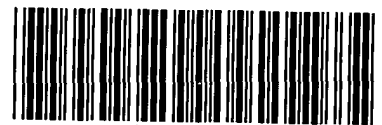


KENWOOD LIMITED

Report and Financial Statements

31 December 2014

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COMPANIES HOUSE

**DIRECTORS AND ADVISORS**

**DIRECTORS**

F De'Longhi

S De'Longhi

**COMPANY SECRETARY**

A Cummings

**INDEPENDENT AUDITORS**

Ernst & Young LLP

19 Threefield Lane

Hampshire

Southampton

SO14 3QB

**REGISTERED OFFICE**

Kenwood Business Park

New Lane

Havant

Hampshire

PO9 2NH

## 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 during the year was the selling and marketing of small domestic appliances.

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

	2014 £000	2013 £000
Turnover	307,431	232,421
Operating profit	12,904	8,929
Profit after tax	7,939	6,110
Equity shareholder funds	41,806	40,773
Average number of employees	279	290

Kenwood Limited's Operating profitability at 4.2% of Turnover increased from the prior year of 3.8% and remains strong in an economically difficult trading environment. Primarily due to a one-off charge in relation to the equalisation of gross minimum pensions in respect of the defined benefit pension scheme the Profit before tax % was prevented from showing an improvement on the prior year level.

Turnover increased by 32% within the year due also as a consequence of the concentration on all three brands (Kenwood, De'Longhi and Braun) across the target territories of North & East Europe. Competition continued to intensify across all core categories and the trend of 2013 with competitors offering lower end Kitchen Machines had further impact on market share and revenue. The coming year will see a very specific focus brought to this competition alongside a consumer centric approach to the development of new products. It is proving that having achieved strong market shares the brands are now the focus in many areas of competitors' strategic plans.

The company continues to develop the Group's approach of ensuring a consistent and uniform presentation of the brands across the global market place. Brands, products and categories are being presented in a more consumer focused uniform fashion, and this will be a continuing focus in the years ahead.

The infrastructure of the company has seen continual investment and focus within the year, there is continuing investment in innovation with a complete team structured around understanding and translating consumer requirements into the technical performance of the company's products. The business also continues to focus on technological advancements in order to better serve the consumer and the information needs of the business. The average number of employees has reduced by 11 within the year, this primarily relates to the consolidation of some back office functions, with investment in technical headcount coming later in the year and having a limited impact on the average for the year.

Turnover in 2015 is anticipated to grow but the economic climate in certain geographies and the shift in exchange rates, in comparison with 2014, will cause many challenges in protecting the profitability of the business whilst delivering growth and maintaining market share.

## STRATEGIC REPORT for the year ended 31 December 2014 (CONTINUED)

### STRUCTURE

During the period, the company acquired 100% shareholdings in De'Longhi Kenwood MEIA F.Z E. and Kenwood Appliances (Singapore) Limited from Kenwood International Limited as part of a project to simplify the UK corporate structure of the De'Longhi Group.

To maintain separation of trading and holding activities, the company's share capital has been split into two classes. The acquisition of these overseas subsidiaries was funded by newly issued B shares and all returns on these investments will be attributable to B shareholders.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are as follows:

#### Competition risk

The company operates in a highly competitive market, particularly on price and availability, where there are a few key dominant customers. This generally results in downward pressure on margins and the risk that customer demands are not met. The commercial team seek to mitigate this risk by continually monitoring market prices and building close relationships with customers.

#### Financial instruments risks

Given the size of the company, the directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The finance department seeks assistance in managing the company's foreign currency risk from the treasury department of the company's ultimate parent company, De' Longhi S.p.A., where necessary.

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 investment activities; and
- Derivative transactions undertaken by the company to manage market risks and currency risks.

The main risks arising from the company's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk.

#### Use of derivatives

The company enters into forward foreign exchange contracts to reduce exposure to the variability of foreign exchange rates.

#### Foreign currency risk

The company's profits and net assets could be significantly affected by currency movements as a substantial proportion of the company's assets and liabilities is denominated in currencies other than sterling. The company enters into forward currency contracts and options as a means of limiting or decreasing its exposure to particular foreign currencies.

