

B & W GROUP LTD

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2013

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Company number 880499

B & W GROUP LTD

COMPANY INFORMATION

For the year ended 30 September 2013

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
Portland House
25 High Street
Crawley
West Sussex
RH10 1BG

B & W GROUP LTD

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B & W GROUP LTD

REPORT OF THE DIRECTORS

The directors present their report together with consolidated audited financial statements for the year ended 30 September 2013

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 £8,572,000 (2012 £8,916,000) The director's are not recommending any final dividend in addition to the interim dividend of £4,600,000 (2012 £3,246,000) already paid during the year

Events after the balance sheet date

On 25 October 2013 B&W Group acquired the remaining share capital of B&W Loudspeakers Espana S A for a consideration of €1,212,000 (£1,018,000)

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 Coirbay
D Johnson

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 accounting 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

B & W GROUP LTD

REPORT OF THE DIRECTORS

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 £17,255 (2012 £26,123) of which £5,000 was to the Mary Howe Trust.

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 17 January 2014

Strategic report

During the year ended 30 September 2013 the group has successfully followed its strategy of building upon its leadership position in the Premium Audio category by further developing its innovative product ranges and retail channels. Despite some softness in the market for idock products, the group's core loudspeaker business grew significantly and overall turnover was over 4% higher. In line with the group's strategic direction it has invested heavily in Research and Development, significant specialist staff, and in Brand awareness through increased marketing activities, particularly the Seven Notes tour with Maserati. These increases in 2012/13 operating costs combined with adverse foreign exchange movements resulted in a short term reduction in operating profit to £12.2m, however, improved profitability is expected for 2014.

Taking account of planned product launches and growing adoption of ecommerce, the Directors consider the group is well positioned to compete successfully going forward in its Premium Audio segment, in the innovative multimedia space and in the high quality headphone category. Whilst only moderate growth in sales has been assumed in preparing the group's 2013/14 financial forecasts, productive capacity, inventory and working capital are all available should better than forecast sales growth occur. The impact on the group's results of the turbulence in the foreign exchange markets continues to be monitored and the Directors believe that the mixture of long term Euro loans and hedges provide good mitigation whilst providing appropriate flexibility and risk cover.

Key Performance Indicators

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

	2013 £m	2012 £m
Group turnover and (gross profit)		
- Loudspeakers and related equipment	94.2 (45.2)	89.5 (44.9)
- idocks, multimedia and headphones	41.6 (22.8)	40.8 (19.3)
Earnings before interest, tax, depreciation and amortisation	17.1	18.9
Net current assets	49.4	41.5
	Ratio	Ratio
Group EBITDA to net bank indebtedness	1.66	1.42
Group net interest to EBITDA	14.5	12.5

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 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.

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). 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 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 3.3% of turnover (2012 2.9%) 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 25 new products are scheduled to be launched.

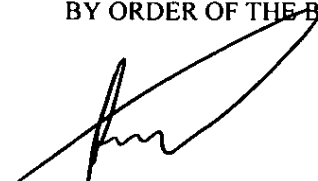
Employees

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's provision of training and development opportunities for its employees was recognised in the UK by the grant of an Investors in People Bronze award in 2013.

BY ORDER OF THE BOARD



G.I. Edwards
Director

Date 17 January 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

B & W GROUP LTD

We have audited the group and parent company financial statements (the "financial statements") of B & W Group Ltd for the year ended 30 September 2013 which comprise the Accounting Policies, the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group 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 Directors' Responsibilities Statement set out on pages 1 and 2, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2013 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

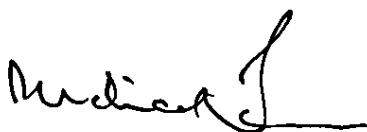
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

B & W GROUP LTD

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
17 January 2014

B & W GROUP LTD

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 September 2013

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 Strategic review and within the Report of the Directors of these financial statements. In addition the Business risk management note within The Strategic review of these financial statements 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 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 Report of the directors 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 2013, 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 AND DEPRECIATION

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 economic 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	2 – 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 LTD

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 September 2013

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 considered 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 the estimated useful economic lives of the underlying assets concerned. 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

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 economic 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.

