

B & W GROUP LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012



Company number 880499

B & W GROUP LIMITED

COMPANY INFORMATION

For the year ended 30 September 2012

Company number 880499

Registered office Dale Road
 Worthing
 West Sussex
 BN11 2BH

Directors J V Atkins
 G I Edwards
 E J Huizing
 H H Berland
 X Coirbay
 D Johnson

Company secretary M J Williams

Independent auditors PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 First Point
 Buckingham Place
 Gatwick
 West Sussex
 RH6 0PP

B & W GROUP LIMITED

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B & W GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with consolidated audited financial statements for the year ended 30 September 2012

Principal activities

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

Results and dividends

The group's profit for the financial year after taxation and minority interest amounted to £8,916,000 (2011 £8,891,000) The director's are not recommending any final dividend (2011 final dividend paid in 2012 of £612,000) in addition to the interim dividend of £3,246,000 (2011 £2,212,000) already paid during the year

Review of the business

Having established record levels of revenue and profitability in 2011 the group was largely able to repeat these results in 2012 due to the further development of our mobile products' portfolio and of our position within the larger Consumer Electronics channels embraced by the Group over the last 3 years Improved results in our Asia Pacific and North American markets more than offset revenue declines in Europe

The group continues to invest long term and very heavily in various Research and Development with initiatives now covering new data and communication technologies, consumer experience and mobile audio applications Consequently the directors consider the group is well positioned to compete successfully going forward in its premium segment and to appropriately capitalise as an investment the related development costs

The group has extended its Banking arrangements through 2015 to ensure availability of more than required working capital facilities and we continue to mitigate our exposure to currency risk through a combination of Euro borrowings hedging The directors continue to review the impact on the Group's results of the turbulence in the foreign exchange markets (e g euro zone concerns) and believe that its mixture of long term euro loans and hedges provide appropriate flexibility and risk cover

Late in 2011 the group welcomed Caledonia Investments PLC as a supportive financial partner who having taken a 20 per cent equity stake who are committed to support our future growth ambitions

Future developments

The directors expectations for the coming year is complicated by continued economic uncertainty, the increasing pace of technology and format changes and concern about the health and sustainability of the "big box" retail model involved in delivery of the new mobile products to the consumer This is reflected in preparing the group's 2012/13 financial forecasts and which consequently plan for only moderate growth in sales However, working capital is available for far more aggressive sales growth should it be required Based on the resultant conservative forecast the directors reasonably expect current operating levels of profitability to continue

B & W GROUP LIMITED

REPORT OF THE DIRECTORS

Key Performance Indicators

The director's consider that the key measures of the Group's performance are the long term trends in the following

	2012 £m	2011 £m
Group turnover and (gross profit)		
- Loudspeakers and related equipment	89 5 (44 9)	97 4 (45 7)
- docks, multimedia and headphones	40 8 (19 3)	35 9 (17 1)
Earnings before interest, tax, depreciation and amortisation	18 9	18 7
Net current assets	41 5	36 3
	Ratio	Ratio
Group leverage ratio	1 31	1 17
Group interest coverage	11 0	10 3

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.

Business risk management

As a group focussed on the distribution of own and third party manufactured goods it is exposed to distributor, supply chain, production capacity (including equipment issues), intellectual property, quality, health and safety 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.

Distributor and Dealer risk

Significant fluctuations in the level of consumer demand for Hi Fi 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 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.

Production

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 disaster recovery plans and preventative maintenance.

B & W GROUP LIMITED

REPORT OF THE DIRECTORS

Intellectual property

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 design, technologies and trademarks are registered with appropriate registries worldwide.

Quality

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). The group's quality programmes are also implemented and monitored at supplier level.

Financial

The group finances its activities mainly through a mixture of bank loans 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 turnover 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 the group uses currency hedges to mitigate any resulting mismatch in currency flows. Likewise 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 with appropriate interest rate hedges. 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 3.7% of turnover (2011: 4.2%) 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 over 32 new products are scheduled to be launched.

Directors

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

Executive

J V Atkins
G I Edwards
E J Huizing
H H Berland

Non-executive

X Corbay
D Johnson (appointed 9 December 2011)

B & W GROUP LIMITED

REPORT OF THE DIRECTORS

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Charitable donations

During the financial year the company made charitable donations of £26,123 (2011: £19,899) of which £5,000 was to the Mary Howe Trust.

