BOWERS & WILKINS HOLDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Company number 10153033

BOWERS & WILKINS HOLDING LIMITED

COMPANY INFORMATION

For the year ended 30 September 2018

Company number:	10153033
Registered office:	Dale Road Worthing West Sussex BN11 2BH
Directors:	G Yu D Liu J I Kim
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Portland Building 25 High Street Crawley West Sussex RH10 1BG

BOWERS & WILKINS HOLDING LIMITED

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For the year ended 30 September 2018

The directors present their report together with consolidated audited financial statements for the year ended 30 September 2018. The comparative period is for the 17 month period from 28 April 2016 to 30 September 2017.

Principal activities

The group and company are principally engaged in the manufacture and wholesale distribution of high quality monitor loudspeakers, premium quality sound systems, high performance headphones and associated equipment and services.

Results and dividends

The group's loss for the financial year after taxation amounted to $22,390,000 (2017: loss of $34,036,000). The directors are not recommending any dividend be paid for the year (2017: no dividend recommended).

The group has presented the accounts in United States Dollars under International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Directors

The directors in office during the year and up to the date of signing the financial statements were, unless otherwise stated, as follows:

Executive:
G Yu (appointed 16 November 2017)
G I Edwards (resigned 17 October 2018)
D Liu
J I Kim (appointed 7 December 2018)

Directors' indemnities

As provided by the Articles of Association, the directors have had during the last financial year, and continue to have, the benefit of a qualifying third party indemnity (as defined by Section 234 Companies Act 2006) through the maintenance of appropriate Directors and Officers liability insurance.

Research and development

Product development and innovation are considered key strategies to the group's competitive position within the market place and accordingly the group continues to invest significantly in new products and technologies. More information is provided in the strategic report.

Employees

Details of the group's employee policy is detailed in the strategic report.

Branches outside the UK

Bowers & Wilkins Holding Ltd had no branches outside of the UK during the financial period.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;
state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
make judgements and accounting estimates that are reasonable and prudent; and
prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.
The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

Pursuant to section 487 of the Companies Act 2006 PricewaterhouseCoopers LLP will be deemed to be re-appointed and will continue in office.

Future developments

Details of the planned future developments of the group are detailed in the strategic report.

Events after the end of the reporting period

Following year end, the B&W Group Ltd, a subsidiary of the company, received $30 million designed to support both B&W Group Ltd and the ultimate parent company. The investment is part of a potential overall facility of $55 million.

Financial instruments

An analysis of the group's financial performance is provided within the strategic report. The strategic report also includes details of management's approach to risk management.

More detailed analysis of financial risk management can be found in note 4, *Financial risk management*.

BY ORDER OF THE BOARD

J T Kim
Director

Date: 27 March 2019

Business review

The group's strategy of building upon its leadership position in the premium audio category as a consumer driven business continued to be the focus of its activities during the year ended 30 September 2018 and will remain so for 2019.

At the end of the previous financial year, the group launched the new '700 series' of speakers and the 'PX' noise cancelling headphones. Both products received great reviews, which was particularly significant for the PX as this was the group's first noise cancelling headphone and is seen as a way of establishing the group as a more significant player within the headphones market. As a result of the PX's acclaim, the group entered into a contract with Emirates airline to supply the headphones used on their first-class flights. PX sales were responsible for a 44% increase in revenue from headphones year on year.

The group has historically licenced the use of its technology to automotive customers. Revenues from this are expected to increase significantly next year as the group is able to feel the full economic benefits of a number of licensing agreements. During the year the group entered into a new agreement with one of Europe's leading premium television brands to collaborate with them in the design of in TV speakers. The first full year benefit of income from this partnership is expected in 2019.

Following the directors' decision in the prior year to cease development of products under the Classé brand name, the Classé brand and trading assets were sold in January 2018. The group ceased active sale of Classé products at this date and the existing warranties, indemnities and purchase commitments were transferred to the new owner. The transfer of these commitments ensures that the group can focus its resources on the core business and on continuing to provide customers with the high level of service expected of a premium brand.

As part of the group's focus on extending direct sales activities it has expanded its online presence. The directors have continued work on a significant brand building strategy which has included the development of new websites and ecommerce platforms, the sales benefit of which is expected to be seen in future periods.

The group has continued to invest heavily in research and development. The R&D spend not only continues to support the group's core brand position, critical acclaim and strong sales demand, but also drives the innovative technology pioneered by another subsidiary of the group's ultimate parent EVA Automation Inc. (EVA) which has the capability of enhancing the audio experience within the connected home. The full benefit of the new technology being developed will not be seen until the significant product launches planned by the group for mid 2019. Launches had been planned for late 2018, however the group's commitment to ensuring that the new products retain the quality expected of the B&W brand resulted in delays to ensure the launch has the greatest impact possible.

The directors' commitment to the development of innovative technology has been shown by the initial investment made in a newer, larger UK research and development site. This site will allow the company to expand its research capacity beyond that available in its current facilities. The new site is expected to be fully operational in early 2019.

The group has continued to invest in its manufacturing facilities with the innovative use of processes and robotics in the Zhuhai and Worthing, UK, operations.

During the year Gideon Yu (a founder and CEO of EVA) was appointed as a director of the group as part of the streamlining of the group's executive structure. The board welcome his experience and believe his appointment will facilitate greater cohesion between the B&W Group Ltd and EVA in preparation for the significant product launches and growth planned over the next few years. Following year end, Greg Lee was appointed as the new CEO of EVA and the group, with Gideon Yu taking the position of Executive Chairman. Greg Lee's appointment is seen as part of the company's ongoing commitment to investing in senior management to better develop the business.

During the year the directors of EVA granted all employees within the group restricted stock units for shares in EVA. The awards are subject to a time-vesting condition, which the board believe will enhance staff performance, help retain key staff and encourage employees to feel more engaged in the success of the business. More details about the accounting treatment and costs of the scheme are detailed in note 3, *Critical Accounting Estimates and Assumptions*, note 7, *Employee Benefit Expense* and note 24, *Share Based Payments*.

Management also undertook substantial cost saving exercises during the year and following year end which involved a reduction in head count across the group and prioritising the projects above to ensure the group makes the best use of its available resources.

Taking account of planned product launches over the next 18 months, the growth of ecommerce sales and the positive impacts expected from building brand awareness, website activities, licencing agreements and automotive customer introductions, the directors consider the group to be well positioned to compete successfully going forward in an ever more 'connected' premium audio segment and in the high quality headphone category.

The group's results continued to be impacted by the turbulence in the foreign exchange markets, particularly relating to the ongoing uncertainty following the UK referendum decision to leave the EU. Such foreign exchange movements continue to be monitored and the directors consider that the natural hedges of matched $ sales and purchases and of € sales and € borrowings provide mitigation against normal fluctuations whilst providing flexibility and risk cover.

The combination of the investment in manufacturing, online presence and distribution networks means the group has the productive capacity, inventory, infrastructure and available finance to enable it to benefit from better than forecast sales growth should these occur, or scale back if necessary In particular, the group has committed financial resources for future growth through a combination of a medium term $55m global banking facility and medium term loans secured on its facilities. Following year end, the group received $30 million designed to support both B&W Group Ltd and the ultimate parent company. The investment is part of a potential overall facility of $55 million.

In addition to third party financing, the ultimate parent company has provided a total $13.7 million ($8.7 million as loans and $5 million as capital contributions) of funding over the last two financial years and stated its intention to continue to provide the financial support required by the group to ensure the realisation of the developments described in this report.

Key performance indicators

The directors consider that the key measures of the group's performance are the long term trends in the figures laid out below. Due to the significant closing costs associated with Classé, the directors consider it useful to adjust some of the ratios to account for these one off costs:

	2018	2017
Group Net Promoter Score (NPS)	79	79

	2018 Revenue	2018 Gross Profit	2017 Revenue	2017 Gross Profit
Group revenue and (gross profit)	$m	$m	$m	$m
- Loudspeakers and related equipment	131.0	64.7	187.7	94.9
- Wireless music systems	11.3	5.0	20.1	9.2
- Headphones	28.0	11.5	26.1	11.8
- Licencing	2.1	2.1	2.4	2.4
	172.4	83.3	236.2	118.3
Ecommerce sales included in the above:	2.1	1.2	3.7	2.3

	2018 $m	2017 $m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1.5)	(9.1)
Add back Classé stock write offs	0.5	2.7
Stock fair value adjustment	-	9.8
EBITDA adjusted for one off Classé stock write off, purchase order costs and stock fair value adjustment	(1.0)	3.4
Net current assets	31.7	48.2
	Ratio	**Ratio**
Adjusted group EBITDA to net bank indebtedness	-	13.02
Adjusted group net interest to EBITDA	(0.2)	25.2

The revenue by geographical sector is as follows:	**2018** **$'m**	2017 $'m
United Kingdom	14.9	21.4
Rest of Europe	65.9	87.7
North America	51.3	80.5
Asia Pacific	28.6	38.7
Rest of World	11.7	7.8
	172.4	236.2

Financial summary and positions

The group's performance for the financial year saw a decline on the previous year due to delays to planned product launches. These delays resulted in a review of development costs capitalised to assess which elements are still likely to result in a financial gain for the business and as a result $2 million of capitalised costs from prior years were written off.

There has also been increased expenditure on a number of projects referenced in the Business review. Management expect marketing and selling costs to remain high next year before major product launches planned in the 2018/19 financial year.

The group's net asset position has been reduced as a result of the loss for the year which has been financed largely by additional borrowing and capital contributions from the ultimate parent company. The group has focused on improving the business use of working capital, which has seen a considerable reduction in inventory levels.

Group cash flows resulted in cash generated from operating activities of $9.2 million, driven by the significant decrease in inventory. Cash from operating activities was used to reduce the group's borrowing while loans from the parent company and capital contributions were used to finance investing activities.

Environmental

The group is committed to minimising the negative impact of its activities on the environment. The directors have taken steps to ensure that both the group and its suppliers comply with all relevant environmental legislation and in particular to ROHS II, REACH and WEEE directives and ESOS regulations.