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

For the year ended 30 September 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Turnover	1		135,765		130,357
Change in stocks of finished goods and work in progress			4,660		7,414
			<u>140,425</u>		<u>137,771</u>
Other operating income			125		131
Raw materials and consumables		(72,395)		(73,523)	
Staff costs	2	(24,137)		(22,739)	
Depreciation and other amounts written off tangible and intangible fixed assets		(4,854)		(4,611)	
Other operating charges		<u>(26,951)</u>		<u>(22,700)</u>	
			<u>(128,337)</u>		<u>(123,573)</u>
Operating profit	22		12,213		14,329
Net interest payable	3		<u>(1,173)</u>		<u>(1,520)</u>
Profit on ordinary activities before taxation			11,040		12,809
Tax on profit on ordinary activities	4		<u>(2,423)</u>		<u>(3,910)</u>
Profit on ordinary activities after taxation			8,617		8,899
Minority interests	20		<u>(45)</u>		<u>17</u>
Profit for the financial year	19,21		<u>8,572</u>		<u>8,916</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

	2013 £'000	2012 £'000
Profit for the financial year	8,572	8,916
Exchange translation adjustments	237	(63)
Total recognised gains and losses during the year	<u>8,809</u>	<u>8,853</u>

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

B & W GROUP LTD**BALANCE SHEETS**

At 30 September 2013

Company number 880499

	Note	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Fixed assets					
Intangible assets	7	5,358	3,031	5,685	3,487
Tangible assets	8	11,432	12,497	8,742	9,533
Investments	9	1	1	19,090	19,090
		<u>16,791</u>	<u>15,529</u>	<u>33,517</u>	<u>32,110</u>
Current assets					
Stocks	10	51,135	45,670	34,281	28,617
Debtors	11	22,612	21,176	17,896	22,162
Investments	9	413	413	-	-
Cash at bank and in hand		2,144	1,892	-	15
		<u>76,304</u>	<u>69,151</u>	<u>52,177</u>	<u>50,794</u>
Creditors: amounts falling due within one year	12	<u>(26,924)</u>	<u>(27,613)</u>	<u>(17,151)</u>	<u>(22,498)</u>
Net current assets		<u>49,380</u>	<u>41,538</u>	<u>35,026</u>	<u>28,296</u>
Total assets less current liabilities		66,171	57,067	68,543	60,406
Creditors: amounts falling due after more than one year	13	<u>(27,760)</u>	<u>(23,133)</u>	<u>(20,226)</u>	<u>(16,337)</u>
Provision for liabilities	14	<u>(1,030)</u>	<u>(829)</u>	<u>(728)</u>	<u>(628)</u>
Net assets		<u>37,381</u>	<u>33,105</u>	<u>47,589</u>	<u>43,441</u>
Capital and reserves					
Called up share capital	17	2,000	2,000	2,000	2,000
Share premium account	18	13,373	13,373	13,373	13,373
Profit and loss account	19	21,493	17,284	32,216	28,068
Total shareholders' funds	21	<u>36,866</u>	<u>32,657</u>	<u>47,589</u>	<u>43,441</u>
Minority interests	20	<u>515</u>	<u>448</u>	<u>-</u>	<u>-</u>
Capital employed		<u>37,381</u>	<u>33,105</u>	<u>47,589</u>	<u>43,441</u>

The financial statements on pages 11 to 28 were approved by the Board of directors on 17 January 2014

On behalf of the Board


 G.I. Edwards
 Director

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

For the year ended 30 September 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash inflow from operating activities	22		10,370		11,426
Returns on investments and servicing of finance					
Interest received		204		151	
Interest paid	3	<u>(1,329)</u>		<u>(1,671)</u>	
Net cash outflow from returns on investments and servicing of finance			(1,125)		(1,520)
Taxation					
Corporation tax and overseas tax paid			(2,636)		(3,787)
Capital expenditure and financial investment					
Purchase of intangible fixed assets	7	(3,120)		(2,574)	
Purchase of tangible fixed assets	8	<u>(2,809)</u>		<u>(4,745)</u>	
Sale of tangible fixed assets	8	<u>6</u>		<u>53</u>	
Net cash outflow from capital expenditure and financial investment			(5,923)		(7,266)
Equity dividends paid	6		<u>(4,600)</u>		<u>(3,858)</u>
Cash outflow before financing			(3,914)		(5,005)
Financing					
Loan received		5,443		7,359	
Loan repayments		<u>(2,612)</u>		<u>(2,939)</u>	
Capital element of finance leases		<u>(43)</u>		<u>(5)</u>	
Net cash inflow from financing			2,788		4,415
Decrease in cash			<u>(1,126)</u>		<u>(590)</u>
Reconciliation of net cash flow to movement in net debt					
Decrease in cash	23		(1,126)		(590)
Cash outflow from increase in financing			<u>(2,057)</u>		<u>(6,278)</u>
Change in net debt resulting from cash flows			(3,183)		(6,868)
Translation difference	23		<u>(848)</u>		<u>1,624</u>
Movement in net debt in the year			(4,031)		(5,244)
Net debt at 1 October			<u>(27,441)</u>		<u>(22,197)</u>
Net debt at 30 September	23		<u>(31,472)</u>		<u>(27,441)</u>

