

Registered No 2390006

**KENWOOD APPLIANCES LIMITED**

**Report and Financial Statements**

**31 December 2012**

MONDAY



\*A2HZMTOR\*

A52

30/09/2013

#202

COMPANIES HOUSE

# Kenwood Appliances Limited

---

## 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**

Unit 1 Kenwood Business Park

New Lane

Havant

Hampshire

PO9 2NH

# Kenwood Appliances Limited

---

## DIRECTORS' REPORT

For the year ended 31 December 2012

The directors present their annual report and the audited financial statements of the company for the financial year ended 31 December 2012

### RESULTS AND DIVIDENDS

The profit after taxation for the year amounted to £9,091,000 (31 December 2011 profit £20,127,000)

The company paid an interim dividend of £10,500,000 (3 433p per allotted share of 10p each) to its immediate parent undertaking, De'Longhi Household S A , on 19 December 2012 (2011 £22,000,000 interim dividend (7 193p per allotted share of 10p each) to De'Longhi Household S A on 22 December 2011)

The directors do not recommend the payment of a final dividend for the year (2011 £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

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 foreign currency balances held

### PRINCIPAL RISKS AND UNCERTAINTIES

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

# Kenwood Appliances Limited

---

## DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2012

### FINANCIAL AND BUSINESS RISK (continued)

#### *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 2012 (2011 £Nil)

### DIRECTORS

The directors who held office during the year are given below

F De'Longhi

G De'Longhi

S De'Longhi

### 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

# Kenwood Appliances Limited

---

## DIRECTORS' REPORT (CONTINUED)

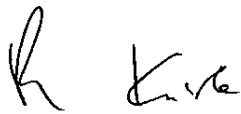
For the year ended 31 December 2012

### 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  
Company Secretary

Date: 26 SEPTEMBER 2013

## **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 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 2012 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.

*David Marshall*

David Marshall (Senior Statutory Auditor)  
for and on behalf of Ernst and Young LLP, Statutory Auditor  
Southampton

Date 27 / 9 / 2013

## Kenwood Appliances Limited

### PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

		<i>Year ended 31 December 2012 £000</i>	<i>Year ended 31 December 2011 £000</i>
	<i>Notes</i>		
Administrative expenses		(144)	(138)
Foreign currency exchange losses		(19)	-
<b>OPERATING LOSS</b>	<b>2</b>	<b>(163)</b>	<b>(138)</b>
Income from investments	<b>4</b>	10,972	21,329
Interest (payable)/receivable	<b>5</b>	(209)	194
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>10,600</b>	<b>21,385</b>
Tax on profit on ordinary activities	<b>6</b>	(1,509)	(1,258)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>12</b>	<b>9,091</b>	<b>20,127</b>

There are no gains or losses for the year attributable to the members other than the profit for the year of £9,091,000 (year ended 31 December 2011 profit £20,127,000), 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

# Kenwood Appliances Limited

## BALANCE SHEET

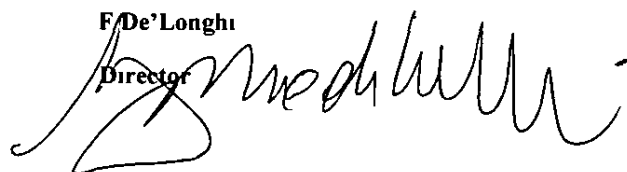
At 31 December 2012

		<i>31 December</i>	<i>31 December</i>
		<i>2012</i>	<i>2011</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>FIXED ASSETS</b>			
Investments	7	100,756	100,756
		<u>          </u>	<u>          </u>
<b>CURRENT ASSETS</b>			
Debtors	8	421	393
		<u>          </u>	<u>          </u>
		421	393
<b>CREDITORS</b> amounts falling due within one year	10	(13,367)	(11,930)
		<u>          </u>	<u>          </u>
<b>NET CURRENT LIABILITIES</b>		(12,946)	(11,537)
		<u>          </u>	<u>          </u>
<b>NET ASSETS</b>		87,810	89,219
		<u>          </u>	<u>          </u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	30,586	30,586
Share premium	12	25,466	25,466
Special reserve	12	33,000	33,000
Profit and loss account	12	(1,242)	167
		<u>          </u>	<u>          </u>
<b>TOTAL SHAREHOLDER FUNDS</b>	12	87,810	89,219
		<u>          </u>	<u>          </u>

The financial statements on pages 6 - 14 were approved by the board of directors on 26 September 2013 and were signed on its behalf by

F De'Longhi

Director



Company registered number 2390006



# Kenwood Appliances Limited

---

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 1. ACCOUNTING POLICIES

#### *Basis of Preparation*

These financial statements are prepared on the going concern basis (see page 2 in the directors' report), 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 undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

# Kenwood Appliances Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

### 2. OPERATING LOSS

	<i>Year ended 31 December 2012 £000</i>	<i>Year ended 31 December 2011 £000</i>
This is after charging		
Auditors' remuneration - audit of these financial statements	3	3
Other professional fees	141	125
Foreign Currency Exchange Losses	19	-

### 3. DIRECTORS' REMUNERATION

No director received remuneration in respect of qualifying services from the company during the year (year ended 31 December 2011 £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

	<i>Year ended 31 December 2012 £000</i>	<i>Year ended 31 December 2011 £000</i>
Dividends received from UK subsidiaries	7,300	18,000
Dividends received from overseas subsidiaries	3,672	3,329
	<u>10,972</u>	<u>21,329</u>

