

Kenwood Appliances Limited

Registered No. 2390006

Report and Financial Statements

31 December 2017



Corporate Information

Directors

Giuseppe de' Longhi

Fabio de' Longhi

Silvia de' Longhi

Secretary

Alan Cummings

Auditors

Ernst & Young LLP

19 Threefield Lane

Southampton

Hampshire

SO14 3QB

Registered Office

Unit 1 Kenwood Business Park

New Lane

Havant

Hampshire

PO9 2NH

Strategic Report

The Directors present their strategic report for the year ended 31 December 2017.

Principal Activities

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.

Business Review

The profit for the year, after taxation, is £15,343,000 (2016: £4,739,000). The directors paid an interim ordinary dividend of 4.90p per ordinary share amounting to £15,000,000 on 20 December 2017.

The company presents its financial statements under FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard.

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

	2017 £000	2016 £000	Change %
Underlying loss	(4)	(4)	+0.0%
Profit for the financial year	15,343	4,739	+223.8%
Shareholder's equity	90,164	89,821	+0.38%

The Company's underlying loss reflects the limited operating activities.

The Company's profit for the year increased from the previous year mainly as a result of increased dividends received from its UK subsidiaries. There were also increased exchange gains versus the previous year as a result of the revaluation of bank balances which are mainly held in euros.

Principal risks and uncertainties

- Foreign currency risk

The company's profits and net assets are potentially affected by currency movements and some of the company's assets and liabilities are denominated in currencies other than sterling. The main asset held in this respect is cash at bank which is now held in euros.

- Interest rate risk

The company's finances are supported by short-term borrowing facilities. Changes in interest rates affect the company's 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

- Investment risk

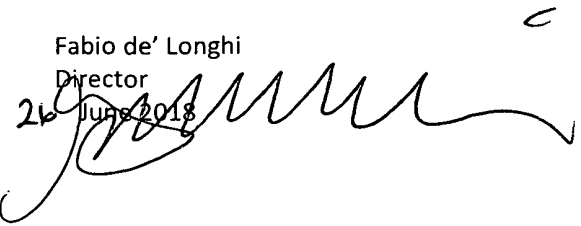
In addition, the company carries investment risk, but mitigates this by investing only in other De'Longhi group companies, of which it has a good working knowledge.

By order of the board

Fabio de' Longhi

Director

21 June 2018



Directors' Report

Registered No. 2390006

The directors present their report for the year ended 31 December 2017.

Directors of the company

The current directors are shown on page 1. There have been no changes to directors during the current financial year.

Dividends

The directors recommended an interim ordinary dividend of 4.90 pence per share amounting to £15,000,000 to its immediate parent undertaking De Longhi Benelux S.A. on 20 December 2017. No other dividends have been paid during the year and no final dividend is recommended by the directors.

Future developments

There are no significant developments anticipated in the forthcoming year.

Financial Instruments

The company's assets and liabilities include the following financial instruments: cash 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 foreign currency balances held unless there is a significant transaction taking place. At the year-end there were no forward exchange contracts in place.

Events since the balance sheet date

Dividends of €2,677,449.47 were received on 18 April 2018 from a subsidiary undertaking, De'Longhi Capital Services S.R.L. There are no other known events after the date of the balance sheet that require disclosure.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 2.

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.

Auditors

Ernst & Young LLP has been engaged to audit the financial statements of Kenwood Appliances Limited. The assignment will expire with the approval of the annual report and financial statements for the year ended 31 December 2018.

Directors' Report (continued)

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

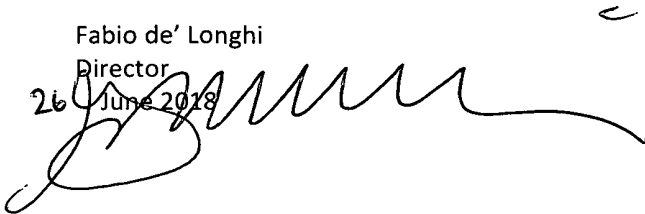
- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

Fabio de' Longhi

Director

26 June 2018

A handwritten signature in black ink, appearing to be 'Fabio de' Longhi', written over the printed name and date. The signature is stylized with a large initial 'F' and a long horizontal stroke at the end.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Opinion

We have audited the financial statements of Kenwood Appliances Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report (set out on pages 2 to 5), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statements (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

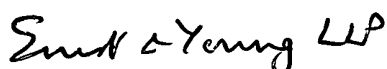
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Handwritten signature of Geraint Davies in black ink.