Business risk management

As a group focussed on the distribution of its own and third party manufactured goods it is exposed to distributor and dealer, supply chain, production (including equipment issues), intellectual property, quality and financial risks. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous financial years and up to the date of the approval of these financial statements.

The result of the referendum on "Should the United Kingdom remain a member of the European Union or leave the European Union?" on 23 June 2016 was to leave. In the short term the uncertainty arising may cause demand for the group's products to fluctuate but due to the premium nature of the products no significant impact is expected. Longer term the impact of the decision will depend upon the outcome of negotiations between the UK Government and Europe and thus long term impact is not reasonably foreseeable. The group is actively communicating with supplier and finance bodies as appropriate to manage the impact of an EU exit.

The administration in the United Stated has led to potential uncertainty over the terms that the group will be able to trade with the United States and its competiveness therein. The impact of new tariffs brought in during 2018 will result in increased costs for some of the group's products. Management will observe developments and assess any long term impact.

Distributor and dealer risk

Significant fluctuations in the level of consumer demand for audio products and therefore the business undertaken by dealers and distributors can affect their viability and in particular liquidity. The business plans and forecasts of distributors and key retail channels together with their credit balances and payment history are continuously reviewed and appropriate action taken where necessary.

Supply chain risk

Problems with suppliers can result in delivery or quality issues affecting production, customer satisfaction and brand reputation. Suppliers are selected on the basis of technology, capacity, quality, compliance with environmental and employee standards and finally cost. Wherever possible the company seeks to create long term working partnerships with suppliers whereby quality and delivery performance is regularly monitored and commercial viability continually reviewed and appropriate insurance held against business interruption.

Production risk

The group has a limited number of manufacturing facilities which if out of production through disaster or breakdown could affect the ability of the group to service its customers. In addition to appropriate insurance to cover catastrophic risk the group actively seeks to manage the production risk through business continuity plans and preventative maintenance.

Intellectual property risk

The group's premium product positioning and brands are based in part on the use of unique and innovative technologies, designs and processes. Copying of such products and technologies can damage the brand and hence where appropriate new technologies are patented and designs and trademarks are registered with appropriate registries worldwide. The group actively monitors the use of its intellectual property and pursues redress where used inappropriately.

Quality risk

The reputation of the brands distributed by the group rests on the quality of the underlying product. Quality is maintained through a mixture of quality assurance (e.g. staff training) and quality control (e.g. testing at all stages from component through to final product). In recognition of the importance of this risk area the company has undertaken an ISO 9001 exercise with the group receiving accreditation in early 2018. The group's quality programmes are also implemented and monitored at supplier level.

Financial risk

The group finances its activities mainly through a mixture of bank loans, capital contributions and trade creditors, and is therefore subject to risk from currency and interest rate movements and liquidity. Whilst currency movements, particularly US$:£, Euro:£ and Euro:$, can affect reported revenue and cost of raw materials, at the net profit level the currency gain/loss on sales are substantially matched by currency loss/gain on purchasing. Where appropriate foreign exchange costs/benefits on borrowings are matched by holding gain/loss on the assets thereby financed.

The group's loan finance is partly in the form of revolving loans which are therefore subject to short term interest rates, with the balance in the form of term loans. Where appropriate, the directors consider the use of term loans for investment borrowings so as to reduce exposure to short term rate fluctuations.

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Research and development

Product development and innovation are considered key strategies to the group's competitive position within the market place and accordingly the group continues to invest significantly in new products and technologies with 2.7% of revenue (2017: 5.4%) being spent on research and development. Reflective of the long term benefits of the investment in development activities is the capitalisation of and subsequent amortisation of development costs. In the forthcoming financial year around 15 new products are scheduled to be launched.

Employees

The group has continued its practice of keeping employees informed through staff briefings and newsletters of matters affecting them as employees and of the financial and economic factors affecting the performance of the group. The ethos of the group encourages involvement and feedback from employees on issues affecting the business.

The group is committed to employment practices based on equal opportunities for all employees irrespective of sex, race, colour, disability or sexual orientation. The group gives full and fair consideration to the employment of disabled persons having regard to their particular aptitudes and abilities irrespective of whether the disability arose before or during employment.

The group continues to invest in appropriate training and development opportunities for employees with both graduate and apprentice schemes in operation.

BY ORDER OF THE BOARD

J I Kim
Director

Date: 27 March 2019

Report on the audit of the financial statements

Opinion

In our opinion, Bowers & Wilkins Holding Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2018 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 30 September 2018, the company statement of financial position as at 30 September 2018; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity and the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 group's and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 1 and 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
27 March 2019

BOWERS & WILKINS HOLDING LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2018

	Note	2018 $'000	17 months to September 2017 $'000
Revenue	5	**172,403**	236,240
Change in inventories of finished goods and work in progress		**(16,181)**	(7,444)
Raw materials and consumables used		**(72,909)**	(122,176)
Employee benefit expenses	7	**(40,926)**	(57,648)
Depreciation, amortisation and impairment expense	12, 13	**(17,340)**	(23,962)
Other operating income		**837**	832
Other operating expenses		**(44,733)**	(59,006)
Operating loss		**(18,849)**	(33,164)
Finance income	8	**150**	136
Finance expenses	8	**(5,089)**	(5,953)
Finance costs - net		**(4,939)**	(5,817)
Loss before income tax		**(23,788)**	(38,981)
Income tax expenses	9	**1,398**	4,945
Loss for the year / period		**(22,390)**	(34,036)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 $'000	2017 $'000
Loss for the year / period	**(22,390)**	(34,036)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translating foreign operations	**(812)**	(3,010)
Other comprehensive loss for the year, net of tax	**(812)**	(3,010)
Total comprehensive loss for the year / period	**(23,202)**	(37,046)

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

BOWERS & WILKINS HOLDING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 September 2018

	Note	Group 2018 $'000	Group 2017 $'000
Non-current assets			
Property, plant and equipment	12	**22,104**	28,058
Intangible assets	13	**70,361**	75,559
Investments	14	**2**	2
Deferred income tax assets	15	**8,523**	6,052
Debtors	18	**194**	330
		101,184	110,001
Current assets			
Inventories	16	**41,689**	59,687
Trade and other receivables	18	**28,455**	35,086
Cash and cash equivalents		**2,463**	1,937
		72,607	96,710
Current liabilities			
Trade and other payables	19	**(28,758)**	(36,651)
Current income tax liabilities		**(534)**	(1,691)
Borrowings	20	**(11,587)**	(10,139)
		(40,879)	(48,481)
Net current assets		**31,728**	48,229
Non-current liabilities			
Trade and other payables	19	**(569)**	(496)
Borrowings	20	**(62,808)**	(69,865)
Deferred income tax liabilities	15	**(11,097)**	(11,879)
Provisions	22	**(383)**	(546)
		(74,857)	(82,786)
Net assets		**58,055**	75,444
Equity			
Called up share capital	23	**-**	-
Capital reserves		**118,303**	112,490
Translation reserve		**(3,822)**	(3,010)
Accumulated losses		**(56,426)**	(34,036)
Total equity		**58,055**	75,444

The accompanying accounting policies and notes form an integral part of these financial statements.

The financial statements on pages 11 to 57 were approved by the Board of directors on 27 March 2019.
On behalf of the Board.

J I Kim
Director

BOWERS & WILKINS HOLDING LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

As At 30 September 2018

Company number: 10153033

	Note	Company 2018 $'000	Company 2017 $'000
Non-current assets			
Investments	14	**112,490**	112,490
		112,490	112,490
Current liabilities			
Trade and other payables	19	**(180)**	(90)
		(180)	(90)
Net current liabilities		**(180)**	(90)
Net assets		**112,310**	112,400
Equity			
Called up share capital	23	**-**	-
Capital reserves		**112,490**	112,490
Accumulated losses		**(180)**	(90)
Total equity		**112,310**	112,400

The accompanying accounting policies and notes form an integral part of these financial statements.

The financial statements on pages 11 to 57 were approved by the Board of directors on 27 March 2019.
On behalf of the Board.

J I Kim
Director

BOWERS & WILKINS HOLDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	Note	Called up Share Capital $'000	Capital Reserve $'000	Translation Reserve $'000	Accumulated losses $'000	Total Equity $'000
Balance at 28 April 2016		-	-	-	-	-
Loss for the period		-	-	-	(34,036)	(34,036)
Other comprehensive income for the period		-	-	(3,010)	-	(3,010)
Total comprehensive loss for the period		-	-	(3,010)	(34,036)	(37,046)
Transactions with owners in their capacity as owners:						
Capital contributions received		-	112,490	-	-	112,490
Dividends paid	11	-	-	-	-	-
Total transactions with owners in their capacity as owners		-	**112,490**	-	-	**112,490**
Balance at 30 September 2017 and 1 October 2017		-	**112,490**	**(3,010)**	**(34,036)**	**75,444**
Loss for the year		-	-	-	(22,390)	(22,390)
Other comprehensive loss for the year		-	-	(812)	-	(812)
Total comprehensive loss for the year		-	-	(812)	(22,390)	(23,202)
Transactions with owners in their capacity as owners:						
Capital injection		-	5,000	-	-	5,000
Restricted share units issued to employees		-	813	-	-	813
Dividend paid	11	-	-	-	-	-
Total transactions with owners in their capacity as owners		-	**5,813**	-	-	**5,813**
Balance at 30 September 2018		-	**118,303**	**(3,822)**	**(56,426)**	**58,055**

The accompanying accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	Note	Called up Share Capital $'000	Capital Reserve $'000	Accumulated losses $'000	Total Equity $'000
Balance at 28 April 2016		-	-	-	-
Loss for the period		-		(90)	(90)
Other comprehensive income for the period		-	-	-	-
Total comprehensive loss for the period		-	-	(90)	(90)
Transactions with owners in their capacity as owners:					
Capital contributions received		-	112,490	-	112,490
Dividends paid	11	-	-	-	-
Total transactions with owners in their capacity as owners		-	**112,490**	-	**112,490**
Balance at 30 September 2017 and 1 October 2017		-	**112,490**	**(90)**	**112,400**
Loss for the year		-	-	(90)	(90)
Other comprehensive loss for the year		-	-	-	-
Total comprehensive loss for the year		-	-	(90)	(90)
Transactions with owners in their capacity as owners:					
Dividend paid	11	-	-	-	-
Total transactions with owners in their capacity as owners		-	-	-	-
Balance at 30 September 2018		-	**112,490**	**(180)**	**112,310**

The accompanying accounting policies and notes form an integral part of these financial statements.