B & W GROUP LIMITED

REPORT OF THE DIRECTORS

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 marital status. 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.

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.

BY ORDER OF THE BOARD



M J Williams
Company secretary

Date 21 December 2012

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF

B & W GROUP LIMITED

We have audited the group and parent company financial statements (the “financial statements”) of B&W Group Limited for the year ended 30 September 2012 which comprise the Principal Accounting Policies, the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors’ Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group’s and parent company’s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group’s and the parent company’s affairs as at 30 September 2012 and of the group’s profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

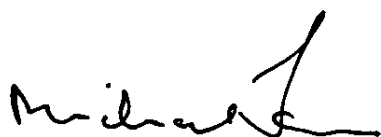
In our opinion the information given in the Report of the Directors’ for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
B & W GROUP LIMITED**

Matters on which we are required to report by exception

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

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



Michael Jones (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
GATWICK
21 December 2012

B & W GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 September 2012

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006

The principal accounting policies of the company are set out below, and remain unchanged from the previous year

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of the business within the Report of the Directors on page 1 of these financial statements. In addition the Business risk management note within the Report of the Directors on pages 2 and 3 of these financial statements includes the group's business objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk. In addition note 15 to the financial statements sets out the group's borrowings which were at all times well within its agreed facilities

The group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Based on these forecasts and after making appropriate additional enquires, the directors are confident that the company and the group have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements

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 2012, under uniform accounting policies. All intra-group profits and balances have been eliminated on consolidation. The profit attributable to members of the company is after deducting the proportion attributable to outside shareholders

TURNOVER

Turnover 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. Turnover is recognised within the financial year in which goods have been delivered or services performed

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost less accumulated depreciation or recognised impairment. Depreciation is calculated to write down the cost of all tangible fixed assets except freehold land over their expected useful lives. The rates/periods generally applicable are

Freehold buildings	25 – 50 years straight line
Short leasehold premises	straight line over the period of the lease
Plant, equipment and vehicles	3 – 10 years straight line

RESEARCH AND DEVELOPMENT

Research expenditure is charged against profits in the financial year in which it is incurred. Development and design costs incurred on specific projects are capitalised where recoverability can be assessed with reasonable certainty and amortised in line with expected sales arising from the projects. Such intangible assets are reviewed regularly for impairment and where appropriate their value is adjusted

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost less amounts written off. Impairments are charged to the profit and loss account. Investments held for resale within twelve months are included in current assets

B & W GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 September 2012

INTANGIBLE FIXED ASSETS

Purchased intangibles for intellectual property are capitalised on the balance sheet 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

Such intangible assets are reviewed regularly for impairment and where appropriate their value is adjusted

STOCKS

Stocks are stated at the lower of weighted average cost and net realisable value. 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

DEFERRED TAX

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax which is not discounted is measured using rates of tax that are expected to apply in the period in which the timing differences are expected to reverse based on rates that have been enacted or substantively enacted by the balance sheet date

GOODWILL

Purchased goodwill and goodwill arising on consolidation is capitalised and amortised on a straight line basis over their estimated useful economic lives. Purchased goodwill prior to FRS10 'Goodwill and Intangible Assets' remains written off to reserves. This would be charged through the profit and loss account on disposal of the businesses to which it relates. Goodwill arising on consolidation, representing the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction

Monetary assets and liabilities in foreign currencies of the overseas subsidiaries are translated into sterling at the exchange rate ruling at the balance sheet date and their operating results are at the appropriate average exchange rate. Exchange differences arising from the restatement of the opening net investment, including goodwill of the overseas subsidiaries and related foreign currency borrowings, are dealt with through reserves

Exchange profits or losses arising on trading are dealt with through the profit and loss account

On consolidation, to the extent that currency gains/losses arise on borrowings funding subsidiary foreign currency assets and are matched by losses/gains arising on the holding of those assets then the matched amount is dealt with through reserves. Unmatched gains/losses are dealt with through the profit and loss account

B & W GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 September 2012

LEASED ASSETS

Assets held under finance leases contracts are capitalised in the balance sheet and depreciated over the shorter of their lease term and their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

PENSION COSTS

Pension contributions to money purchase schemes are charged to the profit and loss account represent the amount of the contributions payable in respect of the financial year.