#### Interest rate risk

The company's finances are assisted by short-term borrowing. Changes in interest rates affect the company's bottom line profit. The company does not mitigate this risk as the potential movements are expected to be minimal and any borrowing short term. If the rates were to become highly variable and significant, then the company would move to structure borrowing differently to minimise any risk.

#### Credit risk

The company undertakes sales to numerous companies mainly in the UK and Europe, whose credit rating is assessed case by case and the risk is then covered by insurance policies where cover is economically obtainable.

STRATEGIC REPORT for the year ended 31 December 2014 (CONTINUED)

**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.

**Pricing risk**

The company is exposed to supplier price risk as a result of its operations. The company seeks to mitigate this risk by negotiating prices in advance with suppliers where possible.

**By order of the Board**

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

**A Cummings**

**Company Secretary**

**Date 29 APRIL 2015**

## DIRECTORS' REPORT for the year ended 31 December 2014

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

### DIRECTORS

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

F De'Longhi

S De'Longhi

### DIVIDENDS

The company paid an interim dividend of £8,500,000 (32.045p per allotted share of £1 each) to its immediate parent undertaking, Kenwood Appliances Limited, on 23 December 2014 (2013: £7,000,000 interim dividend on 19 December 2013).

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

### RESEARCH AND DEVELOPMENT

The company has pursued its programme of research and development during the year to improve existing products and introduce new products.

### FUTURE DEVELOPMENTS

Continuing the theme of the past years the company have invested significantly in "innovation" with product development focused on evolving consumer preferences. The Company firmly believes that a deep understanding of consumer behaviours and needs is critical, and we constantly strive to incorporate this into our products in order to maximise our competitive advantage, whilst ensuring our customers continue to enjoy using our products.

We continue the expansion of the Braun brand into new territories and customers building on the strong reputation of our existing De'Longhi / Kenwood Brands with this further offering of branding products across both existing and new categories.

The continual focus on product development will see many new products concentrated on in the year, this will combine with the wider distribution of the new Kitchen Machine that was launched in 2014 in some markets.

The coming years will see the company focus on key categories of small domestic appliances so that sustainable and profitable growth is forthcoming with the offering across all categories to be regarded as "Good", "Better" and "Best", ensuring a consumer can satisfy all of their needs through our brands.

### EVENTS SINCE THE BALANCE SHEET DATE

A dividend of US\$20,000,000 was received from a subsidiary undertaking, De'Longhi Kenwood MEIA F.Z.E, on 19 March 2015 in respect of the holding activity of Kenwood Limited.

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

### FINANCIAL INSTRUMENTS

Details of financial instruments are provided in the strategic report on page 3.

### GOING CONCERN

The company's business activities together with any factors likely to impact its future developments have been outlined in the Review of the Business section of the Strategic Report. It is expected that the company will continue to generate positive cash flows on its own account for the foreseeable future and also has significant financial resources available.

Therefore, the directors' believe that the company is well placed to manage its principal risks and uncertainties despite the continued uncertainty in the Global economy.

**DIRECTORS' REPORT for the year ended 31 December 2014 (CONTINUED)**

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.

**EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees is through intranet, periodic meetings of employees, briefing groups, and holding of social functions.

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

**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 LIMITED**

We have audited the financial statements of Kenwood Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 24. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement 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. 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 matter 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 Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2014

		<i>Year ended 31 December</i>	<i>Year ended 31 December</i>
	<i>Notes</i>	<i>2014</i>	<i>2013</i>
		<i>£000</i>	<i>£000</i>
Turnover	2	307,431	232,421
Cost of sales		(228,582)	(163,226)
<b>GROSS PROFIT</b>		<b>78,849</b>	<b>69,195</b>
Distribution costs		(58,805)	(52,011)
Administrative expenses		(7,140)	(8,255)
		<b>(65,945)</b>	<b>(60,266)</b>
<b>OPERATING PROFIT</b>	3	<b>12,904</b>	<b>8,929</b>
Bank interest receivable		216	306
Interest payable and similar charges	6	(2,149)	(1,237)
Other finance (expenses)/income	6	(896)	167
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>10,075</b>	<b>8,165</b>
Tax on profit on ordinary activities	7	(2,136)	(2,055)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	19	<b>7,939</b>	<b>6,110</b>