BOWERS & WILKINS HOLDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2018

	Note	**Group 2018 \$'000**	Group 2017 \$'000
Cash-flows from operating activities			
Cash generated from / (used in) operations	25	**13,402**	5,061
Interest received		**150**	136
Interest paid		**(2,809)**	(2,855)
Income tax paid		**(1,551)**	(2,654)
Net cash generated from/ (used in) operating activities		**9,192**	(312)
Cash-flows from investing activities			
Cash consideration for purchase of B&W Group Ltd		**-**	(97,390)
Purchases of intangible assets		**(3,474)**	(9,594)
Purchases of property, plant and equipment		**(2,636)**	(6,337)
Proceeds from sale of property, plant and equipment		**140**	314
Net cash used in investing activities		**(5,970)**	(113,007)
Cash-flows from financing activities			
Proceeds from borrowings		**327**	30,035
Repayments of borrowings		**(9,016)**	(22,487)
Loans received from parent company		**1,200**	7,500
Finance lease payments		**(458)**	(392)
Proceeds from capital contribution		**5,000**	100,000
Net cash generated from financing activities		**(2,947)**	114,656
Net (decrease) / increase in cash and cash equivalents		**275**	1,337
Effect of exchange rates on cash and cash equivalents		**47**	92
Cash and cash equivalents at the beginning of the year / period		**1,429**	-
Cash and cash equivalents at the end of the year / period		**1,751**	1,429
Cash and cash equivalents for the purpose of the cash-flow statement comprise:			
Cash and balances at banks		**2,463**	1,937
Bank overdrafts	20	**(712)**	(508)
		1,751	1,429

The accompanying accounting policies and notes form an integral part of these financial statements

BOWERS & WILKINS HOLDING LIMITED

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 September 2018

	Note	**Company 2018 $'000**	Company 2017 $'000
Cash-flows from operating activities			
Cash generated from operations	25	-	-
Income tax received		-	-
Net cash generated from operating activities		-	-
Cash-flows from investing activities			
Purchase of investments		-	(100,000)
Net cash used in investing activities		-	(100,000)
Cash-flows from financing activities			
Proceeds from capital contribution		-	100,000
Net cash generated from financing activities		-	100,000
Net decrease in cash and cash equivalents		-	-
Effect of exchange rates on cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year / period		-	-
Cash and cash equivalents at the end of the year / period		-	-
Cash and cash equivalents for the purpose of the cash-flow statement comprise:			
Cash and balances at banks		-	-
Bank overdrafts	20	-	-
		-	-

The accompanying accounting policies and notes form an integral part of these financial statements.

1. GENERAL INFORMATION

Bowers & Wilkins Holding Ltd (the 'company') is principally an intermediary UK holding company, holding the investment in B&W Acquisition Ltd as part of the Eva Automation group structure. The principal activities of the company's subsidiaries (the 'group') is the manufacture and wholesale distribution of high quality monitor loud speakers, premium quality sound systems, high performance headphones and associated equipment and services.

The company is a private company, limited by shares, and is incorporated and domiciled in the UK. The address of its registered office is Dale Road, Worthing, West Sussex, BN11 2BH.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3, *Critical accounting estimates and assumptions*. The group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and within the report of the directors of these financial statements.

The principal accounting policies of the group and company are set out below. These policies have been consistently applied throughout the financial year.

The company's UK subsidiaries listed below are exempt from the requirements to audit their accounts under section 479A of the Companies Act 2006:

- B&W Acquisition Ltd, company number 10153209

- B&W Group (Logistics) Ltd, company number 05259045

Under section 479A of the Companies Act 2006, Bowers & Wilkins Holding Ltd, being the parent undertaking of these entities, has given a statutory guarantee of all the outstanding liabilities to which the companies are subject to as at 30 September 2018.

Functional and presentational currencies

The functional currency of the company is US Dollars (USD), which is the currency the majority of the transactions are in. The consolidated and company financial statements are presented in USD which is the group and company's presentation currency.

The conversion rates used for GBP:USD was 1.3417 for the statement of financial position dated 30 September 2017 and 1.3041 for the statement of financial position dated 30 September 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

GOING CONCERN

The group and company meet their day-to-day working capital requirements through bank facilities and the ongoing support of their ultimate parent, EVA Automation Inc, by way of an intercompany loan. The current economic conditions continue to create uncertainty, particularly over the level of demand for the company's products. The group and company's forecasts and projections, which take account of reasonably possible changes in trading performance, show that the group and company should be able to operate within the level of its current bank facilities. When preparing the forecasts and projections the directors received confirmation from EVA Automation Inc. that EVA Automation Inc. will continue to support to the group and company for the foreseeable future, and for a minimum period of 12 months from the date of approval of these financial statements. The directors have made enquiries of its ultimate parent, and have received appropriate assurances, that EVA Automation Inc is in a position to provide the necessary support for the foreseeable future.

In light of the above, and after reviewing the group and company's forecasts and projections, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. The group and company therefore continues to adopt the going concern basis in preparing its consolidated and company financial statements.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2017, have had a material impact on the group or company for the current or prior period.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the group or company, with the possible exception of the following, set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through the consolidated statement of comprehensive income and fair value through the income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. An assessment of the full impact of IFRS 9 undertaken by the directors found that the adoption of IFRS 9 will not have a material impact on the group as all the group's assets and liabilities are all held at amortised costs.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. An assessment of the full impact of IFRS 15 is currently being undertaken. At this time the directors do not anticipate the adoption of IFRS 15 will have a material impact on the group as 99% of sales see transfer of goods effectively at the point of sale, with less than 1% of revenue relating to online music subscriptions. An assessment of costs associated with sales has also shown that there could be an immaterial reclassification between costs which will no impact on the overall profitability of the company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGES IN ACCOUNTING POLICY AND DISCLOSURE (continued)

New standards, amendments and interpretations (continued)

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the statement of financial position for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019. The full impact of IFRS 16 has not yet been assessed, however the directors' initial assessment suggests that although the potential gross assets and liabilities recognised are material, the net impact on the profit and loss is expected to be trivial, with rental charges being recognised as depreciation and interest instead.

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the company and of its principal subsidiary undertakings, drawn up to 30 September 2018, under uniform accounting policies. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies. Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

When the group ceases to have control any retained interest in the entity, the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The ultimate parent company (EVA Automation Inc.) is not required to produce publically available accounts.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated and company financial statements are presented in USD which is the group and company's presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSLATION (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where settlement of such transactions occurs and from the translation of assets and liability at year-end exchange rates. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses are presented in the income statement within 'other operating income' and 'other operating expenses.'

All assets and liabilities are converted into USD at the date of the statement of financial position. Any foreign exchange differences arising due to the different exchange rates at year ends are recognised in the statement of comprehensive income / expense for the year.

Share capital and share premium are translated into USD at the historic rate. As 30 September 2014 is the earliest year that the accounts were presented in USD, all historic equity balances were converted at an appropriate rate for this day and were not translated subsequently. This treatment causes a foreign exchange difference between equity and net assets as they are recorded at different rate. The effective foreign exchange on equity balances is recorded in the translation reserve. Foreign exchange differences on consolidation are also recorded in the translation reserve.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction); and
c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

REVENUE

Revenue comprises the fair value for the supply of goods delivered and services performed, net of value-added tax and other similar based sales taxes, rebates and discounts and after eliminating sales within the group. Revenue is recognised within the financial year in which goods have been delivered, services performed or royalties earned. Service revenue relates to after sale service and royalties relates to licencing of technology.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and recognised impairment.

Depreciation is calculated to write down the cost of all property, plant and equipment except freehold land over their expected useful economic lives. The assets' useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The rates/periods generally applicable are:

Freehold land	not depreciated
Freehold buildings	7 – 22 years straight line
Short leasehold premises	straight line over the period of the lease
Plant, equipment and vehicles	2 – 10 years straight line

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS

Purchased intangibles for intellectual property are capitalised on the statement of financial position where the economic benefit to the group is greater than one year and then written off over the expected useful economic life, currently six years. Management have assessed this based on the historic life cycles of products and consider it an appropriate method to match the expenditure to the revenue.

Customer lists, goodwill and purchased brands are capitalised based on a reasonable assessment of cost on the statement of financial position where the economic benefit to the group is greater than one year and then written off over the expected useful economic life. The useful economic life will be assessed on forecast cash flows from the assets based on management's experience of similar intangibles.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at a subsidiary level with impairments being considered for each subsidiary individually.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

RESEARCH AND DEVELOPMENT

Research expenditure is recognised in the income statement in the year it is incurred. Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38, 'Intangible assets'. Where there is uncertainty that the criteria will not be met, the expenditure is recognised in the income statement and development expenditure is written off to the income statement as it is incurred.

Development expenditure comprises of staff costs for time spent on the projects, related overheads, direct costs and external fees capitalised and is capitalised usually when the following criteria are demonstrated:

- The technical feasibility of completing the product so that it will be available for use or sale.
- The intention to complete the product and use or sell it.
- The ability to use the product or to sell it.
- How the product will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the product.
- The ability to measure reliably the expenditure attributable to the product during its development.

Development costs capitalised are amortised based on the actual sales in the year as a percentage of the estimated total sales throughout its lifecycle. Estimates for each product are reviewed on an annual basis and the amortisation is updated to reflect revised forecasts and actual sales.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are measured at cost less amounts written off. Impairments are charged to the income statement.

Investments in subsidiary undertakings held for resale within twelve months are included in current assets.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision has been made, where necessary, for slow moving and obsolete stock.