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

Date: 27 June 2018

Income Statement

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Administrative expenses		(4)	(4)
Underlying loss	3	<u>(4)</u>	<u>(4)</u>
Exchange gains		579	231
Finance income	6	14,871	4,510
Interest receivable and similar income	7	10	60
		<u>15,460</u>	<u>4,801</u>
Profit on ordinary activities before taxation		<u>15,456</u>	<u>4,797</u>
Tax expense	8	(113)	(58)
Profit for the financial year		<u><u>15,343</u></u>	<u><u>4,739</u></u>

Statement of comprehensive income
for the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the financial year	15,343	4,739
Other comprehensive income	-	-
Total comprehensive income for the year	<u>15,343</u>	<u>4,739</u>

Statement of changes in equity

for the year ended 31 December 2017

	Notes	Share capital £000	Share premium £000	Special reserve £000	Retained earnings £000	Total equity £000
At 1 January 2016		30,586	25,466	33,000	30	89,082
Profit for the financial year		-	-	-	4,739	4,739
Total comprehensive income for the year		-	-	-	4,739	4,739
Equity dividends paid	9	-	-	-	(4,000)	(4,000)
At 31 December 2016		30,586	25,466	33,000	769	89,821
Profit for the financial year		-	-	-	15,343	15,343
Total comprehensive income for the year		-	-	-	15,343	15,343
Equity dividends paid	9	-	-	-	(15,000)	(15,000)
At 31 December 2017		30,586	25,466	33,000	1,112	90,164

Balance Sheet

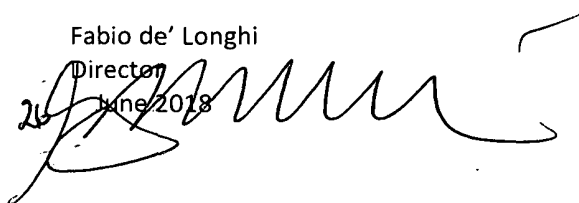
as at 31 December 2017

	Notes	2017 Total £000	2016 Total £000
Fixed assets			
Investments	10	75,469	75,469
		<u>75,469</u>	<u>75,469</u>
Current assets			
Other debtors	11	1	2
Cash at bank and in hand		14,811	14,453
		<u>14,812</u>	<u>14,455</u>
Creditors: amounts falling due within one year			
Income tax payable		113	99
Accruals and deferred income		4	4
		<u>117</u>	<u>103</u>
Net current assets		14,695	14,352
Net assets		<u><u>90,164</u></u>	<u><u>89,821</u></u>
Capital and reserves			
Share capital	12	30,586	30,586
Share premium		25,466	25,466
Special reserve	13	33,000	33,000
Retained earnings	13	1,112	769
Total equity		<u><u>90,164</u></u>	<u><u>89,821</u></u>

Fabio de' Longhi

Director

26 June 2018



Notes to the financial statements

For the year ended 31 December 2017

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Kenwood Appliances Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on ~~26~~ June 2018 and the balance sheet was signed on the board's behalf by Fabio de' Longhi. Kenwood Appliances Limited is a limited company incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of De Longhi Benelux S.A. who is the immediate parent undertaking. The Company's ultimate parent undertaking and controlling party is De'Longhi S.p.A.

The results of De Longhi Benelux S.A. are included in the consolidated financial statements of De'Longhi S.p.A. which are available from Via L.Seitz 47, 31100 Treviso, Italy.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1. Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- 2.1.1. The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, (this exemption requires that equivalent disclosures are included in the financial statements of the group in which the entity is consolidated).
- 2.1.2. The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- 2.1.3. The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
 - a) the requirement in paragraph 79(a)(iv) of IAS 1;
 - b) paragraph 118(e) of IAS 38 Intangible Assets;
 - c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
 - d) the requirements of IAS 7 Statement of Cash Flows;
 - e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

2.1. Basis of preparation (continued)

- f) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2.2. Significant accounting policies

2.2.1. Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.2.2. 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.

2.2.3. Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

2.2.4. Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

2.2. Significant accounting policies (continued)

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.2.5. Dividends

Revenue is recognised when the Company's right to receive payment is established.

3. Underlying loss

	2017 £000	2016 £000
This is after charging:		
Auditors' remuneration	4	4

4. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements.

	2017 £000	2016 £000
Audit of the financial statements	4	4

The subsidiaries of the Company have paid the following amounts to their auditors in respect of the audit of the financial statements. Kenwood International Limited £4,000 (2016: £4,000); Kenwood Limited £82,000 (2016: £68,000).

5. Staff costs and directors' remuneration

No director received remuneration in respect of qualifying services from the company during the year, their duties being considered incidental to those carried out on behalf of other group companies.

The company has no employees.