The results for both years are derived from continuing operations and there are no material differences between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2014

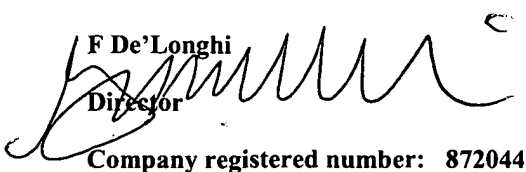
	<i>Year ended 31 December</i>	<i>Year ended 31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	7,939	6,110
FRS17 – Retirement Benefits:		
Actuarial loss/(gain) on retirement benefit scheme – gross (note 17)	87	(7,241)
Deferred tax (credit)/charge (note 13)	(18)	1,557
<b>Total gains recognised since last annual report</b>	<b>8,008</b>	<b>426</b>

# Kenwood Limited

## BALANCE SHEET as at 31 December 2014

		31 December 2014	31 December 2013
	Notes	£000	£000
<b>FIXED ASSETS</b>			
Intangible assets	8	4,016	3,592
Tangible fixed assets	9	7,420	8,239
Investments	10	1,358	-
		<u>12,794</u>	<u>11,831</u>
<b>CURRENT ASSETS</b>			
Stocks	11	13,320	13,408
Debtors	12	127,694	80,151
Cash at bank and in hand		13,850	32,785
		<u>154,864</u>	<u>126,344</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(124,214)</u>	<u>(93,634)</u>
<b>NET CURRENT ASSETS</b>		<u>30,650</u>	<u>32,710</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>43,444</u>	<u>44,541</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	-	(25)
		<u>43,444</u>	<u>44,516</u>
Provisions for liabilities	16	(1,082)	(1,114)
<b>NET ASSETS EXCLUDING PENSION LIABILITIES</b>		<u>42,362</u>	<u>43,402</u>
Deficit on pension scheme	17	(556)	(2,629)
<b>NET ASSETS INCLUDING PENSION LIABILITIES</b>		<u>41,806</u>	<u>40,773</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	26,550	25,025
Share premium account	19	4,458	4,458
Profit and loss account	19	798	1,290
Capital contribution	19	10,000	10,000
<b>TOTAL SHAREHOLDER FUNDS</b>	19	<u>41,806</u>	<u>40,773</u>

The financial statements on pages 9 - 25 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: 872044

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014**

**1. ACCOUNTING POLICIES**

***Basis of Preparation***

The 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.

***Cash flow statement***

The company has utilised the exemptions provided under Financial Reporting Standard No.1 (Revised 1996) 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 23).

***Turnover***

Turnover is recognised at the point where substantially all the risks and rewards of ownership are transferred to the customer. This is usually at the point of despatch or delivery to the customer.

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over the expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful economic life as follows:

Plant and equipment	-	at rates ranging from 5% to 33% per annum
Tooling	-	over a period of not more than five years
Fixtures and Fittings	-	at rates ranging from 12.5% to 33% per annum
Buildings	-	at rates of 2% per annum for buildings and 6.67% for leasehold improvements

Where the value of a tangible fixed asset is known to be impaired an additional depreciation charge is made to reflect the impairment.

***Stocks***

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials	-	purchase cost on a first-in, first-out basis
Finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions are made against products depending on their product life cycle status. If stock is classified as obsolete (ie a newer model is now in place), provision is made for 75% of the stock value and if the stock is approaching obsolescence a provision of 35% of the stock value is made.

***Guarantee provisions***

Many of the company's products carry formal guarantees of satisfactory performance for varying periods following purchase by customers. Provision is made for the estimated cost of honouring unexpired guarantees.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**1. ACCOUNTING POLICIES (CONTINUED)**

***Research and development***

The directors of the company continue to adopt the group policy of capitalisation of development costs. In their opinion, this more accurately reflects the life of the asset.

Development costs are capitalised only after the technical and commercial feasibility of the asset for sale or use has been established. The cost is written off over a three year period. This period best represents the typical life cycle of the average product. All research costs continue to be expensed to the profit and loss account.

The amount capitalised in the current year is £1,534,000 (2013: £1,272,000) and the amount amortised in the current year is £921,000 (2013: £858,000).