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

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation 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	2013 £'000	2012 £'000
United Kingdom	13,026	12,458
Rest of Europe	55,493	50,775
North America	40,725	41,457
Asia Pacific	21,366	20,458
Rest of World	5,155	5,209
	<u>135,765</u>	<u>130,357</u>

Turnover achieved by product segment was	2013 £'000	2012 £'000
Loudspeakers and related equipment	94,186	89,562
Docks, multimedia and headphones	41,579	40,795
	<u>135,765</u>	<u>130,357</u>

Profit on ordinary activities before taxation is stated after charging/(crediting)	2013 £'000	2012 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	80	83
Fees payable to the company's auditor and its associates for other services		
- the audit of the company's subsidiaries, pursuant to legislation	48	44
- other services pursuant to legislation	13	55
- tax services	54	12
Hire of plant and equipment	17	22
Operating lease rentals - other	1,066	1,325
Research and development expenditure – expensed	1,361	1,238
Research and development expenditure - amortisation	793	509
Depreciation of tangible fixed assets	4,061	4,102
Exchange loss/(gains)	<u>803</u>	<u>(2,089)</u>

2 STAFF COSTS

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

	2013 £'000	2012 £'000
Wages and salaries	21,299	20,287
Social security	2,245	1,968
Other pension costs (note 26)	593	484
	<u>24,137</u>	<u>22,739</u>

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

For the year ended 30 September 2013

STAFF COSTS (CONTINUED)

	Number	Number
Production	143	171
Selling	94	98
Administration	301	293
Average monthly number of employees	<u>538</u>	<u>562</u>

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

	2013 £'000	2012 £'000
Aggregate emoluments	603	595
Contributions to money purchase pension scheme	5	433
Less reimbursed by ultimate holding company	-	(433)
	<u>608</u>	<u>595</u>

The emoluments of the highest paid director were

Aggregate emoluments

	2013 £'000	2012 £'000
	<u>251</u>	<u>684</u>

Retirement benefits accrued to one director (2012 two) in respect of money purchase schemes

3 NET INTEREST

	2013 £'000	2012 £'000
Bank loans and overdrafts	1,228	1,413
Other loans	141	256
Finance charges in respect of finance leases	8	2
	<u>1,377</u>	<u>1,671</u>
Less Bank interest receivable	<u>(204)</u>	<u>(151)</u>
	<u>1,173</u>	<u>1,520</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

	2013 £'000	2012 £'000
Current tax		
UK corporation tax on profits for the year	1,050	2,130
Adjustment in respect of prior years	(67)	108
	<u>983</u>	<u>2,238</u>
Foreign tax		
Corporation taxes	768	1,144
Total current tax	<u>1,751</u>	<u>3,382</u>
Deferred tax		
Origination and reversal of timing differences	609	420
Rate changes	63	108
Total deferred tax	<u>672</u>	<u>528</u>
Tax on profit on ordinary activities	<u>2,423</u>	<u>3,910</u>

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

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 2013 of 23.5% (2012 25%) as explained below

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	11,040	12,809
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2012 25%)	2,594	3,202
Effect of		
Trading losses carried forward	13	19
Expenses not deductible for tax purposes	159	437
Excess of development allowances for the period over the amount expensed	(798)	(635)
Capital allowances in excess depreciation	(21)	20
Net utilisation of trading losses	(31)	(36)
Higher rates on overseas earnings	20	14
Other adjustments	(199)	427
Movement in provision	81	(174)
Adjustments to tax charge in respect of prior years	(67)	108
Current taxation charge	1,751	3,382

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 £8,748,000 (2012 £15,622,000), 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 2013 amounting to £4,600,000 (2012 £3,858,000).

On 27 September 2013 an interim dividend of 230p per share was paid (2012 an interim dividend of 162.3p per share and a final dividend of 30.6p per share was paid).