WARRANTY

The group accrues the expected costs of warranty claims based on historical experience of claims received for sales made prior to the year end.

FINANCIAL INSTRUMENTS

Financial liabilities 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 balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

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 debited direct to equity.

CASH-SETTLED SHARE-BASED PAYMENTS

For cash-settled share-based payments, the goods or services received and the liability incurred are measured at the fair value of the liability and allocated as an expense over the vesting period. The liability is then measured until settlement, with changes being recognised in the profit and loss account.

B & W GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 30 September 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Turnover	1		130,357		133,313
Change in stocks of finished goods and work in progress			<u>7,414</u>		<u>117</u>
			137,771		133,430
Other operating income			131		144
Raw materials and consumables		(73,523)		(70,649)	
Staff costs	2	(22,739)		(19,740)	
Depreciation and other amounts written off tangible and intangible fixed assets		(4,611)		(5,769)	
Other operating charges		<u>(22,700)</u>		<u>(24,521)</u>	
			<u>(123,573)</u>		<u>(120,679)</u>
Operating profit			14,329		12,895
Net interest payable	3		<u>(1,520)</u>		<u>(1,754)</u>
Profit on ordinary activities before taxation	1		12,809		11,141
Tax on profit on ordinary activities	4		<u>(3,910)</u>		<u>(2,216)</u>
Profit on ordinary activities after taxation			8,899		8,925
Minority interests	21		<u>17</u>		<u>(34)</u>
Profit for the financial year	20,22		<u>8,916</u>		<u>8,891</u>

All operations are continuing

There is no material difference between profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalent

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	8,916	8,891
Exchange translation adjustments	(63)	(5)
Total recognised gains and losses during the year	<u>8,853</u>	<u>8,886</u>

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

B & W GROUP LIMITED

BALANCE SHEETS

At 30 September 2012

Company number 880499

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Fixed assets					
Intangible assets	7	3,031	976	3,487	1,615
Tangible assets	8	12,497	11,891	9,533	9,318
Investments	9	1	1	19,090	18,984
		<u>15,529</u>	<u>12,868</u>	<u>32,110</u>	<u>29,917</u>
Current assets					
Investments held for resale	9	413	-	-	-
Stocks	10	45,670	39,181	28,617	23,835
Debtors	11	21,176	24,524	22,162	25,539
Cash at bank and in hand		1,892	4,781	15	118
		<u>69,151</u>	<u>68,486</u>	<u>50,794</u>	<u>49,492</u>
Creditors: amounts falling due within one year	12	<u>(27,613)</u>	<u>(32,234)</u>	<u>(22,498)</u>	<u>(28,202)</u>
Net current assets		<u>41,538</u>	<u>36,252</u>	<u>28,296</u>	<u>21,290</u>
Total assets less current liabilities		57,067	49,120	60,406	51,207
Creditors: amounts falling due after more than one year	13	(23,133)	(18,456)	(16,337)	(17,030)
Provision for liabilities	14	(829)	(2,500)	(628)	(2,500)
Minority interests	21	<u>(448)</u>	<u>(502)</u>	<u>-</u>	<u>-</u>
		<u>32,657</u>	<u>27,662</u>	<u>43,441</u>	<u>31,677</u>
Capital and reserves					
Called up share capital	17	2,000	2,000	2,000	2,000
Share premium account	19	13,373	13,373	13,373	13,373
Profit and loss account	20	17,284	12,289	28,068	16,304
Total shareholders' funds	22	<u>32,657</u>	<u>27,662</u>	<u>43,441</u>	<u>31,677</u>

The financial statements were approved by the Board of directors on 21 December 2012