6. Finance Income

	2017 £000	2016 £000
Dividends received from UK subsidiaries	12,500	2,000
Dividends received from overseas subsidiaries	2,371	2,510
	<u>14,871</u>	<u>4,510</u>

7. Interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	<u>10</u>	<u>60</u>

8. Taxation**a) Tax charged in the income statement**

	2017 £000	2016 £000
Current income tax:		
UK corporation tax	113	58
Tax expense in the income statement	<u>113</u>	<u>58</u>

b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower (2016: lower) than the average standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 £000	2016 £000
Accounting profit before income tax	<u>15,456</u>	<u>4,797</u>
Tax calculated at UK standard rate of corporation tax of 19.25% (2016: 20%)	2,975	960
Non-taxable income at 19.25%	(2,862)	(902)
Total tax expense reported in the income statement	<u>113</u>	<u>58</u>

c) Change in corporation tax rate

The tax reconciliation above reflects the reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017). A further reduction to 17% (effective 1 April 2020) has been substantively enacted, and will reduce the Company's future current tax charges accordingly.

9. Dividends paid and proposed

	2017 £000	2016 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
First interim for 2017: 4.90p (2016: 1.31p)	15,000	4,000
Dividends paid	<u>15,000</u>	<u>4,000</u>

The directors do not propose the payment of a final dividend for the year (2016: £Nil).

10. Investments**a) Investments in subsidiaries**

	Historical Cost £000	Impairment provision £000	Net book value £000
At 1 January 2016	75,469	-	75,469
Additions in the year	-	-	-
At 31 December 2016	<u>75,469</u>	<u>-</u>	<u>75,469</u>
Additions in the year	-	-	-
At 31 December 2017	<u>75,469</u>	<u>-</u>	<u>75,469</u>

b) Details of Group undertakings**Ordinary A shares owned:**

Name of Company	Registered office	Proportion of nominal value owned
Kenwood Limited	Unit 1 Kenwood Business Park, New Lane, Havant, Hampshire, PO9 2NH, United Kingdom.	100%

Ordinary B shares owned:

Name of Company	Registered office	Proportion of nominal value owned
Kenwood Limited	Unit 1 Kenwood Business Park, New Lane, Havant, Hampshire, PO9 2NH, United Kingdom.	100%

10. Investments (continued)

Ordinary shares owned:

Name of Company	Registered office	Proportion of nominal value owned
Kenwood International Limited	Unit 1 Kenwood Business Park, New Lane, Havant, Hampshire, PO9 2NH, United Kingdom.	100%
De'Longhi Capital Services S.R.L.	Via Lodovico Seitz, 47 31100 Treviso, Italy.	88.68%
De'Longhi Kenwood MEIA F.Z.E. *	PO Box 263338, Jebel Ali Free Zone, Dubai, UAE.	100%
Kenwood Appliances (Singapore) Limited *	300 Beach Road, #18-01 The Concourse, Singapore 199555.	100%
Kenwood Appliances (Malaysia) SND BHD *	Suite 10.04, Level 10 HeiTech Village, Persiaran Kewajipan, USJ 1, UEP, 47610 Subang Jaya, Selangor Darul Ehsan.	100%

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

All the subsidiary undertakings are wholly owned, with the exception of De'Longhi Capital Services S.R.L. (where the holding is 88.68%).

De'Longhi Capital Services S.R.L. 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.

11. Other debtors

Other debtors comprise bank interest receivable.

12. Authorised, issued and called up share capital

	2017 thousands	2016 thousands	2017 £000	2016 £000
Authorised				
Ordinary shares of 10p each	500,000	500,000	50,000	50,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, called up and fully paid				
Ordinary shares of 10p each	305,860	305,860	30,586	30,586
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The total number of allotted, called up and fully paid ordinary shares is 305,860,008. The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote at meetings of the Company.

13. Reserves

	Special reserve £000	Retained earnings £000	Total Equity £000
At 1 January 2016	33,000	30	33,030
Profit for the financial year	-	4,739	4,739
Equity dividends paid	-	(4,000)	(4,000)
At 31 December 2016	<u>33,000</u>	<u>769</u>	<u>33,769</u>
Profit for the financial year	-	15,343	15,343
Equity dividends paid	-	(15,000)	(15,000)
At 31 December 2017	<u>33,000</u>	<u>1,112</u>	<u>34,112</u>

The special reserve was generated as a result of the floatation of Kenwood Appliances in 1992 and subsequent share issues. The reserve combines transfers from the share premium account and the capital redemption reserve, with goodwill from acquisitions then written off against it. The special reserve is non-distributable.

14. 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. There remains the possibility of the benefit of the EC Treaty being denied, but the final decision in this matter is not expected before the end of 2018. If the benefit of the EC Treaty is denied, the potential UK tax liability is £2.8 million.

15. Post balance sheet events

Dividends of €2,677,449.47 were received on 18 April 2018 from a subsidiary undertaking, De'Longhi Capital Services S.R.L. There are no other known events after the date of the balance sheet that require disclosure.

16. Other related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

17. Ultimate Group undertaking

The Company's immediate parent undertaking is De Longhi Benelux 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.