The cost of work in progress and finished goods consists of direct materials, direct labour and attributable production overheads. The rate at which costs are allocated to stock is reviewed on a regular basis by the group to ensure the allocations are reasonable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The company is currently claiming the research and development expenditure credit (RDEC). This is treated like a grant in the accounts in line with standard practice, resulting in income being recognised in the accounts within other income, rather than within taxation. The RDEC can be used to reduce tax payable or, if the company is in a tax loss position, can be claimed as a tax refund.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

LEASES

Finance leases, which transfer substantially all the risks and benefits to ownership of the leased asset to the group, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability, net of interest charges to the lessor, is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement as part of finance costs over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases contracts are capitalised in the statement of financial position and depreciated over the shorter of their lease term and their expected useful economic lives.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

PENSION COSTS

Pension contributions to money purchase schemes charged to the income statement represent the amount of the contributions payable in respect of the financial year.

PROVISIONS

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The basis for the estimates is explained in note 3, *Critical accounting estimates and assumptions*.

FINANCIAL INSTRUMENTS

Classification

The group classifies its financial assets, excluding derivatives, as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 1 year after the end of the reporting period. These are classified as non-current assets. Loans and receivables comprise 'trade and other receivables', 'amounts owed by group undertakings' and 'cash and cash equivalents'. Derivatives are classified as financial assets and liabilities at fair value through profit or loss.

Financial liabilities (excluding derivatives) and equity instruments are classified according to the substance of the contractual obligations entered into. An equity instrument is any contract that evidences a residual interest in the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Finance costs and gains or losses relating to financial liabilities are included in the income statement.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are taken direct to reserves. Financial liabilities comprise 'trade and other payables', 'borrowings' and 'amounts owed to related parties'.

Recognition and measurement

Financial assets and liabilities are recognised when the group becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

FINANCIAL INSTRUMENTS (continued)

Recognition and measurement (continued)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities. The quality of receivables is discussed within note 4, *Financial risk management* and note 18 *Trade and other receivables.*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Borrowings comprise of overdrafts, finance leases, bank, intercompany and other loans which are disclosed in note 20, *Borrowings*.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial assets and liabilities that are recognised at fair value are re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the income statement in finance income and finance costs respectively. Fair value measurements can be made at three levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company consider all financial instruments they hold to be level 3.

Impairment of financial assets carried at amortised cost

The directors assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Further details on management's approach to managing capital is included within note 4, *Financial risk management*.

FINANCE INCOME

Finance income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Finance income on impaired loan and receivables is recognised using the original effective interest rate.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are paid within agreed terms. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

EMPLOYEE BENEFITS

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Post-employment obligations

Staff may belong to a group personal pension plan or money purchase scheme (defined contribution schemes). The assets of the schemes are administered in funds independent from those of the group. Figures in the accounts relate to the amounts paid, or due, to the independent pension fund.

Restricted share units

The group operates an equity settled restricted share unit (RSU) compensation scheme. The units are within the ultimate parent company EVA Automation Inc. (EVA). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including external valuations of EVA market value undertaken at the RSU grant date
- including the impact of any non-vesting conditions

At the end of each reporting period, the group revises its estimates of the number of units that are expected to vest based service conditions and likely of a trigger event. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the units vest, EVA issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to the share capital (par value - $0.00001 per unit) and share premium.

The grant by the EVA of units over its Equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in EVA Automation Inc accounts.

The social security contributions payable in connection with the grant of the units is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Holiday pay

Holiday entitlement varies across the group, depending on entitlement in line with the entities' jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

BORROWING

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

BORROWING

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Goodwill on B&W Group Ltd

On the 3 May 2016, B&W Acquisitions, a subsidiary of the company, purchased all of the available share capital in B&W Group Ltd. The consideration was $100 million in cash, a $25 million secured loan note and 2,518,237 million class B common stock shares in the ultimate parent company EVA Automation Inc.. The fair value of the shares was assessed to be $4.96 a share based an independent valuation undertaken by Teknos Associates LLC, an investment bank specialising in valuation services. The overall value of the shares was therefore determined to be $12.5 million. The total value of the consideration was therefore assessed to be $137.5 million.

To fair value B&W Group Ltd the directors engaged Duff and Phelps, a financial services company specialising in valuation and corporate finance, to provide a valuation of the group based on the statement of financial statements at 30 April 2016. There were no working days between the valuation date and the date of acquisition so this was considered a reasonable bases of the group's value at the acquisition date.

Fair value uplifts were recognised on the inventory, intangible assets and property plant and equipment within the group. The book value of the net assets on acquisition was $63.9 million, with fair value uplifts of $25.4 million on net assets, off balance sheet intangibles of $41.9 million identified as part of the evaluation and additional deferred tax liabilities of $14.0 giving a fair value of $117.2 million. The difference of $20.3 million is considered to be the goodwill on the purchase.

The directors undertake an annual review of the goodwill and compares these values to 5 year forecast cash flows discounted to a net present value to determine whether the asset requires impairment. Forecast cash flows are based on a mixture of historic performance of the entity, forecast launch of new products and knowledge of any change in relationships with key customers. Cash flows are normally discounted at a pre-tax discount 15.0% basis to provide a present value of future cash flows.

Management consider 5 years to be a reasonable estimate management's current business plans covers 5 year based on reasonable viability over product trends and lifecycles and the group has had historically good relationships with its primary customers and has generally seen steady income from this core base. Customer turnover is generally low so management expect to maintain the majority of clients over 5 years and therefore maintaining a similar level of profit is reasonable. No impairment was determined to be required as a result of the review.

b) Brand name

Upon acquisition of B&W Group Ltd, the group acquired the right to develop and sell products under the Bowers and Wilkins brand name. The brand is one of the strongest within the stand-alone speaker market and has built a reputation over 50 years on the basis of their high quality products. The value of the brand on acquisition was determined to be $30.9 million as part of the valuation of B&W Group Ltd by Duff & Phelps.

The brand valuation was based on a profit allocation of the forecast sales from the date of acquisition. It was determined that the asset be reviewed annually for impairment rather than use an annual amortisation rate. The directors are satisfied that the basis of the valuation used by Duff and Phelps was reasonable, as the brand's reputation and customer base means that the brand is likely to grow in value as market awareness increases. The directors believe that the brand is only likely to reduce in value if there is an unforeseen catastrophic event that affects the brand and therefore annual impairment reviews are more appropriate than an amortisation rate.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

b) Brand name (continued)

At 30 September 2018, the directors do not believe that an impairment is required to the brand. The reasons for this are:

- The launch of the PX headphones has increased brand awareness and reputation in the wider headphones market, as the product has sold well following period end and received great reviews.
- The delays in launches have not impacted on the brand's overall reputation and therefore there has been no event which would imply an impairment is required.
- The revised model does not account for the further potential boost to awareness following the launch of the Libertie range of products using EVA Automation Inc. technology in late 2018.

To reflect the tax implications on any possible future sale of the brand, a deferred tax liability of 18% ($5.6 million) of the brand's valuation on acquisition was recognised in accordance with IFRS 3. The brand originates and is held in a UK company registered company, so it was determined that it should be taxed at UK rates. At end of the prior period end the rate was adjusted to 17% ($5.3 million) to reflect the changes to tax legislation. No further relevant tax legislation came into effect during the current year.

c) Customer relationships

Upon acquisition of B&W Group Ltd, the group acquired the existing customer relationships. The group has had historically long lasting relationships with its dealers and has strong customer loyalty. The value of the customer relationships on acquisition was determined to be $9.8 million as part of the valuation of B&W Group Ltd by Duff & Phelps.

Customer relationships are amortised over 7 years as advised in the valuation. The directors believe that this is a reasonable rate based on historic retention rates, the long contract terms on automotive clients and the estimated gap between purchases of standalone speakers by end customers in line with product cycles. Amortisation of $2.0 million has therefore been recognised in the accounts.

An impairment review carried out at year end only identified one key customer that the group had lost since acquisition. The customer had filed for bankruptcy and accounted for less than 1% of the overall revenue so the directors are satisfied that this loss is covered as part of the normal impairment charge.

To reflect the tax implications on any possible future sale of the customer lists, a deferred tax liability of $2.3 million of the customer relationship valuation on acquisition was recognised in accordance with IFRS 3. The rates used were calculated based on an estimated split of their country of origin. At year ends the rates used were adjusted to reflect the changes to tax legislation made during the period.

d) Warranty/remorse provision

The warranty provision comprised of warranty costs and remorse returns is based on the actual warranty costs and remorse provision incurred in the current financial year. The directors have assumed that the costs will remain materially consistent for the coming year. The assumption is based on the fact there are no major launches planned and no new widespread problems have been discovered with existing products post year end.

As the warranty period is 13 months on all products, the annual charge from the previous current financial year is adjusted to reflect 13 months of costs.

The remorse provision is based on sales within the final quarter of the year. The remorse policy of 3 months means only sales in the final quarter will be affected by remorse returns. The provision rate is calculated by using an average remorse rate by product for the first three quarters of the year. The directors do not believe that the remorse rate will change materially in the final quarter of the year.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

d) Warranty / remorse provision (continued)

The directors have continued to review costs incurred in relation to warranty and remorse returns post year end. Cost are materially in line with the provision recognised.

e) Valuation of development costs

Internally generated development is measured at cost less accumulated amortisation and impairment. The development costs acquired on acquisition of B&W Group Ltd were added at cost based on their fair value using the valuation of B&W Group Ltd completed by Duff & Phelps and are amortised over a useful economic life based on the rate used in the valuation.

f) Inventories provision

The directors perform regular reviews of inventory held to assess whether a provision is necessary against specific products. Aged inventory is reviewed based on its condition and popularity within the relevant market. Provisioning is therefore undertaken on a product line basis within each plant.

As part of the review of the provisioning, management will also review whether general production costs are being correctly assigned to stock. Management will review absorption rates to ensure these are reasonable and adjust if necessary.