***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 average 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 to sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

***Forward contracts***

The company applies hedge accounting under UK GAAP, but has selected not to apply Financial Reporting Standard 26, "Financial instruments: Recognition and measurement". Forward currency contracts entered into as hedges of committed purchase orders placed with suppliers which are denominated in foreign currencies, and forward foreign currency contracts entered into as hedges of sales receipts from customers which are denominated in foreign currencies, are not recognised until they mature. At maturity gains and losses are taken to the profit and loss account.

***Leasing***

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**1. ACCOUNTING POLICIES (CONTINUED)**

***Pensions***

The defined benefit scheme closed to new members on 31 October 2002 and was replaced by a defined contribution scheme. Contributions to the defined contributions scheme are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. For the defined benefit scheme, the cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the scheme's assets and the change in the present value of the schemes' liabilities arising from the passage of time are included in other finance expenses: retirement benefits. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The balance sheet includes the surplus/deficit in the scheme taking assets at their year end market values and liabilities at their actuarially calculated values discounted at year end AA corporate bond interest rates.

***Deferred income***

The company's policy in recognising deferred income ensures that it is recognised on a straight line basis over the life of the contract that it relates to.

***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.

***Exemption from consolidation***

The company is a wholly-owned subsidiary of Kenwood Appliances Limited and is included in the consolidated financial statements of De'Longhi S.p.A., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

**2. TURNOVER**

Turnover is attributable to one continuing activity, the selling and marketing of small domestic appliances.

All turnover originates in the UK.

*An analysis of turnover by geographical destination is given below:*

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
United Kingdom	122,497	107,227
Europe	184,709	120,674
Other	225	4,520
	<u>307,431</u>	<u>232,421</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**3. OPERATING PROFIT**

*This is stated after charging/(crediting):*

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Auditor's remuneration - audit of these financial statements	63	61
Auditor's remuneration – other services	10	10
Depreciation of owned fixed assets	2,857	2,474
Amortisation of intangible assets	921	858
Operating lease rentals – land and buildings	1,356	1,356
- plant and machinery	67	46
- motor vehicles	284	343
Research and development	4,953	4,666
Exchange loss/(gain)	5,044	(139)
	<u>          </u>	<u>          </u>

**4. DIRECTORS' REMUNERATION**

The directors received remuneration in respect of qualifying services of £14,726 during the year (year ended 31 December 2013: £4,634). The directors are not members of either the Kenwood defined benefit or defined contribution pension schemes.

**5. STAFF COSTS**

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Wages and salaries	10,802	11,049
Social security costs	961	1,049
Other pension costs – defined contribution scheme (note 17)	551	506
	<u>          </u>	<u>          </u>
	12,314	12,604
	<u>          </u>	<u>          </u>

The average monthly number of employees during the year was as follows:

	<i>Year ended 31 December 2014 No.</i>	<i>Year ended 31 December 2013 No.</i>
Office management and administration (excluding directors)	235	245
Manufacturing and distribution	44	45
	<u>          </u>	<u>          </u>
	279	290
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
Bank interest and similar charges	2,149	1,237
Other finance (income)/expenses: retirement benefits		
Interest on retirement benefits liabilities (note 17)	1,531	1,341
Expected return on pension scheme assets (note 17)	1,374	(1,508)
GMP equalisation	739	-
	<u>896</u>	<u>(167)</u>

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**a) Analysis of tax charge in the year**

	<i>Year ended 31 December 2014 £000</i>	<i>Year ended 31 December 2013 £000</i>
<b>Current tax:</b>		
UK Corporation tax at 21.5% (2013: 23.25%):		
Based on profit for the year	1,681	1,303
Adjustments in respect of previous periods	(68)	(196)
	<u>1,613</u>	<u>1,107</u>
<b>Deferred tax at 20% (2013: 23.25%):</b>		
Based on the profit for the year:		
Charge relating to the deferred tax asset recognition on pension commitments	500	949
Credit relating to the origination and reversal of other timing differences	(31)	(82)
	<u>469</u>	<u>867</u>
Adjustments in respect of previous periods	54	81
	<u>523</u>	<u>948</u>
<b>Tax on profit on ordinary activities</b>	<u>2,136</u>	<u>2,055</u>

The company's potential deferred tax asset at 31 December 2014 has been calculated at the standard UK corporation tax rate with effect from 1 April 2015 of 20% (2013: 20%).



