

KENWOOD APPLIANCES LIMITED

Report and Financial Statements

31 December 2014

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COMPANIES HOUSE

DIRECTORS AND ADVISORS

DIRECTORS

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

COMPANY SECRETARY

A Cummings

INDEPENDENT AUDITORS

Ernst & Young LLP
19 Threefield Lane
Southampton
Hampshire
SO14 3QB

REGISTERED OFFICE

Unit 1 Kenwood Business Park
New Lane
Havant
Hampshire
PO9 2NH

Kenwood Appliances Limited

STRATEGIC REPORT for the year ended 31 December 2014

The Directors present their strategic report for the year ended 31 December 2014.

REVIEW OF THE BUSINESS

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.

The company's key financial and other performance indicators during the year were as follows:

	2014 £000	2013 £000
Operating loss	28	184
Profit after tax	10,855	27,740
Equity shareholder funds	89,105	90,050

During the year the Company's operating loss has decreased slightly compared to the previous year mainly as a result of reduced professional fees. It is expected that these fees will reduce further going forward.

The Company's profit for the year is lower than the previous year due to the reduced level of dividends received from subsidiary undertakings, and due to there being no exceptional gains on disposals of subsidiary undertakings.

STRUCTURE

During the period, one of the company's subsidiary undertakings Kenwood International Limited has disposed of 100% shareholdings in De'Longhi Kenwood MEIA F.Z E. and Kenwood Appliances (Singapore) Limited to another of the company's subsidiary undertakings Kenwood Limited as part of the project to simplify the UK corporate structure of the De'Longhi Group.

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.

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.

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 unless there is a significant transaction taking place. At the year-end there were no forward exchange contracts in place.

Interest rate risk

The company's finances are assisted by short-term borrowing and deposit 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.

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.

The strategic report is approved.

By order of the Board

A handwritten signature in black ink, appearing to read 'Alan Cummings', with a large, stylized flourish at the end.

Alan Cummings

Company Secretary

Date 29 APRIL 2015

DIRECTORS' REPORT for the year ended 31 December 2014

The directors present their annual report and the audited financial statements of the company for the financial year ended 31 December 2014.

DIRECTORS

The directors who held office during the year are given below:

F De'Longhi

G De'Longhi

S De'Longhi

RESULTS AND DIVIDENDS

The profit after taxation for the year amounted to £10,855,000 (31 December 2013: profit £27,740,000).

The company paid an interim dividend of £11,800,000 (3.858p per allotted share of 10p each) to its immediate parent undertaking, DeLonghi Benelux S.A. (previously named De'Longhi Household S.A.), on 23 December 2014 (2013: £25,500,000 interim dividend (8.337p per allotted share of 10p each) to De'Longhi Household S.A. on 19 December 2013).

The directors do not recommend the payment of a final dividend for the year (2013: £Nil final dividend).

FUTURE DEVELOPMENTS

There are no significant developments anticipated in the forthcoming year.

EVENTS SINCE THE BALANCE SHEET DATE

There are no known events after the date of the balance sheet that require disclosure.

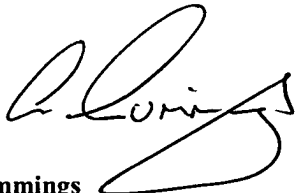
GOING CONCERN

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.

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



A Cummings
Company Secretary

Date: 29 APRIL 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 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; and
- 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.

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 2014 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 5, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

Geraint Davies (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

Date: 1 May 2015

Kenwood Appliances Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

		<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
	<i>Notes</i>		
Administrative expenses		(28)	(188)
Foreign currency exchange gains		-	4
OPERATING LOSS	2	<u>(28)</u>	<u>(184)</u>
Exceptional item – disposal of investment	3	-	9,598
Income from investments	5	10,698	18,238
Interest receivable / (payable)	6	228	(7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>10,898</u>	<u>27,645</u>
Tax (charge) / credit on profit on ordinary activities	7	(43)	95
PROFIT FOR THE FINANCIAL YEAR	12	<u><u>10,855</u></u>	<u><u>27,740</u></u>

There are no gains or losses for the year attributable to the members other than the profit for the year of £10,855,000 (year ended 31 December 2013: profit £27,740,000), 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.

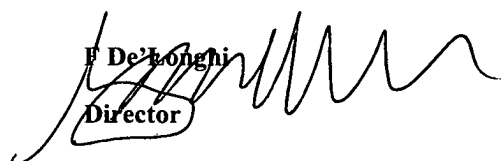
Kenwood Appliances Limited

BALANCE SHEET

At 31 December 2014

		<i>31 December</i>	<i>31 December</i>
		<i>2014</i>	<i>2013</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
FIXED ASSETS			
Investments	8	75,469	73,969
CURRENT ASSETS			
Debtors	9	19	154
Cash at bank and in hand		13,688	15,966
		13,707	16,120
CREDITORS: amounts falling due within one year	10	(71)	(39)
NET CURRENT ASSETS		13,636	16,081
NET ASSETS		89,105	90,050
CAPITAL AND RESERVES			
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	53	998
TOTAL SHAREHOLDER FUNDS	12	89,105	90,050

The financial statements on pages 7 - 15 were approved by the board of directors on **29 APRIL** 2015 and were signed on its behalf by:


F De'Longhi
Director

Company registered number 2390006

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES

Basis of Preparation

These financial statements are prepared on the going concern basis (see page 4 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 2014

2. OPERATING LOSS

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
This is after charging/(crediting):		
Auditors' remuneration - audit of these financial statements	3	3
Other professional fees	25	165
Foreign currency exchange gains	-	(4)

3. EXCEPTIONAL ITEM

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Gain on disposal of investment in subsidiary undertaking	-	9,598

The disposal in the year ended 31 December 2013 was not chargeable to UK corporation tax due to the application of UK substantial shareholdings legislation, therefore no tax charge arose in respect of the gain.