Inventory returned from customers will initially be fully provided for, as the potential re-saleability is not known until the item has been inspected. Once each individual stock item has been reassessed the provision will be adjusted, or removed, to reflect the product's condition and potential for resale.

g) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less accumulated impairment. The directors undertake an annual review of the holdings in subsidiaries and compares these values to forecast cash flows to determine whether the holding requires impairment.

Forecast cash flows are based on a mixture of historic performance of the entity, forecast launch of new products and knowledge of any change in relationships with key customers. Cash flows are normally discounted at a pre-tax discount 12.5% basis to provide a present value of future cash flows.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

h) Restricted share units

During the prior year the directors of the ultimate parent company, EVA Automation Inc. (EVA), announced to the employees that they would be issued restricted share units within EVA as part of its existing scheme. The decision was approved by EVA's board of directors following the year end.

Employees will receive 25% of their units once they have completed one year of service from the 1 April 2017 and will then receive the rest equally each month over the subsequent three years. The units will vest if a trigger event occurs before April 2024.

The directors have based the estimated cost of the scheme for the financial year using the share register to provide the number of units by entity and the latest independent external stock valuation performed over EVA's stock prior to the grant date. The valuation used a combination of market and income approaches to determine the weighted average share price.

In determining the cost of the units for the group and company, the directors have used the following information and assumptions:

a) units are granted for no consideration to the employees;
b) the offer had been communicated to all existing employees by 30 June 2017 or as soon as practical after employee's start date;
c) grant date was latter of 11 January 2018 or EVA board meeting following employee's start date;
d) vesting period began latter of 1 April 2017 or employee's start date;
e) employees will retain units for the full vesting period;
f) expense is incurred evenly over the vesting period; and
g) a trigger event will occur within the timeframe.

The estimated cost of each employee's total RSU grant is therefore recognised on a pro rata basis over the period between the grant date and the total vesting period.

i) Deferred tax asset

The company has had significant tax losses. As a result there is a potential for a considerable deferred tax asset. Deferred tax assets are only recognised if it is more likely than not that the company will be able to get an economic advantage from the asset in the foreseeable future. The company are prudently treating the foreseeable future as within 3 years.

The deferred tax assets on tax losses carried forwards in some of the group's subsidiaries is greater than the deferred tax liability. The subsidiaries are not expected to produce a tax profit within the next 3 years based on the performance of the subsidiary over the last few years. Where there are deferred tax liabilities arising on consolidation, deferred tax assets on tax losses can be recognised against those which relate to the subsidiary (e.g. if a deferred tax liability arises on a customer list recognised in subsidiaries, excess tax losses in that subsidiary can be recognised as a deferred tax asset against the liability).

Management have decided to recognise a deferred tax asset for such tax losses on the basis that it can be offset against the subsidiaries' deferred tax liability and the tax charges arising from these liabilities. On consolidation, management have recognised the fair value uplift of the losses within its subsidiaries, including recognising the asset against unclaimed tax losses as this reflects the additional value to a potential buyer.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Critical judgements in applying the group's accounting policies

a) Development costs

Management consider that the treatment of development costs is a critical judgement based on the material size of the balance. The policy of capitalisation is clarified within the research and development accounting policy and management will apply these policies when deciding whether it is appropriate to capitalise these costs.

Management use their experience from previous products and their knowledge of the market to ascertain whether it is appropriate to capitalise costs. Management will use forecast sales to assess whether it is believed that the product will generate more funds than the intangibles balance. If the review reveals that previously capitalised items are no longer commercially viable then the existing balance will be impaired.

Measurement of cost is based on time dedicated to specific projects and is not considered a critical judgement.

4. FINANCIAL RISK MANAGEMENT

The Business risk management note within the Strategic report includes the group's business objectives, policies and processes for managing its financial risk management objectives and its exposure to credit risk and liquidity risk. In addition, note 20 to the financial statements sets out the group's borrowings which were at all times within its agreed facilities.

Capital management

The group has exposure to three main areas of risk - liquidity risk, foreign exchange currency exposure and customer credit exposure. The group has taken several steps to address this.

Liquidity risk
The group consolidated its bank holdings with Bank of America during the 2016 financial year. As a result, B&W Group Ltd (company) receives the incoming funds from a number of the European subsidiaries and can view a greater number of bank accounts held within the group. This provides a greater level of financial control for the group as a whole and enable better co-ordination of capital.

The agreement with Bank of America includes access to a revolver facility of $55 million that the group can draw down from and receive funds the same day. The group holds facilities in US Dollars, Euros and Sterling.

The borrowing terms were reassessed as part of the credit agreement and is based on an asset basis rather than a liquidity basis. The agreement came into effect on the 29 September 2016. The borrowing base is assessed each month by the group and the bank to ensure none of the borrowing covenants have been violated.

Within the agreement there are thresholds that can increase the frequency of reporting to the bank prior to the facilities being withdrawn. The additional reporting should provide adequate warnings of liquidity issues prior to defaulting on the bank covenants.

None of the banking covenants have been breached as of the signing date of the accounts. The group also prepares cash forecasts, which review expected movements over the coming 12 months. The forecast shows the group continuing to generate sufficient cash flows throughout the year to not breach any of the covenants.

The tables overleaf analyses the group's and company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

4. FINANCIAL RISK MANAGEMENT (continued)

Group	< 3 months $'000	3 months – 1 year $'000	1 – 2 years $'000	2 – 5 years $'000	>5 Years $'000
At 30 September 2018					
Borrowings (excluding finance leases)	1,073	1,083	1,443	26,171	3,880
Loan note	-	-	-	30,132	-
Other loans	64	191	213	39	-
Loans from ultimate parent company	8,700	-	-	-	-
Finance leases	117	326	433	819	-
Trade and other payables	26,354	65	59	-	-
Total	**36,308**	**1,665**	**2,148**	**57,161**	**3,880**
At 30 September 2017					
Borrowings (excluding finance leases)	921	1,168	1,456	34,660	4,447
Loan note	-	-	-	27,833	-
Other loans	37	111	148	106	-
Loans from ultimate parent company	7,500	-	-	-	-
Finance leases	121	334	446	842	-
Trade and other payables	33,709	89	-	-	-
Total	**42,288**	**1,702**	**2,050**	**63,411**	**4,447**

Company	< 3 months $'000	3 months – 1 year $'000	1 - 2 years $'000	2 – 5 years $'000	>5 years $'000
At 30 September 2018					
Amounts owed to Group undertakings	90	-	-	-	-
Trade and other payables	90	-	-	-	-
Total	**180**	-	-	-	-
At 30 September 2017					
Trade and other payables	90	-	-	-	-
Total	**90**	-	-	-	-

Foreign exchange transactional currency exposure

The group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-US Dollar currencies. There are currently no official hedges used, however efforts have been made to limit foreign exchange impact within the group by selling between groups in US Dollars where appropriate.

Customer credit exposure

The group may offer credit terms to its customers which allow for payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships. The group monitors debtor days to maintain an assessment of credit exposure and recovery. As of 30 September 2018, debtor days were 56.0 (2017 50.4). Trade receivables past due and not impaired has been disclosed in note 18, *Trade and other receivables*. The group believe the credit quality of financial assets is therefore reasonably high and expect the vast majority to be recoverable.

5. REVENUE

Revenue is attributable to one activity, the manufacture and wholesale distribution of high-quality monitor loudspeakers and associated equipment and services. Revenue comprises of the following:

	2018	2017
	$'000	$'000
Sale of goods	170,259	233,886
Royalties	2,144	2,354
	172,403	236,240

Revenue resulting from the group's ecommerce sales platform amounted to $2,146,000 (2017: $2,778,000).

The revenue by geographical sector is as follows:	2018	2017
	$'000	$'000
United Kingdom	14,873	21,442
Rest of Europe	65,939	87,721
North America	51,327	80,510
Asia Pacific	28,554	38,742
Rest of World	11,710	7,825
	172,403	236,240

Turnover achieved by product segment was:	2018	2017
	$'000.	$'000
Loudspeakers and related equipment	130,959	187,653
Wireless music systems	11,252	20,112
Headphones	28,048	26,121
Automotive earnings	2,144	2,354
	172,403	236,240

6. AUDITORS' REMUNERATION

During the year the group obtained the following services from the company's auditors

	2018	2017
	$'000	$'000
Fees payable to the company's auditors for the audit of the company's financial statements	90	90
Fees payable to the company's auditors and its associates for other services:		
- the audit of the company's subsidiaries	173	247
- tax compliance services	33	29
- tax advisory services	6	106
- IFRS transition advisory services	33	45
- corporate structure advisory services	11	85
	346	602

7. EMPLOYEE BENEFIT EXPENSES

The average monthly number of employees (including executive directors) of the group during the financial year / period and their aggregate emoluments are shown below:

Group	**2018**	2017
	$'000	$'000
Wages and salaries	**35,181**	50,052
Social security costs	**3,826**	5,339
Other pension costs (note 28)	**1,390**	1,973
Restricted stock units expense	**529**	284
	40,926	57,648

	2018	2017
	Number	Number
Production	**269**	323
Selling	**93**	100
Administration	**412**	427
Average monthly number of employees	**774**	850

The company had no employees during the year (2017 – nil).

The directors received no remuneration from the company during the year.

Restricted stock units expense

The group offers employees restricted share units in the ultimate parent company EVA Automation Inc. (EVA) as part of EVA's existing scheme. The was formally announced to the group's employees by June 2017 and approved by board of directors of EVA in January 2018.

Units are granted to employees over the period that they remain an employee of the group. If a trigger event occurs before April 2024, the units will convert to class B common stock in EVA. If no trigger event occurs in this period, the units will expire.

	Group 2018 No of units Thousands	Group 2017 No of units Thousands
Number of units issued under the plan to participating employees	**2,450**	2,626

The total number of time vested unites under the scheme was 847,000 (2017 – none) for the group and 621,000 for the company (2017 – none). Although the scheme officially approved in FY18, the prior year charge and estimated number of units to be issued to employees was to reflect the cost of the scheme that related to FY17. See note 24, *Share Based Payments* for more details.