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**7. TAX ON PROFITS ON ORDINARY ACTIVITIES (CONTINUED)**

**b) Factors affecting tax charge for the year**

The current tax charge for the period 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	10,075	8,165
Profit on ordinary activities multiplied by average standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	2,166	1,898
Effects of:		
Expenses not deductible for tax purposes	120	147
Credit for capital allowances and other items (see note 7a)	(469)	(867)
Effect of other short term timing differences	(136)	125
Adjustments to UK corporation tax of previous periods	(68)	(196)
Current tax charge for the year	1,613	1,107

**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. The deferred tax balances have been re-measured to 20% to reflect this reduction, as the timing differences are not expected to materially reverse before 1 April 2015.

**8. INTANGIBLE ASSETS**

	<i>Development costs £000</i>
Cost:	
At 1 January 2014	8,473
Additions	1,534
Disposals	(206)
At 31 December 2014	9,801
Accumulated amortisation:	
At 1 January 2014	4,881
Charge for the year	921
Disposals	(17)
At 31 December 2014	5,785
Net book value at 31 December 2014	4,016
Net book value at 31 December 2013	3,592

# Kenwood Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2014

### 9. TANGIBLE FIXED ASSETS

	<i>Buildings</i> £000	<i>Plant and tooling</i> £000	<i>Fixtures and fittings</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2014	4,794	20,558	4,388	29,740
Additions	20	1,643	427	2,090
Disposals	(4)	(429)	(1)	(434)
At 31 December 2014	4,810	21,772	4,814	31,396
Depreciation:				
At 1 January 2014	1,979	16,332	3,190	21,501
Charge for the year	340	1,986	531	2,857
Disposals	(1)	(364)	(17)	(382)
At 31 December 2014	2,318	17,954	3,704	23,976
Net book value at 31 December 2014	2,492	3,818	1,110	7,420
Net book value at 31 December 2013	2,815	4,226	1,198	8,239

### 10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<i>Historical cost</i> £000	<i>Impairment provision</i> £000	<i>Net book value</i> £000
At 1 January 2014	-	-	-
Additions	1,358	-	1,358
At 31 December 2014	1,358	-	1,358

*Name of company*

*Country of registration  
(or incorporation)  
and operation*

De'Longhi Kenwood MEIA F.Z.E.  
Kenwood Appliances (Singapore) Limited  
\* Kenwood Appliances (Malaysia) SND BHD

Dubai  
Singapore  
Malaysia

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

The subsidiary undertakings are wholly owned and are largely engaged in the distribution of domestic appliances.

In accordance with the project to simplify the UK corporate structure of the De'Longhi Group, Kenwood Limited acquired the following investments in 2014 from Kenwood International Limited.

On 23 December 2014 the company acquired 100% of the issued share capital of De'Longhi Kenwood MEIA F.Z.E. and Kenwood Appliances (Singapore) Limited.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)**

Kenwood 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.

**11. STOCKS**

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Raw materials	625	89
Finished goods and goods for resale	12,695	13,319
	<u>13,320</u>	<u>13,408</u>

**12. DEBTORS**

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	52,294	29,469
Amounts owed by group undertakings	56,144	36,317
Prepayments and accrued income	235	453
Other debtors	18,097	12,965
Deferred tax asset (note 13)	924	947
	<u>127,694</u>	<u>80,151</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

**13. DEFERRED TAX ASSET**

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Estimated recoverable within one year	100	214
Estimated recoverable after more than one year	824	733
	<u>924</u>	<u>947</u>

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 2015 of 20% (2013: calculated at 20%).

	<i>Recognised</i>		<i>Not recognised</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	784	755	-	-
Provisions for expenses deductible in future periods	140	192	-	-
	<u>924</u>	<u>947</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**13. DEFERRED TAX ASSET (CONTINUED)**

The deferred tax asset has not been discounted. The total recognised deferred tax asset at 31 December 2014 is £924,000 (2013: £947,000), a net decrease in the year of £23,000. This decrease of £23,000 comprises £31,000 increase attributable to current year movement (see note 7a), and £54,000 decrease attributable to adjustments in respect of previous periods deferred tax.