On behalf of the Board


G I Edwards
Director

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

B & W GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 30 September 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Net cash inflow from operating activities	23		11,426		20,766
Returns on investments and servicing of finance					
Interest received		151		200	
Interest paid		(1,671)		(1,954)	
Net cash outflow from returns on investments and servicing of finance	3		(1,520)		(1,754)
Taxation					
Corporation tax and overseas tax paid			(3,787)		(2,858)
Capital expenditure and financial investment					
Purchase of intangible fixed assets	7	(2,574)		(1,511)	
Purchase of tangible fixed assets	8	(4,745)		(3,092)	
Sale of tangible fixed assets	8	53		-	
Net cash outflow from capital expenditure and financial investment			(7,266)		(4,603)
Equity dividends paid			(3,858)		(2,212)
Cash (outflow)/inflow before financing			(5,005)		9,339
Financing					
Loan received		7,359		9,000	
Loan repayments		(2,939)		(18,776)	
Capital element of finance leases		(5)		-	
Net cash inflow/(outflow) from financing			4,415		(9,776)
Decrease in cash			(590)		(437)
Reconciliation of net cash flow to movement in net debt					
Decrease in cash			(590)		(437)
Cash (outflow)/inflow from (increase)/decrease in financing			(6,278)		9,689
Change in net debt resulting from cash flows			(6,868)		9,252
Translation difference	24		1,624		87
Movement in net debt in the year			(5,244)		9,339
Net debt at 1 October			(22,197)		(31,536)
Net debt at 30 September	24		(27,441)		(22,197)

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

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities are attributable to one activity, the manufacture and wholesale distribution of high quality monitor loudspeakers and associated equipment and services

The turnover was achieved by sales to customers in the following markets

	2012 £'000	2011 £'000
United Kingdom	12,458	13,706
Rest of Europe	50,775	55,588
North America	41,457	37,969
Asia Pacific	20,458	20,163
Rest of World	5,209	5,887
	<u>130,357</u>	<u>133,313</u>

Turnover achieved by product segment was

	2012 £'000	2011 £'000
Loudspeakers and related equipment	89,562	97,396
Pods, docks, multimedia and headphones	40,795	35,917
	<u>130,357</u>	<u>133,313</u>

Profit on ordinary activities before taxation is stated after charging/(crediting)

	2012 £'000	2011 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	74	71
Fees payable to the company's auditor and its associates for other services		
- the audit of the company's subsidiaries, pursuant to legislation	44	43
- other services pursuant to legislation	55	-
- tax services	21	9
Hire of plant and equipment	22	19
Operating lease rentals - other	1,325	1,372
Research and development expenditure – expensed in current year	2,031	3,610
Research and development expenditure - amortisation	509	1,338
Depreciation of tangible fixed assets	4,102	3,401
Amortisation of intangible fixed assets	-	1,030
Exchange (gains)/loss	<u>(2,089)</u>	<u>94</u>

2 STAFF COSTS

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

	2012 £'000	2011 £'000
Wages and salaries	20,287	18,868
Social security	1,968	1,876
Other pension costs (note 27)	484	428
Deferred remuneration scheme	-	(1,432)

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

STAFF COSTS (CONTINUED)

	<u>22,739</u>	<u>19,740</u>
	Number	Number
Production	171	180
Selling	98	91
Administration	293	256
Average number of employees	<u>562</u>	<u>527</u>

The remuneration borne by the group in respect of directors was as follows

	2012 £'000	2011 £'000
Aggregate emoluments	595	617
Contributions to money purchase pension scheme	433	12
Less reimbursed by ultimate holding company	<u>(433)</u>	<u>-</u>
	<u>595</u>	<u>629</u>

	2012 £'000	2011 £'000
The emoluments of the highest paid director were		
Aggregate emoluments	684	276

Retirement benefits accrued to two directors (2011 one) in respect of money purchase schemes

3 NET INTEREST

	2012 £'000	2011 £'000
Bank loans and overdrafts	1,413	1,649
Other loans	256	305
Finance charges in respect of finance leases	2	-
	<u>1,671</u>	<u>1,954</u>
Less Bank interest receivable	<u>(151)</u>	<u>(200)</u>
	<u>1,520</u>	<u>1,754</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2012 £'000	2011 £'000
UK corporation tax on profits for the year	2,238	1,484
Overseas tax	1,144	1,546
Total current tax charge	<u>3,382</u>	<u>3,030</u>
Deferred tax (note 16)		
Origination and recurrence of timing changes	420	(799)
Rate changes	<u>108</u>	<u>(15)</u>
Tax on profit on ordinary activities	<u>3,910</u>	<u>2,216</u>

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax assessed for the year is different from the standard rate of corporation tax in the UK for the year ended 30 September 2012 of 25% (2011 27%) as explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	12,809	11,141
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2011 27%)	3,202	3,008
Effect of		
Trading losses carried forward	19	183
Expenses not deductible for tax purposes	437	74
Excess of development allowances for the period over the amount expensed	(175)	(161)
Capital allowances in excess depreciation	(440)	1
Non taxable income	-	(1)
Net utilisation of trading losses	(36)	-
Higher rates on overseas earnings	14	84
Other adjustments	427	(31)
Movement in provision	(174)	(191)
Adjustments to tax charge in respect of prior years	108	64
Current taxation charge	3,382	3,030

5 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 profit for the financial year includes a profit of £15,622,000 (2011 £5,459,000), which is dealt with in the financial statements of the parent company.