8. FINANCE INCOME AND EXPENSES

	2018 $'000	2017 $'000
Finance income:		
Bank interest receivable	**150**	136
Finance expenses:		
Bank loans and overdrafts	**2,722**	3,071
Loan note	**2,299**	2,833
Other loans	**17**	3
Finance charges in respect of finance leases	**51**	46
	5,089	5,953

9. INCOME TAX EXPENSES

The tax charge is based on the group loss for the financial year and is made up as follows:

	2018 $'000	2017 $'000
Current tax		
UK corporation tax on losses for the year / period	-	-
Adjustment in respect of periods	132	11
	132	11
Foreign tax		
Foreign corporation taxes	1,922	3,749
Adjustment in respect of prior periods	(193)	114
	1,729	3,874
Total current tax	1,861	3,874
Deferred tax		
Origination and reversal of temporary differences	(2,873)	(8,284)
Adjustment in respect to prior periods	-	(186)
Change of rates on deferred tax	(386)	(349)
Total deferred tax	(3,259)	(8,819)
Income tax income	(1,398)	(4,945)

The tax assessed for the year is different from (2017: different from) the standard rate of corporation tax in the UK for the year ended 30 September 2018 19% (2017: 19.65%) as explained below:

	2018 $'000	2017 $'000
Loss before income tax	(23,788)	(38,981)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.65%)	(4,520)	(7,660)
Effect of:		
Expenses not deductible for tax purposes	830	1,539
Income that is exempt from taxations	(218)	(91)
Higher rates on overseas earnings	297	1,085
Deferred tax on tax losses carried forwards on which no tax asset is recognised	2,318	590
Deferred tax recognised on the carrying value of buildings	29	(36)
Change in income tax rates	(73)	(311)
Adjustments in respect of prior years	(61)	(61)
Total tax charge	(1,398)	(4,945)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes in the statement of financial position have been measured using these enacted tax rates and reflected in these financial statements.

10. PROFIT FOR THE FINANCIAL YEAR

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The group loss for the financial year includes a loss of $90,000 (2017: loss of $90,000), which is dealt with in the financial statements of the parent company.

11. DIVIDENDS

No dividends were paid in respect of the financial year ended 30 September 2018 (2017 - $nil).

12. PROPERTY, PLANT AND EQUIPMENT

Group	**Freehold land and buildings $'000**	**Short leasehold premises $'000**	**Plant, equipment and vehicles $'000**	**Total $'000**
Cost				
At 1 October 2017	12,221	2,052	24,684	38,957
Additions	-	165	2,802	2,967
Disposals	-	(40)	(390)	(430)
Exchange differences	-	(62)	(130)	(192)
At 30 September 2018	**12,221**	**2,115**	**26,966**	**41,302**
Accumulated depreciation				
At 1 October 2017	740	326	9,833	10,899
Charge for the year	523	274	7,887	8,684
Eliminated on disposals	-	(38)	(262)	(300)
Exchange differences	-	(17)	(68)	(85)
At 30 September 2018	**1,263**	**545**	**17,390**	**19,198**
Net book amount				
At 30 September 2018	**10,958**	**1,570**	**9,576**	**22,104**
Net book amount				
At 30 September 2017	11,481	1,726	14,852	28,058

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land and buildings	Short leasehold premises	Plant, equipment and vehicles	Total
	$'000	$'000	$'000	$'000
Cost				
At 28 April 2016	-	-	-	-
Added on consolidation	12,345	496	18,424	31,265
Additions	-	1,521	6,814	8,335
Impairments	-	-	(69)	(69)
Disposals	(124)	-	(489)	(613)
Exchange differences	-	35	4	39
At 30 September 2017	**12,221**	**2,052**	**24,684**	**38,957**
Accumulated depreciation				
At 28 April 2016	-	-	-	-
Charge for the period	744	321	10,211	11,276
Eliminated on disposals	(3)	-	(379)	(382)
Exchange differences	(1)	5	1	5
At 30 September 2017	**740**	**326**	**9,833**	**10,899**
Net book amount				
At 30 September 2017	**11,481**	**1,726**	**14,851**	**28,058**

Lease rentals amounting to $3,174,000 (2017: $4,584,000) and $414,000 (2017: $649,000) relating to short leasehold premises and plant equipment and vehicles respectively, are included in the income statement.

During the year the group and company have reviewed fully depreciated assets and those no longer in use have been treated as disposed resulting in retirements in the group of $109,000 (2017: $nil).

The group and company figures stated above include assets held under finance leases contracts, as follows:

	Plant, equipment and vehicles $'000
Net book amount at 30 September 2018	**1,516**
Net book amount at 30 September 2017	1,747
Depreciation provided in the year	**492**
Depreciation provided in prior period	589

13. INTANGIBLE ASSETS

Group	Goodwill $'000	Brand name $'000	Customer relationships $'000	Development costs $'000	Other $'000	Total $'000
Cost						
At 1 October 2017	20,325	30,900	9,800	25,587	1,244	87,856
Additions	276	-	-	3,198	-	3,474
Disposals	-	-	-	(3,526)	-	(3,526)
Exchange differences	(16)	-	-	-	-	(16)
At 30 September 2018	**20,585**	**30,900**	**9,800**	**25,259**	**1,244**	**87,788**
Accumulated amortisation						
At 1 October 2017	-	-	1,983	9,070	1,244	12,297
Charge for the year	-	-	1,400	5,228	-	6,628
Impairments	-	-	-	2,028	-	2,028
Eliminated on disposals	-	-	-	(3,526)	-	(3,526)
At 30 September 2018	**-**	**-**	**3,383**	**12,800**	**1,244**	**17,427**
Net book amount at 30 September 2018	**20,585**	**30,900**	**6,417**	**12,459**	**-**	**70,361**
Net book amount at 30 September 2017	20,325	30,900	7,817	16,517	-	75,559

13. INTANGIBLE ASSETS (continued)

Group	Goodwill $'000	Brand name $'000	Customer relationships $'000	Development costs $'000	Other $'000	Total $'000
Cost						
At 28 April 2016	-	-	-	-	-	-
Added on acquisition	20,325	30,900	9,800	16,600	1,244	78,869
Additions	-	-	-	9,594	-	9,594
Disposals	-	-	-	(151)	-	(151)
Impairments	-	-	-	(214)	-	(214)
Exchange differences	-	-	-	(242)	-	(242)
At 30 September 2017	**20,325**	**30,900**	**9,800**	**25,587**	**1,244**	**87,856**
Accumulated amortisation						
At 28 April 2016	-	-	-	-	-	-
Charge for the period	-	-	1,983	9,176	1,244	12,403
Disposals	-	-	-	(151)	-	(151)
Exchange differences	-	-	-	45	-	45
At 30 September 2017	**-**	**-**	**1,983**	**9,070**	**1,244**	**12,297**
Net book amount at 30 September 2017	**20,325**	**30,900**	**7,817**	**16,517**	**-**	**75,559**

During the period the group expensed $1,573,000 (2017: $3,186,000) relating to research activities.

Management have reviewed the intangible assets held at the year end for projects that are no longer commercially viable and as a result have recognised an impairment of $2,028,000 (2017: $nil). In the prior year, following the closure of the Canadian branch and cessation of development under the Classé brand name, it was determined that any assets relating to Classé should be reduced to nil NBV. As result accelerate amortisation of $1,236,000 was recognised against development costs.

13. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Management reviews the business performance of B&W Group Ltd (B&W Group) as a single cash generating unit to reflect the acquisition of the group. Goodwill recognised in the subsidiary Bowers & Wilkins Australia Pty Limited (B&W Australia) is reviewed separately. The following is a summary of goodwill allocation for each cash generating unit:

2018	**B&W Group**	**B&W Australia**
	$'000	**$'000**
At 1 October 2017	20,325	-
Additions	-	276
Impairments	-	-
Exchange differences	-	(16)
At 30 September 2018	**20,325**	**260**
2017		
At 28 April 2016	-	-
Added on acquisition	20,325	
Impairments	-	-
Exchange differences	-	-
At 30 September 2017	**20,325**	-

The recoverable amount of all cash generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rate for the business.

For the impairment review goodwill recognised on B&W Group Ltd for 30 September 2018, the key assumptions of long-term growth rate used in the value-in-use calculations are as follows.

Revenue is forecast to grow at the following rate over the next 5 year:

	FY19	**FY20**	**FY21**	**FY22**	**FY23**
Annual Growth (%)	27.4	53.6	35.6	29.3	21.6
Gross margin (%)	48.6	46.1	45.6	47.0	47.7
Other operating costs ($M)	81.9	105.6	114.8	133.3	146.3
Annual capex ($M)	9.2	10.0	10.0	11.0	12.0
Long term growth rate (%)	2.0				
Pre-tax growth rate (%)	15.0				
Recoverable amount	n/a				

The strong sales growth stems from key launches planned in the second half of FY19. The launch of the Smart A/V products will provide the group with a new revenue stream and new headphones products will substantially expand the group's range of products in this market. The very strong growth in FY20 reflects the first full year of sales from these products plus expected licencing revenue from research relating to the Smart A/V products.

Gross margin is the average margin as percentage of revenue over the 5 year forecast period. It is based on the current sales margin levels and mix with adjustments for new products scheduled for launch. None of the key materials used in the group's products is expected to see a significant rise in price over the foreseeable future other than inflationary rises, which should be mirrored by sales prices.

13. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (continued)

Gross margin is the average margin as percentage of revenue over the 5 year forecast period. It is based on the current sales margin levels and mix with adjustments for new products scheduled for launch. None of the key materials used in the group's products is expected to see a significant rise in price over the foreseeable future other than inflationary rises, which should be mirrored by sales prices.

Other operating costs are expected to increase over the period as the company will need to expand its support operations to handle the increase in sales and inflationary rises. This includes logistical and marketing support for the planned launches. The amount disclosed reflects an average growth rate over the 5 year period.

Annual capital expenditure is the expected cash costs for replacement of manufacturing machinery, renovation of research and development facilities and capitalised internal development costs. This is based on historic experience and planned development and expected expansion in line with revenue growth. No cost savings are assumed in the value-in-use model as a result of this expenditure.