	£000
Asset recognised at 1 January 2014	947
Deferred tax charge in profit and loss account for period (note 7a)	(523)
Less: Attributable to pension commitments (note 7a)	500
	<u>924</u>
Asset recognised at 31 December 2014 (note 12)	<u>924</u>

The recovery of the deferred tax asset recognised in the financial statements has been estimated having regard to the company's profit forecasts covering the periods after 31 December 2014. These forecasts indicate that the company will have suitable taxable profits against which the recognised asset will be recovered.

The company has also recognised a deferred tax asset relating to its pension commitments (see note 17), as follows:

	£000
At 1 January 2014	657
Charge to profit and loss account (note 7a)	(500)
Charge to the Statement of Total Recognised Gains and Losses	(18)
	<u>139</u>
At 31 December 2014	<u>139</u>

**14. CREDITORS: amounts falling due within one year**

	31 December 2014 £000	31 December 2013 £000
Bank overdraft	25,075	-
Trade creditors	26,290	20,865
Amounts owed to group undertakings	46,799	47,943
UK corporation tax	685	880
Other taxes and social security costs	184	163
Other creditors	16,990	15,655
Accruals and deferred income	8,191	8,128
	<u>124,214</u>	<u>93,634</u>

The company's policy in recognising deferred income ensures that it is recognised on a straight line basis over the life of the contract that it relates to. Deferred income relates to a reverse lease premium, the benefit of which will be released over the contracted lease period.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**15. CREDITORS:** amounts falling due after more than one year

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
25,000 6% redeemable participating preference shares of £1 each	-	25
	<u>          </u>	<u>          </u>

On 22 December 2014 the company amended its articles of association. As part of these amendments, the existing 25,000 6% redeemable participating preference shares were re-designated as A ordinary shares of £1 each.

**16. PROVISIONS FOR LIABILITIES**

	<i>Guarantee</i>	<i>Onerous</i>	
	<i>Provision</i>	<i>Contract</i>	<i>Total</i>
	<i>£000</i>	<i>Provision</i>	<i>£000</i>
At 1 January 2014	720	394	1,114
Charge during the year	(17)	(15)	(32)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2014	703	379	1,082
	<u>          </u>	<u>          </u>	<u>          </u>

Guarantee provision – As company products are eligible for a 1 year guarantee, provision is made for the estimated costs of dealing with guarantee claims. The level of provision made is based on the company's experience of past levels of claims.

Onerous contract provision – Where suppliers look to recover costs relating to future commitments of long lead time components that are subsequently not required due to product design, product life status or demand changes that Kenwood has instigated.

The above provisions are expected to be utilised within the year ending 31 December 2015.

**17. DEFICIT ON PENSION SCHEME**

On 31 October 2002 the defined benefit section of the scheme was closed to new members, and a new defined contribution section was introduced to provide future benefits. Contributions to the defined contribution section of the scheme are charged in the profit and loss account as they become payable in accordance with the scheme rules. The contributions made to the scheme for the year were £551,000 (2013: £506,000). The assets of the defined benefit scheme are held in separate trustee administered funds.

The company's financial statements have been prepared in accordance with FRS17 – Retirement Benefits.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**17. DEFICIT ON PENSION SCHEME (CONTINUED)**

A qualified independent actuary (Capita) has updated the results of the valuation based on the projected unit basis to 31 December 2014. In the report dated 19 January 2015 provided by the scheme actuaries, the major assumptions were:

	<i>31 December 2014</i>	<i>31 December 2013</i>
Rate of increase for pensions in payment accruing before 6 April 1997	3.0%	3.2%
Rate of increase for pensions in payment accruing from 6 April 1997	3.2%	3.5%
Rate of increase for pensions in deferment	2.4%	2.7%
Discount rate	3.47%	4.51%
Inflation assumption	3.3%	3.6%
Expected return on assets	3.47%	4.48%

The previous actuarial valuation was undertaken on 30 September 2010.