### 5. INTEREST (PAYABLE)/RECEIVABLE

	<i>Year ended 31 December 2012 £000</i>	<i>Year ended 31 December 2011 £000</i>
Interest on VAT recovery received	-	299
Bank interest payable	(209)	(105)
	<u>(209)</u>	<u>194</u>

# Kenwood Appliances Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### a) Analysis of tax (charge) in period

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
<i>Current tax</i>		
UK corporation tax		
Based on profit for the period	-	-
Adjustment in respect of previous periods	(1,600)	(1,200)
	<u>(1,600)</u>	<u>(1,200)</u>
<i>Group relief</i>		
Based on profit for the period	91	-
Total current tax	<u>(1,509)</u>	<u>(1,200)</u>
<i>Deferred tax</i>		
Based on profit for the period	-	(58)
Tax (charge) on profit on ordinary activities	<u>(1,509)</u>	<u>(1,258)</u>

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

The tax assessed for the period is lower (2011 higher) than the average standard rate of UK corporation tax in the year of 24.5% (2011 26.5%). The differences are explained below

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Profit on ordinary activities before tax	10,600	21,385
Profit multiplied by average standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	(2,597)	(5,667)
<i>Effects of</i>		
Dividends received not taxable	2,688	5,652
Sundry items not tax deductible	-	(1)
Adjustments in respect of previous periods	(1,600)	(1,200)
Utilisation of tax losses of previous periods	-	16
Current tax charge for period (note 6a)	<u>(1,509)</u>	<u>(1,200)</u>

The adjustments in respect of prior periods noted above relate to the items discussed in note 13 of these financial statements

# Kenwood Appliances Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

c) Factors that may affect future tax charges

Legislation to reduce the main rate of UK corporation tax from 24% to 23% with effect from 1 April 2013 was enacted in July 2012

The Autumn 2012 and March 2013 Budget Statements also included proposals for further reductions in the main rate of corporation tax, to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, the effects of these are not included in these financial statements

The company's deferred tax asset at 31 December 2012 has been recognised at the rate of 24%. The overall effect of the changes from 24% to 20%, if applied to the company's deferred tax balance at 31 December 2012, would have been to reduce the deferred tax asset included in debtors (see note 9) by a total of £55,000

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

### 7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<i>Historical cost £000</i>	<i>Impairment provision £000</i>	<i>Net book value £000</i>
At 1 January and 31 December 2012	100,756	-	100,756
<i>Name of Company</i>			<i>Country of registration (or incorporation) and operation</i>
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 (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 is engaged in both the management of licence fees and royalties arising from the use of the Kenwood trademark and the distribution of domestic appliances. Kenwood International Limited acts as the intermediate holding company for some overseas subsidiary undertakings. All other subsidiary undertakings are principally engaged in the manufacture and/or distribution of domestic appliances.

# Kenwood Appliances Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

### 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

	2012 £000	2011 £000
Amounts owed by subsidiary undertakings	91	63
Deferred tax asset (note 9)	330	330
	<u>421</u>	<u>393</u>

### 9. DEFERRED TAX ASSET

	2012 £000	2011 £000
Estimated recoverable after more than one year	330	330

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% (2011 calculated at 24%)

	Recognised		Not Recognised	
	2012 £000	2011 £000	2012 £000	2011 £000
Tax losses carried forward	330	330	-	-

The deferred tax asset has not been discounted. The total potential deferred tax asset at 31 December 2012 is £330,000 (2011 £330,000), there has been no change in the year.

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

	2012 £000	2011 £000
Bank overdrafts	10,517	10,712
Amounts owed to subsidiary undertakings	33	3
Accruals	17	15
UK Corporation tax	2,800	1,200
	<u>13,367</u>	<u>11,930</u>

# Kenwood Appliances Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

### 11. SHARE CAPITAL

	2012 £000	2011 £000
500,000,000 Authorised Ordinary shares of 10p each	50,000	50,000
305,860,000 Allotted, called up and fully paid Ordinary shares of 10p each	30,586	30,586

### 12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £000	Share premium account £000	Non distributable special reserve £000	Profit and loss account £000	Total £000
At 1 January 2012	30,586	25,466	33,000	167	89,219
Profit for the year	-	-	-	9,091	9,091
Dividends	-	-	-	(10,500)	(10,500)
At 31 December 2012	30,586	25,466	33,000	(1,242)	87,810

The company paid an interim dividend of £10,500,000 (3 433p per allotted share of 10p each) to its immediate parent company undertaking, De'Longhi Household S A , on 19 December 2012 (2011 £22,000,000 interim dividend (7 193p per allotted share of 10p each) paid to De'Longhi Household S A on 22 December 2011)

The directors do not recommend the payment of a final dividend for the year (2011 £Nil final dividend)

### 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, 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 are confident that no additional corporation tax over that recorded in these accounts will become payable as a result of HMRC's review.

## Kenwood Appliances Limited

---

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

**14. SUBSEQUENT EVENTS**

In August 2013, Kenwood Appliances Ltd transferred its shareholding in De'Longhi Benelux S A to De'Longhi Household S A for consideration of €42.1 Million. The transaction was performed as part of the Group's strategy to simplify its corporate structure in Luxembourg.

**15. 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.

**16. 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.