The long term growth rate is low to reflect that products that will be launched at from FY24 onwards have not reached a development stage where it is appropriate to forecast their commercial potential. Therefore management are unable to forecast launches at this stage. As the group's sales growth is often directly related to the launch of new products, management have deemed it appropriate to take a conservative estimate of growth beyond this date.

As a result of the assessment, management have determined that no impairment is necessary.

14. INVESTMENTS

Group	**Other investments $'000**	**Total $'000**
Cost		
At 1 October 2017	2	2
Exchange differences	-	-
At 30 September 2018	**2**	**2**
Accumulated impairment at 30 September 2017 and 30 September 2018	-	-
Net book amount at 30 September 2018	**2**	**2**
Net book amount at 30 September 2017	2	2

Group	**Other investments $'000**	**Total $'000**
Cost		
At 28 April 2016	-	-
Additions on acquisition	2	2
Exchange differences	-	-
At 30 September 2017	**2**	**2**
Accumulated impairment at 28 April 2016 and 30 September 2017	-	-
Net book amount at 30 September 2017	**2**	**2**

The long term investment represents a minority interest in an overseas distributor.

Company	**Subsidiary undertakings $'000**	**Total $'000**
Cost		
At 1 October 2017	112,490	112,490
Exchange differences	-	-
At 30 September 2018	**112,490**	**112,490**
Accumulated impairment		
At 1 October 2017	-	-
Charge for the year	-	-
Exchange differences	-	-
At 30 September 2018	-	-
Net book amount at 30 September 2018	**112,490**	**112,490**
Net book amount at 30 September 2017	112,490	112,490

14. INVESTMENTS (continued)

Company	**Subsidiary undertakings $'000**	**Total $'000**
Cost		
At 28 April 2016	-	-
Additions	112,490	112,490
At 30 September 2017	**112,490**	**112,490**
Accumulated impairment at 28 April 2016 and 30 September 2017	-	-
Net book amount at 30 September 2017	**112,490**	**112,490**

During the financial year the company conducted an impairment review of its subsidiaries. No investments were considered to require impairment (2017: nil).

The directors believe the carrying value of the investments is supported by their underlying net assets.

A list of investments held by the company as of 30 September 2018 can be seen in the appendix.

15. DEFERRED TAX

Deferred tax asset/(liability) is reflected in the financial statements, as follows:

	Group 2018 $'000	Group 2017 $'000	**Company 2018 $'000**	Company 2017 $'000
At 1 October	**(5,827)**	-	-	-
Balance gained on acquisition	-	(14,708)	-	-
Tax credit	**3,259**	8,819	-	-
Exchange differences	**(6)**	62	-	-
At 30 September	**(2,574)**	(5,827)	-	-

The analysis of deferred tax assets and liabilities is as follows

	Group 2018 $'000	Group 2017 $'000	**Company 2018 $'000**	Company 2017 $'000
Deferred tax assets to be recovered after more than 12 months	**7,909**	4,729	-	-
Deferred tax assets to be recovered within 12 months	**614**	1,323	-	-
	8,523	6,052	-	-
Deferred tax liabilities to be settled after more than 12 months	**(10,348)**	(10,065)	-	-
Deferred tax liabilities to be settled within 12 months	**(749)**	(1,814)	-	-
	(11,097)	(11,879)	-	-
Deferred tax asset/(liability) net	**(2,574)**	(5,827)	-	-

Deferred tax liabilities - Group	**Capital Allowances $'000**	**Other $'000**	**Total $'000**
At 28 April 2016	-	-	-
Addition on acquisition	(5,150)	(11,809)	(16,959)
Tax charge	797	4,032	4,829
Exchange differences	210	41	251
At 30 September 2017	(4,143)	(7,736)	(11,879)
Tax charge	(56)	769	713
Exchange differences	59	10	69
At 30 September 2018	**(4,140)**	**(6,957)**	**(11,097)**

15. DEFERRED TAX (continued)

Deferred tax assets - Group	Capital Allowances $'000	Other $'000	Total $'000
At 1 October 2016	-	-	-
Addition on acquisition		2,251	2,251
Tax charge	-	3,990	3,990
Exchange differences	-	(189)	(189)
At 30 September 2017	-	6,052	6,052
Tax charge	7	2,539	2,546
Exchange differences	-	(75)	(75)
At 30 September 2018	**7**	**8,516**	**8,523**

The deferred tax asset stems from the impact of provisions made within the group, timing differences in overseas subsidiaries and stock valuation differences as a result of potential unrealised profit.

Unrelieved tax losses of $5,527,000 (2017: $3,009,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised for these losses due to the uncertainty over the recovery of the losses in the future. The un-provided deferred tax asset as a result of these losses is $1,050,000 (2017: $590,000).

16. INVENTORIES

	Group 2018 $'000	Group 2017 $'000	**Company 2018 $'000**	Company 2017 $'000
Raw materials and consumables	**7,891**	9,708	-	-
Work in progress	**2,644**	4,192	-	-
Finished goods	**31,154**	45,787	-	-
	41,689	59,687	-	-

There were no significant differences between the replacement cost and the values disclosed for inventories. The cost of inventories recognised as an expense amounted to $72,909,000 (2017: $112,176,000). Finished goods are stated net of any provisions for obsolete and slow moving stock.

The provision included in the accounts was $6,414,000 (2017 - $10,800,000) for the group.

17. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE HIEARCHY

Classification

The following tables shows the group and company's financial instruments by classification:

	Group 2018 $'000	Group 2017 $'000	**Company 2018 $'000**	Company 2017 $'000
Financial assets that are debt instruments measured at amortised cost				
Trade receivables	**23,970**	27,704	-	-
Amounts owed by parent companies	**161**	-	-	-
Other receivables	**1,430**	3,963	-	-
Cash and cash equivalents	**2,463**	1,937	-	-
	28,024	33,604	-	-
Financial liabilities measured at amortised cost				
Bank overdrafts	**712**	508	-	-
Revolver loans	**23,340**	30,541	-	-
Loan note	**30,132**	27,833	-	-
Bank loans	**9,597**	11,603	-	-
Other loans	**468**	375	-	-
Trade creditors	**17,236**	23,708	-	-
Amounts owed to group undertakings	-	-	**90**	-
Loans from ultimate parent company	**8,700**	7,500	-	-
Other creditors	**1,051**	948	-	-
Finance leases	**1,446**	1,644	-	-
Accruals and deferred income	**9,115**	10,118	**90**	90
	101,797	114,778	**180**	90

Fair value hierarchy

For all financial assets and liabilities measured at amortised cost their fair values approximates their carrying values. All financial instruments are level 3 considered to be level 3 (unobservable inputs).

18. TRADE AND OTHER RECEIVABLES

	Group 2018 $'000	Group 2017 $'000	**Company 2018 $'000**	Company 2017 $'000
Trade receivables	**23,970**	27,704	-	-
Amounts owed by parent companies	**161**	-	-	-
Corporation tax and overseas tax recoverable	**1,001**	2,082	-	-
Other receivables	**1,430**	3,963	-	-
Prepayments and accrued income	**2,087**	1,667	-	-
	28,649	35,416	-	-

Amounts owed by group undertakings relate to current accounts that are incurred in the course of normal trading activity. Balances are unsecured, repayable on demand and overdue balances incur interest of 4% to reflect a market rate of interest.

Trade receivables balances are stated net of any provisions for bad debts. At the date of the statement of financial position, group trade receivables included a provision of $195,000 (2017 - $512,000).

As of 30 September 2018, group debtors contained $194,000 due in over 12 months (2017 - $330,000).

The ageing of group and company trade receivables which are past due but not impaired are as follows:

	Group 2018 $'000	Group 2017 $'000	**Company 2018 $'000**	Company 2017 $'000
3 to 6 months	**465**	198	-	-
6 to 9 months	**213**	269	-	-
9 months to a year	**76**	90	-	-
Over 1 year	**335**	289	-	-
	1,089	846	-	-

19. TRADE AND OTHER PAYABLES

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Current liabilities				
Trade payables	17,236	23,708	-	-
Amounts owed to group undertakings	-	-	90	-
Taxes and social security	1,925	2,373	-	-
Other payables	482	452	-	-
Accruals and deferred income	9,115	10,118	90	90
	28,758	36,651	180	90
Non-current liabilities				
Other payables	569	496	-	-
	569	496	-	-

Amounts owed to group undertakings relate to current accounts that are incurred in the course of normal trading activity. Balances are unsecured, repayable on demand and overdue balances incur interest of 4% to reflect a market rate of interest.

20. BORROWINGS

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Current liabilities				
Bank overdrafts	712	508	-	-
Bank loans	1,443	1,581	-	-
Other loans	235	138	-	-
Loans from ultimate parent company	8,700	7,500	-	-
Finance leases (note 21)	497	412	-	-
	11,587	10,139	-	-
Non-current liabilities				
Bank loans	31,494	40,563	-	-
Loan note	30,132	27,833	-	-
Other loans	233	237	-	-
Finance leases (note 21)	949	1,232	-	-
	62,808	69,865	-	-

The average rate payable on the bank loans and overdrafts is 7.6% (2017: 6.3%) and these are secured by fixed and floating charges over certain assets of the group. The average rate payable on the other loans was 8.4% (2017: 7.2%). The bank overdrafts and loans of the group are secured by a fixed and floating charge over its assets. At 30 September 2018 the group's net debt was less than 76% (2017: less than 76%) of agreed banking facilities.

Bank loans comprise of fixed term loans of $9,597,000 (2017 - $11,487,000) for the group, revolver credit facilities of $23,340,000 (2017 - $30,541,000) for the group and mortgages of $nil (2017 - $125,000) for the group.

The secured loan note payable is repayable in full on the maturity date, 5 years from the date of acquisition. Interest of 8% per annum is charged on the loan note. This can either be paid at the anniversary of issue or added to the balance payable on the maturity date. The loan note is secured against the assets of B&W Group Ltd.

21. FINANCE LEASE LIABILITIES

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All finance leases are held by the company.