The assets of the scheme and the expected rates of return were:

	<i>Long-term rate of return expected at 31 December 2014</i>	<i>Value at 31 December 2014</i>	<i>Long-term rate of return expected at 31 December 2013</i>	<i>Value at 31 December 2013</i>	<i>Long-term rate of return expected at 31 December 2012</i>	<i>Value at 31 December 2012</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
		<i>£000</i>		<i>£000</i>		<i>£000</i>
Equities	-	-	-	-	5.6%	10,145
Gilts	-	-	-	-	2.6%	848
Bonds	-	-	-	-	4.1%	2,073
Annuities	3.47%	38,399	4.51%	31,250	4.33%	18,249
Other	0.5%	116	0.5%	220	0.5%	95
Total market value of assets		38,515		31,470		31,410
Present value of total pension scheme liabilities		(39,210)		(34,756)		(31,622)
Overall deficit		(695)		(3,286)		(212)
Related deferred tax asset		139		657		49
Net pension liability		(556)		(2,629)		(163)

The effect of pension commitments calculated in accordance with FRS 17 is included in the financial statements as follows:

**Analysis of the amount credited/(charged) to other finance income/(expense):**

	<i>31 December 2014</i>	<i>31 December 2013</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Interest on pension scheme liabilities	(1,531)	(1,341)
Expected return on assets in the pension scheme	1,374	1,508
GMP equalisation liability	(739)	-
Net other finance (expense)/income	(896)	167

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**17. DEFICIT ON PENSION SCHEME (CONTINUED)**

**Analysis of amount recognised in the Statement of Total Recognised Gains and Losses:**

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Actual return less expected return on pension scheme assets	3,999	(4,021)
Changes in assumptions underlying the present value of the scheme liabilities	(3,912)	(3,220)
Actuarial (loss)/gain recognised in the Statement of Total Recognised Gains and Losses	87	(7,241)

**History of experience gains and losses:**

	<i>31 Dec</i>	<i>31 Dec</i>	<i>31 Dec</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Difference between the expected and actual return on scheme assets	3,999	(4,021)	1,831	(4,542)	1,196
% of scheme assets at year end	10.4%	(12.8)%	5.8%	(16.5)%	4.3%
Experience gain on scheme liabilities	-	-	12	6	262
% of scheme liabilities at year end	0.0%	0.0%	0.0%	0.0%	(0.8)%
Total actuarial (loss)/gain recognised in the Statement of Total Recognised Gains and Losses	(652)	(7,241)	563	(3,139)	(81)
% of scheme liabilities at year end	1.7%	20.8%	(1.8)%	10.3%	0.3%

**Analysis of the movement in scheme deficit during the year:**

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Deficit in the scheme at the beginning of the year	(3,286)	(212)
Contributions paid	3,400	4,000
Other finance (expenses)/income	(896)	167
Actuarial (loss)/gain recognised in Statement of Total Recognised Gains and Losses	87	(7,241)
Deficit in the scheme at the end of the year	(695)	(3,286)

In June 2013 the trustees of the defined benefit scheme purchased a bulk annuity policy in respect of all the deferred members. The policy was secured on a deferred premium basis, whereby all the remaining available scheme's assets were effectively transferred to Legal & General Assurance Society Ltd to pay the initial premium, with the balance being payable over a period of up to two and a half years. The annuity rates charged by the provider have been fixed, with the final payment only being affected by any data changes and interest rates. Although the pension liabilities remain with the company until full settlement, the scheme now has the security of these insurance assets, which match the liabilities of the scheme.

During 2014 the company requested an early settlement of the majority of the balance of the deferred premium annuity by authorising a repayment of £3.5M to Legal and General Assurance Society Ltd, (£100k from the Trustees bank account plus £3.4M current year company contributions). The remaining balance on the deferred premium annuity at the year-end was less than £100k.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**17. DEFICIT ON PENSION SCHEME (CONTINUED)**

Incorporated in the closing deficit of the pension scheme is the recognition of liabilities in relation to the equalisation of Guaranteed Minimum Pension (GMP). This additional liability has been valued by the scheme actuary as being £739k.