6 DIVIDENDS

Dividends were paid in respect of the financial year ended 30 September 2012 amounting to £3,858,000 (2011 £2,212,000).

On 28 September 2012 an interim dividend of 162 3p per share was paid (2011 an interim dividend of 39p per share was paid on all shares and a second interim dividend of 102p per share was paid on 1,400,001 shares, the holders of the remaining shares having waived their rights to the entitlement before declaration).

On 8 December 2011 a final dividend of 30 6p per share was paid (2011 nil).

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

7 INTANGIBLE FIXED ASSETS

Group	Intellectual Property £'000	Development Costs £'000	Total £'000
Cost			
At 1 October 2011	6,190	3,242	9,432
Additions	-	2,574	2,574
Exchange differences	-	(14)	(14)
At 30 September 2012	6,190	5,802	11,992
Accumulated amortisation			
At 1 October 2011	6,190	2,266	8,456
Charge for the year	-	509	509
Exchange differences	-	(4)	(4)
At 30 September 2012	6,190	2,771	8,961
Net book amount at 30 September 2012	-	3,031	3,031
Net book amount at 30 September 2011	-	976	976

Company	Intellectual Property £'000	Development Costs £'000	Total £'000
Cost			
At 1 October 2011	7,590	2,837	10,427
Additions	-	2,490	2,490
At 30 September 2012	7,590	5,327	12,917
Accumulated amortisation			
At 1 October 2011	6,656	2,156	8,812
Charge for the year	234	384	618
At 30 September 2012	6,890	2,540	9,430
Net book amount at 30 September 2012	700	2,787	3,487
Net book amount at 30 September 2011	934	681	1,615

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

8 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Long leasehold land £'000	Short leasehold premises £'000	Plant, equipment and vehicles £'000	Total £'000
Cost					
At 1 October 2011	7,708	10	1,834	22,656	32,208
Additions	-	-	166	4,728	4,894
Disposals	(103)	(10)	(1,458)	(1,977)	(3,548)
Transfers	-	-	(215)	215	-
Exchange differences	(164)	-	(22)	(208)	(394)
At 30 September 2012	7,441	-	305	25,414	33,160
Accumulated depreciation					
At 1 October 2011	2,435	-	1,772	16,110	20,317
Charge for the year	381	-	35	3,686	4,102
Eliminated on disposals	(72)	-	(1,458)	(1,974)	(3,504)
Transfers	-	-	(215)	215	-
Exchange differences	(64)	-	(24)	(164)	(252)
At 30 September 2012	2,680	-	110	17,873	20,663
Net book amount at 30 September 2012	4,761	-	195	7,541	12,497
Net book amount at 30 September 2011	5,273	10	62	6,546	11,891

During the year the group and company have reviewed the fully depreciated assets and those no longer in use have been treated as disposed

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

TANGIBLE FIXED ASSETS (CONTINUED)

Company	Freehold land and buildings £'000	Long leasehold land £'000	Short leasehold premises £'000	Plant, equipment and vehicles £'000	Total £'000
Cost					
At 1 October 2011	5,202	10	487	16,922	22,621
Additions	-	-	2	3,893	3,895
Disposals	(83)	(10)	(206)	-	(299)
Transfers	-	-	(215)	215	-
At 30 September 2012	5,119	-	68	21,030	26,217
Accumulated depreciation					
At 1 October 2011	1,599	-	446	11,258	13,303
Charge for the year	308	-	-	3,331	3,639
Disposals	(52)	-	(206)	-	(258)
Transfers	-	-	(215)	215	-
At 30 September 2012	1,855	-	25	14,804	16,684
Net book amount at 30 September 2012	3,264	-	43	6,226	9,533
Net book amount at 30 September 2011	3,603	10	41	5,664	9,318