Group

	2018	2017
	$'000	$'000
Gross finance lease liabilities– minimum lease payments:		
No later than 1 year	**540**	455
Later than 1 year and no later than 5 years	**982**	1,288
Later than 5 years	**-**	-
	1,522	1,743
Future finance charges on finance lease liabilities	**(76)**	(99)
Present value of finance lease liabilities	**1,446**	1,644
Present value of finance lease liabilities		
No later than 1 year	**497**	412
Later than 1 year and no later than 5 years	**949**	1,232
Total	**1,446**	1,644

22. PROVISIONS

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Warranty and remorse provision				
At 1 October 2017 / 28 April 216	**546**	-	-	-
Added on acquisition	**-**	1,090		
Created in the year	**383**	546	-	-
Utilised in the year	**(541)**	(1,074)	-	-
Exchange differences	**(5)**	(16)	-	-
At 30 September	**383**	546	-	-

Provision for warranty work is made according to IAS 37 'Provisions, contingent liabilities and contingent assets.' The amount provided is the directors' best estimate of the obligation likely to arise. The provisions are all for costs expected to be realised in the next financial year.

23. CALLED UP SHARE CAPITAL

Group and Company	2018 Number	2018 $'000	2017 Number	2017 $'000
Allotted, and fully paid:				
Ordinary share of $1.46 (£1) each	100	-	100	-
	100	-	100	-

24. SHARE BASED PAYMENTS

Restricted share units (RSUs) in the ultimate parent company EVA Automation Inc. (EVA) are granted to all employees. The value of the granted unit is based on the latest external stock valuation performed over EVA's stock prior to the grant date.

Employees receive 25% of their units from the earlier of one year from the scheme's inception or after one year of employment with the group and will then receive the rest equally each month over the subsequent three years. The units will vest if a trigger event occurs within 7 years of the grant date. A trigger event is defined as EVA's stock being made publicly available for sale, sale of EVA to an unrelated entity or dissolution of the company.

The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding, and their related weighted average exercise prices, are as follows:

Group	**2018 Value per unit $**	**2018 No of units Thousands**	**2017 Value per unit $**	**2017 No of units Thousands**
At 1 October	-	-	-	-
Granted	0.86	2,744	-	-
Forfeited	-	(294)	-	-
Exercised	-	-	-	-
At 30 September		2,450		-

Out of the 847,000 time vested units (2017 – nil), nil units had achieved the performance vesting condition and therefore nil units (2017 – nil) were exercisable.

No shares were issued as a result of the units vesting during the year (2017 - nil).

Units outstanding at the end of the year have the following expiry date and vesting prices.

Grant - vest	**Expiry date**	**Value per unit $**	**Group 2018 No of units Thousands**	**Group 2017 No of units Thousands**	**Company 2018 No of units Thousands**	**Company 2017 No of units Thousands**
11/01/2018	10/01/2025	0.86	2,450	-	1,503	-
			2,450	-	1,503	-

The valuation of the units has been based on the latest independent external stock valuations performed over EVA's stock. A valuation as of 30 April 2018 but the share value at $0.86 a unit (30 April 2017 - $0.86). The valuation used a combination of market and income approaches to determine the weighted average share price.

See note 7 for the total expense recognised in the income statement for share options granted to directors and employees.

25. CASH GENERATED FROM OPERATING ACTIVITIES

	Group 2018 $'000	Group 2017 $'000
Loss before tax	**(23,788)**	(38,981)
Adjustments for:		
Depreciation	**8,684**	11,276
Amortisation	**6,628**	12,403
Impairments	**2,028**	283
(Profit) / loss on disposal of property, plant and equipment	**(10)**	(83)
Restricted stock units expense	**529**	284
Finance income	**(150)**	(136)
Finance costs	**5,089**	5,953
Foreign exchange (losses) / gains in operating activities	**(91)**	253
Research and expenditure credit	**(595)**	(509)
Changes in working capital:		
Decrease in inventories	**17,456**	8,574
Decrease / (increase) in trade receivables	**5,268**	(8,130)
(Decrease) / increase in trade payables	**(7,488)**	14,306
Decrease in provisions	**(158)**	(432)
Cash generated from operating activities	**13,402**	5,061

	Company 2018 $'000	Company 2017 $'000
Loss before tax	**(90)**	(90)
Changes in working capital:		
Decrease in trade and other receivables	**-**	-
Increase in trade and other payables	**90**	90
Cash generated from operating activities	**-**	-

26. CAPITAL COMMITMENTS

Group

	2018 $'000	2017 $'000
Authorised and contracted for	**213**	316

27. PENSION SCHEME

Staff may belong to a group personal pension plan or money purchase scheme (defined contribution schemes). The assets of the schemes are administered in funds independent from those of the group. The pension cost charged represents contributions payable to the schemes and amounted to $1,390,000 for the group (2017: $1,973,000) and nil for the company (2017 – nil). At 30 September 2018 the group owed $423,000 (2017: $589,000).

28. OPERATING LEASE COMMITMENTS

The group is committed to leasing payments of $3,546,000 (2017: $3,590,000) in the next financial year. Future lease commitments at year end are as follows:

		Group		
	2018	**2018**	2017	2017
	Land and buildings	**Other**	Land and buildings	Other
	$'000	**$'000**	$'000	$'000
Within one year	**457**	**51**	365	62
Between one and five years	**1,641**	**35**	62	60
After five years	**-**	**-**	-	-
	2,098	**86**	427	122

During the year the group lease expense was $3,588,000 (2017: $3,493,000).

29. RELATED PARTY TRANSACTIONS

Company

During the prior period the company received capital contributions from the ultimate parent company EVA Automation Inc of $112,490,000. At 30 September 2018 the company owed EVA Automation Inc. nil (2017 – nil).

The company has taken the exemption permitted under IAS 24 to not disclose transactions with other entities within the group.

Group

During the year the group paid expenses of $1,528,000 (2017: nil) on behalf of EVA Automation Inc (EVA) the ultimate parent company. EVA paid expenses of $58,000 (2017: nil) on behalf of the group. At 30 September 2018 the company was owed $161,000 from EVA (2017: nil) relating to expenses paid on their behalf.

During the year the group received loans from EVA of $1,200,000 (2017 - $7,500,000). In addition, the group received a $5,000,000 (2017 - $112,490,000) capital contribution from EVA during the year. At 30 September 2018 the group owed EVA $8,700,000 (2017 $7,500,000).

Key Management Personnel

Key management personnel are limited to the group's directors. Details of their compensation are included within note 7. During the year management received no post-employment benefits, share based payments or non-monetary benefits.

30. ULTIMATE CONTROLLING PARTY

EVA Automation Inc. is the group's immediate parent company and ultimate controlling party.

The financial statements prepared are for Bowers & Wilkins Holding Ltd and its subsidiaries (smallest and largest group to prepare publicly available consolidate financial statements). Accounts are available from the group's company secretary at Dale Road, Worthing, West Sussex, BN11 2BH.

EVA Automation Inc. currently do not produce publicly available group accounts.

APPENDIX

For the year ended 30 September 2018

INVESTMENTS

At 30 September 2018 the company held investments in the ordinary shares of the following companies, none of which are publically traded:

Subsidiary undertaking	Registered Address	Country of incorporation	Shareholding	Direct/ indirect holding
B & W Acquisitions Ltd	Dale Road, Worthing, West Sussex, BN11 2BH	UK	100%	Direct
B & W Group Ltd	Dale Road, Worthing, West Sussex, BN11 2BH	UK	100%	Indirect
B & W Group (Asia) Limited	Units 2608-09, 26/F, Miramar Tower, 132 - 134 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hong Kong	100%	Indirect
B & W Group Belgium NV	Godefriduskaai 14, 2000, Antwerpen,	Belgium	100%	Indirect
B&W Group China Limited	Unit 804-806, 8/F, Block B, Xinzhou Road East, Shenzhen International Chamber of Commerce Building, Futian District, Shenzhen, P.R.C.	China	100%	Indirect
B & W Group Finland OY	Uudenmaankatu 4-6, 00120 Helsinki, Finland	Finland	100%	Indirect
B & W Group France SARL	15 Quai Pierre-Scize, 69009, Lyon	France	100%	Indirect
B & W Group Germany GmbH	Kleine Heide 12, 33790 Halle (Westfalen)	Germany	100%	Indirect
B & W Group (Logistics) Ltd	Dale Road, Worthing, West Sussex, BN11 2BH	UK	100%	Indirect
B & W Group Production (HK) Ltd	Units 2608-09, 26/F, Miramar Tower, 132 - 134 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hong Kong	100%	Indirect
B & W Group (Schweiz) GmbH	Ifganstrasse 5, 8952 Schlieren	Switzerland	100%	Indirect
B & W Loudspeakers Espana S.A.	c/Rossello, 362-364, Barcelona, 8025	Spain	100%	Indirect
B & W Loudspeakers Nederland BV	Hagerpad 3, 5509 LS, Veldhoven	Netherlands	100%	Indirect
B & W Loudspeakers Ltd (Dormant)	Dale Road, Worthing, West Sussex, BN11 2BH	UK	100%	Indirect
Bowers & Wilkins Australia Pty Limited	Suite 303, 754 Pacific Highway, Chatswood, NSW 2067	Australia	100%	Indirect
Bowers & Wilkins Korea Inc.	Unit 1006, 10 Floor, 116, Teheran-ro, Gangnam, Seoul	South Korea	100%	Indirect
Bowers & Wilkins Trading (Zhuhai) Co. Ltd	No. 11 Warehouse, Hengli Industrial Park No.5, Zhuhai Trade Zone, Zhuhai 519030, Guangdong	China	100%	Indirect
Classé Audio Inc (Dormant)	5070, Rue Francois Cusson, Lachine, Quebec, H8T 1B3	Canada	100%	Indirect
Equity International Inc	54, Concord Street, North Reading, Massachusetts	USA	100%	Indirect
Equity International (Canda) Inc	233 Alden Road, Markham, Ontario L3R3W6	Canada	100%	Indirect