**18. CALLED UP SHARE CAPITAL**

	<i>Authorised, allotted, called up and fully paid</i>			
	<i>Trading</i>	<i>Trading</i>	<i>Holding</i>	<i>Holding</i>
	<i>Class A</i>	<i>Class A</i>	<i>Class B</i>	<i>Class B</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	25,050	25,025	1,500	-

On 22 December 2014 the company amended its articles of association. The amendments were:

The existing 25,000 6% redeemable participating preference shares were re-designated as A ordinary shares of £1 each.

The existing 25,025,000 issued ordinary shares of £1 each were re-designated as A ordinary shares of £1 each.

That a new class of ordinary shares, class B be created for the holding activities of the company.

On 22 December 2014 the company issued £1,500,000 of class B share capital which was fully subscribed by Kenwood Appliances Limited. The consideration received was then utilised to fund investments in De'Longhi Kenwood MEIA F.Z.E and Kenwood Appliances (Singapore) Limited (see note 10).

The assets and liabilities of the holding activity of Kenwood Limited as at 31 December 2014 were:

	<i>31 December 31 December</i>	
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Investments	1,358	-
Cash at bank and in hand	142	-
<b>NET CURRENT ASSETS</b>	<b>1,500</b>	<b>-</b>
Called up share capital	1,500	-
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>1,500</b>	<b>-</b>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	<i>Share capital A class £'000</i>	<i>Share capital B class £'000</i>	<i>Share premium account £'000</i>	<i>Profit &amp; loss account A class £'000</i>	<i>Profit &amp; loss account B class £'000</i>	<i>Capital contrib. account £'000</i>	<i>Total £'000</i>
At 1 January 2014	25,025	-	4,458	1,290	-	10,000	40,773
Profit for the financial year	-	-	-	7,939	-	-	7,939
Actuarial gain on retirement benefits	-	-	-	87	-	-	87
Movement on deferred tax asset related to pension scheme	-	-	-	(18)	-	-	(18)
Dividends paid	-	-	-	(8,500)	-	-	(8,500)
Reclassification of share capital	25	-	-	-	-	-	25
Issue of share capital	-	1,500	-	-	-	-	1,500
At 31 December 2014	<u>25,050</u>	<u>1,500</u>	<u>4,458</u>	<u>798</u>	<u>-</u>	<u>10,000</u>	<u>41,806</u>
Pension deficit				<u>556</u>			<u>556</u>
Profit and Loss reserve excluding pension deficit				<u>1,354</u>			<u>42,362</u>

The company paid an interim dividend of £8,500,000 (32.045p per allotted A class share of £1 each) to its immediate parent undertaking, Kenwood Appliances Limited, on 23 December 2014 (2013: £7,000,000 interim dividend on 19 December 2013).

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

**20. CAPITAL COMMITMENTS**

	<i>31 December 2014 £000</i>	<i>31 December 2013 £000</i>
Contracts placed for future capital expenditure not provided in the financial statements	<u>1,735</u>	<u>1,846</u>

**21. OTHER FINANCIAL COMMITMENTS**

At 31 December 2014 the company had annual commitments under non-cancellable operating leases in respect of land and buildings and plant and machinery as set out below:

	<i>Land and Buildings 31 December 2014 £000</i>	<i>31 December 2013 £000</i>	<i>Other 31 December 2014 £000</i>	<i>31 December 2013 £000</i>
Operating leases which expire:				
Within one year	-	312	87	72
Within two to five years	416	-	154	233
After more than five years	940	940	5	-
	<u>1,356</u>	<u>1,252</u>	<u>246</u>	<u>305</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2014**

**21. OTHER FINANCIAL COMMITMENTS (CONTINUED)**

The company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Forward foreign currency contracts	(2,940)	(300)
	<u>          </u>	<u>          </u>

**22. CONTINGENT LIABILITY**

During 2013 a former distributor gave indication of a potential claim against Kenwood Ltd in respect of contract issues in the Middle East. Discussions have taken place between the two companies on an informal level and to this date no legal action has been instigated by the distributor nor can the amount of any potential claim be measured with sufficient reliability.

**23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent undertaking is Kenwood Appliances Limited. 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.

**24. RELATED PARTY TRANSACTIONS**

The company has utilised exemptions under Financial Reporting Standard No. 8 as a wholly owned subsidiary of De'Longhi S.p.A. (see note 23) not to disclose transactions with other group entities.