The cost of freehold buildings on which depreciation is being provided is £6,085,000 (2011 £6,085,000) for the group and £4,422,000 (2011 £4,422,000) for the company

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 2012	140
Net book amount at 30 September 2011	-
Depreciation provided in the year	9

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

9 INVESTMENTS

Group	Investments held for resale £'000	Other investments £'000	Total £'000
Cost			
At 1 October 2011	-	122	122
Transfers	413	-	413
At 30 September 2012	413	122	535
Impairment			
At 1 October 2011 and 30 September 2012	-	121	121
Net book amount at 30 September 2012	413	1	414
Net book amount at 30 September 2011	-	1	1

The investment held for resale represents a property taken over in lieu of a trading debt and is expected to be sold at a value greater than cost within 12 months

The investment represents a minority interest in an overseas distributor

Company	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 October 2011	25,193	122	25,315
Additions	73	-	73
At 30 September 2012	25,266	122	25,388
Impairment			
At 1 October 2011	6,210	121	6,331
Provided in year	(33)	-	(33)
At 30 September 2012	6,177	121	6,298
Net book amount at 30 September 2012	19,089	1	19,090
Net book amount at 30 September 2011	18,983	1	18,984

During the financial year the company conducted an impairment review of its subsidiaries and has consequently made an impairment provision write-back of £33,000 (2011 £1,966,000 charge)

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

INVESTMENTS (CONTINUED)

At 30 September 2012 the company held investments in the ordinary shares of the following companies

Principal subsidiary undertaking	Country of incorporation	Shareholding
Equity International Inc	USA	100%
B & W Group (Asia) Limited	Hong Kong	100%
B & W Group Germany GmbH	Germany	100%
B & W Loudspeakers Espana S A	Spain	50%
B & W Group France SARL	France	100%
B & W Loudspeakers Nederland BV	Netherlands	100%
B & W Group (Schweiz) GmbH	Switzerland	100%
B & W Group Belgium NV	Belgium	100%
B & W Group Finland OY	Finland	100%
B & W Group Denmark A/S (Dormant)	Denmark	100%
Classé Audio Inc (Dormant)	Canada	100%
B&W Group Production (HK) Ltd	Hong Kong	100%
B&W Group (Logistics) Ltd	UK	100%
B&W Group (China) Ltd	China	100%
B&W Loudspeakers Ltd (Dormant)	UK	100%

All the companies listed above are engaged in the distribution of loudspeakers bearing the B & W brand name, and other high quality audio equipment bearing the Classé brand name. On 1 October 2011 the activities of Classe Audio Inc, which had been engaged in the development and manufacture of high end audio equipment, were transferred to other subsidiaries in the group after the year end.

10 STOCKS

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Raw materials and consumables	6,037	6,962	5,417	5,990
Work in progress	1,533	2,461	1,533	1,564
Finished goods	38,100	29,758	21,667	16,281
	<u>45,670</u>	<u>39,181</u>	<u>28,617</u>	<u>23,835</u>

There were no significant differences between the replacement cost and the values disclosed for stocks

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

11 DEBTORS

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	16,498	19,165	2,176	2,595
Amounts owed by subsidiary undertakings	-	-	18,472	21,322
Overseas tax recoverable	372	296	-	-
VAT recoverable	-	675	-	675
Deferred tax asset (note 16)	1,303	1,390	-	282
Other debtors	1,720	1,846	781	163
Prepayments and accrued income	1,283	1,152	733	502
	<u>21,176</u>	<u>24,524</u>	<u>22,162</u>	<u>25,539</u>

All the above fall due within one year with the exception of the group's Other debtors which include £461,000 (2011 £760,000) due after more than one year for fixed term secured loans to dealers in connection with business development

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank overdrafts (see note 15)	1,572	3,781	883	3,512
Bank loans (see note 15)	4,458	4,741	2,510	4,414
Other loans (see note 15)	433	-	139	-
Trade creditors	14,117	15,407	12,468	13,325
Amounts owed to subsidiary undertakings	-	-	3,139	3,532
Corporation tax and overseas tax	1,333	1,663	803	1,047
Deferred tax liability (note 16)	147	-	147	-
Other taxes and social security	1,111	1,213	367	273
Finance leases (see note 15)	31	-	31	-
Other creditors	1,012	1,526	-	-
Accruals	3,399	3,903	2,011	2,099
	<u>27,613</u>	<u>32,234</u>	<u>22,498</u>	<u>28,202</u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans (see note 15)	20,776	18,456	13,980	17,030
Other loans (see note 15)	1,950	-	1,950	-
Finance leases (see note 15)	113	-	113	-
Deferred tax liability (note 16)	294	-	294	-
	<u>23,133</u>	<u>18,456</u>	<u>16,337</u>	<u>17,030</u>

