 14) not to disclose transactions with other group entities