4. DIRECTORS' REMUNERATION

No director received remuneration in respect of qualifying services from the company during the year (year ended 31 December 2013: £Nil), their duties being considered incidental to those carried out on behalf of other group companies.

The company has no employees.

5. INCOME FROM INVESTMENTS

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Dividends received from UK subsidiaries	8,800	9,500
Dividends received from overseas subsidiaries	1,898	8,738
	<u>10,698</u>	<u>18,238</u>

Kenwood Appliances Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

6. INTEREST RECEIVABLE / (PAYABLE)

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Bank interest receivable / (payable)	228	(7)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax (charge)/credit in the year

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
<i>Current tax</i>		
UK corporation tax:		
Based on profit for the year	(43)	-
Adjustment in respect of previous periods	-	390
	<u>(43)</u>	<u>390</u>
Group relief:		
Adjustment in respect of previous periods	-	35
	<u>-</u>	<u>35</u>
Total current tax	<u>(43)</u>	<u>425</u>
Deferred tax:		
Adjustment in respect of previous periods	-	(330)
	<u>-</u>	<u>(330)</u>
Tax (charge)/credit on profit on ordinary activities	<u>(43)</u>	<u>95</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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

The tax assessed for the current year is lower (2013: lower) than the average standard rate of UK corporation tax in the year of 21.5% (2013: 23.25%). The differences are explained below:

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Profit on ordinary activities before tax	10,898	27,645
Profit multiplied by average standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(2,343)	(6,427)
<i>Effects of:</i>		
Gain on disposal of subsidiary undertaking not taxable	-	2,231
Dividends received not taxable	2,300	4,240
Sundry items not tax deductible	-	(9)
Adjustment to UK corporation tax in respect of previous periods	-	390
Current tax (charge)/credit for period (note 7a)	(43)	425

Both the UK corporation tax credit of £390,000 and the deferred tax charge of £330,000 in the year ended 31 December 2013 in respect of previous periods arose from the conclusion of discussions with HMRC regarding the company's historic tax position.

c) Factors that may affect future tax charges

The Finance Act 2013, which was enacted on 17 July 2013, includes legislation reducing the main UK corporation tax rate from 23% to 21%, effective from 1 April 2014. A further reduction to 20% was also enacted on this date and will be effective from 1 April 2015.

Another factor which may affect the tax position of the company is detailed in note 13.

Kenwood Appliances Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<i>Historical cost £000</i>	<i>Impairment provision £000</i>	<i>Net book value £000</i>
At 1 January 2014	73,969	-	73,969
Additions in the year	1,500	-	1,500
At 31 December 2014	75,469	-	75,469
<i>Name of Company</i>			<i>Country of registration (or incorporation) and operation</i>
Kenwood Limited			England
Kenwood International Limited			England
De'Longhi Capital Services Srl			Italy
* De'Longhi Kenwood Hellas S.A.			Greece
* Kenwood Appliances Inc. (dormant)			USA
* De'Longhi Kenwood MEIA F.Z.E.			Dubai
* Kenwood Appliances (Singapore) Limited			Singapore
* Kenwood Appliances (Malaysia) SND BHD			Malaysia

* denotes that shares are held through an intermediate holding company.

All the subsidiary 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. 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.

On 23 December 2014 one of the company's subsidiary undertakings, Kenwood International Limited, disposed of 100% of the issued share capital of both Kenwood Appliances (Singapore) PTE Limited and De'Longhi Kenwood MEIA F.Z.E., which were incorporated and operated in Singapore and the United Arab Emirates respectively, to another of the subsidiary undertakings, Kenwood Limited.

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.

Kenwood Appliances Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

9. DEBTORS

	2014 £000	2013 £000
Amounts owed by subsidiary undertakings	-	126
Other debtors	19	28
	<u>19</u>	<u>154</u>

10. CREDITORS: amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to subsidiary undertakings	25	39
Accruals	3	-
UK Corporation tax	43	-
	<u>71</u>	<u>39</u>

11. SHARE CAPITAL

	2014 £000	2013 £000
500,000,000 Authorised Ordinary shares of 10p each	50,000	50,000
305,860,008 Allotted, called up and fully paid Ordinary shares of 10p each	<u>30,586</u>	<u>30,586</u>

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 2014	30,586	25,466	33,000	998	90,050
Profit for the year	-	-	-	10,855	10,855
Dividends paid	-	-	-	(11,800)	(11,800)
At 31 December 2014	<u>30,586</u>	<u>25,466</u>	<u>33,000</u>	<u>53</u>	<u>89,105</u>

The company paid an interim dividend of £11,800,000 (3.858p per allotted share of 10p each) to its immediate parent company undertaking, DeLonghi Benelux S.A. (previously named De'Longhi Household S.A.), on 23 December 2014 (2013: £25,500,000 interim dividend (8.337p per allotted share of 10p each) paid to De'Longhi Household S.A. on 19 December 2013).

The directors do not recommend the payment of a final dividend for the year (2013: £Nil final dividend).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

13. CONTINGENT LIABILITIES

The directors, after taking advice, consider that dividends totalling £9.5 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.

14. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is DeLonghi Benelux S.A. (previously named 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 not to disclose transactions with other group entities.