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

14 PROVISION FOR LIABILITIES

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Warranty provision				
At 1 October 2011	2,500	2,400	2,500	2,400
Utilised in the year	(1,671)	(1,900)	(1,872)	(1,900)
Provided for in year	-	2,000	-	2,000
At 30 September 2012	829	2,500	628	2,500

Provision for warranty work is made according to FRS12 'Provisions, contingent liabilities and contingent assets'. The amount provided is the directors' assessment of the obligation likely to arise.

15 BORROWINGS

Borrowings outstanding are repayable by instalments as follows

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Within one year				
Bank overdrafts	1,572	3,781	883	3,512
Bank loans	4,458	4,741	2,510	4,414
Other loans	433	-	139	-
Hire purchase and finance leases	31	-	31	-
Between one and two years				
Bank loans	9,692	14,784	9,560	14,641
Other loans	1,950	-	1,950	-
Hire purchase and finance leases	29	-	29	-
Between two and five years				
Bank loans	11,008	3,458	4,420	2,389
Hire purchase and finance leases	84	-	84	-
After more than five years				
Bank loans	76	214	-	-
	29,333	26,978	19,606	24,956

The average rate payable on the bank loans is 6.3% (2011 6.6%) and these are secured by fixed and floating charges over certain assets of the group.

The average rate payable on the other loans was 4.0% (2011 6.2%).

The bank overdrafts and loans of the group are secured by a fixed and floating charge over its assets.

At 30 September 2012 the Group's net debt was less than 73% of agreed banking facilities.

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

BORROWINGS (CONTINUED)

Derivatives

At 30 September 2012 the group had interest rate Swap contracts, providing certainty of borrowing costs on Euro loans, with a fair value loss of €117,000 (2011 loss of €125,000)

16 DEFERRED TAX

Deferred tax asset is reflected in the financial statements, as follows

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
At 1 October 2011	1,390	576	282	388
Transfer (to)/from profit and loss account	(528)	814	(723)	(106)
At 30 September 2012	862	1,390	(441)	282
These balances comprise				
Capital allowance timing differences	(460)	262	(460)	262
Short term timing differences	1,322	1,128	19	20
	862	1,390	(441)	282

The announced reductions of the main rate of UK corporation tax of 2% per year to a rate of 21% by 1 April 2014 if applied to the deferred tax balance at the balance sheet date would reduce the deferred tax asset by £108,000 (being £54,000 recognised in 2013, £54,000 recognised in 2014)

Unrelieved tax losses of £1,389,000 (2011 £3,358,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised for these losses due to uncertainty over the recovery of the losses in future. The unprovided deferred tax asset as a result of these losses is £334,000 (2011 £873,000)

17 CALLED UP SHARE CAPITAL

Group and Company	2012 Number	2012 £'000	2011 Number	2011 £'000
Authorised				
Preferred ordinary shares of £1 each	800,000	800	-	-
Ordinary share of £1 each	1,750,000	1,750	2,550,000	2,550
	2,550,000	2,550	2,550,000	2,550
Allotted, and fully paid				
Preferred ordinary shares of £1 each	800,000	800	-	-
Ordinary share of £1 each	1,200,001	1,400	2,000,001	2,000
	2,000,001	2,000	2,000,001	2,000

On 9 December 2011 the company reclassified 800,000 of ordinary shares as preferred ordinary shares. The preferred ordinary shares rank equally with the ordinary shares as regards voting and income distributions. However, in the event of a sale, return of capital or other capital distribution of assets of the company they have a priority participation.

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

18 GOODWILL WRITE OFF RESERVE

The goodwill write off reserve at 30 September 1998 of £15,398,000 was transferred to the profit and loss account reserves at 1 October 1998 in accordance with FRS10 'Goodwill and intangible assets'

The total goodwill written off direct to group reserves in respect of subsidiaries held at the year end is £15,398,000 at 30 September 2012 and 30 September 2011

19 SHARE PREMIUM ACCOUNT

Group and Company	2012 £'000
At 1 October 2011 and 30 September 2012	<u>13,373</u>

20 PROFIT AND LOSS ACCOUNT

The group and company profit and loss account comprises the following elements

Group	2012 £'000	2011 £'000
At 1 October	12,289	5,615
Profit for the financial year	8,916	8,891
Dividends paid	(3,858)	(2,212)
Exchange differences	(63)	(5)
At 30 September	<u>17,284</u>	<u>12,289</u>

Company	2012 £'000	2011 £'000
At 1 October	16,304	13,057
Profit for the financial year	15,622	5,459
Dividends paid	(3,858)	(2,212)
At 30 September	<u>28,068</u>	<u>16,304</u>

21 MINORITY INTEREST

	2012 £'000	2011 £'000
At 1 October	502	471
Share of (loss)/retained profit for year	(17)	34
Exchange movements	(37)	(3)
At 30 September	<u>448</u>	<u>502</u>

The minority interest arises in respect of the fifty percent interest in B & W Loudspeakers Espana S A not owned by the Group

B & W GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2012

22 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	8,916	8,891
Dividends paid	(3,858)	(2,212)
Exchange translation adjustments	(63)	(5)
Net increase in shareholders' funds	4,995	6,674
Shareholders' funds at 1 October	27,662	20,988
Shareholders' funds at 30 September	32,657	27,662

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Operating profit	14,329	12,895
Depreciation and amortisation	4,611	5,769
Exchange rate movements	86	-
Increase in stocks	(6,392)	(1,696)
Decrease in debtors	2,880	1,874
(Decrease)/increase in creditors	(2,416)	3,256
Decrease in provisions	(1,672)	(1,332)
Net cash inflow from operating activities	11,426	20,766

24 ANALYSIS OF NET DEBT

	At 1 October 2011 £'000	Cash flow £'000	Exchange movements £'000	At 30 September 2012 £'000
Cash at bank and in hand	4,781	(2,779)	(110)	1,892
Overdrafts	(3,781)	2,189	20	(1,572)
	1,000	(590)	(90)	320
Debt falling due within one year	(4,741)	(505)	355	(4,891)
Debt falling due after more than one year	(18,456)	(5,629)	1,359	(22,726)
Hire purchase and finance leases	-	(144)	-	(144)
	(22,197)	(6,868)	1,624	(27,441)

25 CAPITAL COMMITMENTS

Group and Company	2012 £'000	2011 £'000
Authorised and contracted for	120	-

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

26 CONTINGENT LIABILITIES

Company	2012 £'000	2011 £'000
Cross guarantee in respect of Equity International Inc borrowings	<u>6,192</u>	<u>642</u>

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 £484,000 for the group (2011 £428,000) and £306,000 for the company (2011 £269,000)

28 OPERATING LEASE COMMITMENTS

The group is committed to leasing payments of £1,324,000 (2011 £1,799,000) in the next financial year The company is committed to leasing payments of £329,000 (2011 £392,000) in the next financial year The commitments to make the payments included in these sums expire as follows

	Group				Company			
	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
Within one year	338	37	549	68	117	4	59	18
Between two and five years	651	219	916	191	157	36	276	24
After five years	71	8	75	-	15	-	15	-
	<u>1,060</u>	<u>264</u>	<u>1,540</u>	<u>259</u>	<u>289</u>	<u>40</u>	<u>350</u>	<u>42</u>

29 RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption under FRS 8 'Related Party Transactions' not to disclose transactions with its wholly owned subsidiaries

On 28th September 2012 B&W International Limited, the ultimate holding company, made an unsecured loan to B&W Group Limited of £1,950,000 for 15 months on which interest of 4% per annum is payable

During the financial year the company made sales of £2,104,000 (2011 £2,485,000) to B & W Loudspeakers Espana S A a non wholly owned subsidiary At 30 September 2012 the company owed the subsidiary £58,000 (2011 the subsidiary owed the company £14,000)

B & W GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

30 CONTROLLING RELATED PARTIES

B & W International Ltd (BWI), which is incorporated and registered in Bermuda, is the immediate and ultimate holding undertaking

BWI is controlled by a Bermudan trust, of which Mr J V Atkins, a director of B & W Group Limited, and his family are the ultimate beneficiaries