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

For the year ended 30 September 2013

7

INTANGIBLE FIXED ASSETS

Group	Intellectual Property £'000	Development Costs £'000	Total £'000
Cost			
At 1 October 2012	6,190	5,802	11,992
Additions	-	3,120	3,120
Exchange differences	-	(1)	(1)
At 30 September 2013	6,190	8,921	15,111
Accumulated amortisation			
At 1 October 2012	6,190	2,771	8,961
Charge for the year	-	793	793
Exchange differences	-	(1)	(1)
At 30 September 2013	6,190	3,563	9,753
Net book amount at 30 September 2013	-	5,358	5,358
Net book amount at 30 September 2012	-	3,031	3,031

Company	Intellectual Property £'000	Development Costs £'000	Total £'000
Cost			
At 1 October 2012	7,590	5,327	12,917
Additions	-	3,100	3,100
At 30 September 2013	7,590	8,427	16,017
Accumulated amortisation			
At 1 October 2012	6,890	2,540	9,430
Charge for the year	233	669	902
At 30 September 2013	7,123	3,209	10,332
Net book amount at 30 September 2013	467	5,218	5,685
Net book amount at 30 September 2012	700	2,787	3,487

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

For the year ended 30 September 2013

8 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Short leasehold premises £'000	Plant, equipment and vehicles £'000	Total £'000
Cost				
At 1 October 2012	7,441	305	25,414	33,160
Additions	4	72	2,832	2,908
Disposals	-	(3)	(437)	(440)
Exchange differences	87	8	72	167
At 30 September 2013	7,532	382	27,881	35,795
Accumulated depreciation				
At 1 October 2012	2,680	110	17,873	20,663
Charge for the year	250	49	3,762	4,061
Eliminated on disposals	-	-	(434)	(434)
Exchange differences	29	1	43	73
At 30 September 2013	2,959	160	21,244	24,363
Net book amount at 30 September 2013	4,573	222	6,637	11,432
Net book amount at 30 September 2012	4,761	195	7,541	12,497

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 LTD**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 September 2013

TANGIBLE FIXED ASSETS (CONTINUED)

Company	Freehold land and buildings £'000	Short leasehold premises £'000	Plant, equipment and vehicles £'000	Total £'000
Cost				
At 1 October 2012	5,119	68	21,030	26,217
Additions	-	2	2,579	2,581
Disposals	-	-	(173)	(173)
Exchange differences	-	-	(10)	(10)
At 30 September 2013	5,119	70	23,426	28,615
Accumulated depreciation				
At 1 October 2012	1,855	25	14,804	16,684
Charge for the year	173	5	3,190	3,368
Disposals	-	-	(170)	(170)
Exchange differences	-	-	(9)	(9)
At 30 September 2013	2,028	30	17,815	19,873
Net book amount at 30 September 2013	3,091	40	5,611	8,742
Net book amount at 30 September 2012	3,264	43	6,226	9,533

The cost of freehold buildings on which depreciation is being provided is £6,171,000 (2012 £6,085,000) for the group and £4,422,000 (2012 £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 2013	198
Net book amount at 30 September 2012	140
Depreciation provided in the year	41
Depreciation provided in prior year	9

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

For the year ended 30 September 2013

9 INVESTMENTS

Group	Other investments		Total £'000
	Short term £'000	Long term £'000	
Cost			
At 1 October 2012	413	122	535
Eliminated	-	(121)	(121)
At 30 September 2013	413	1	414
Impairment			
At 1 October 2012	-	121	121
Eliminated	-	(121)	(121)
At 30 September 2013	-	-	-
Net book amount at 30 September 2013	413	1	414
Net book amount at 30 September 2012	413	1	414

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

Company	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 October 2012	25,266	122	25,388
Additions	113	-	113
Eliminated	-	(121)	(121)
At 30 September 2013	25,379	1	25,380
Impairment			
At 1 October 2012	6,177	121	6,298
Provided in year	113	-	113
Eliminated	-	(121)	(121)
At 30 September 2013	6,290	-	6,290
Net book amount at 30 September 2013	19,089	1	19,090
Net book amount at 30 September 2012	19,089	1	19,090

During the financial year the company conducted an impairment review of its subsidiaries and has consequently made an impairment provision charge of £113,000 (2012 £33,000 write-back)

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

INVESTMENTS (CONTINUED)

At 30 September 2013 the company held investments in the ordinary shares of the following companies

Principal subsidiary undertaking	Country of incorporation	Shareholding
Equity International Inc	USA	100%
Equity International (Canada) Inc	Canada	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 (In liquidation)	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 25 October 2013 the company acquired the remaining 50% of the share capital of B & W Loudspeakers Espana S A

10 STOCKS

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Raw materials and consumables	6,842	6,037	6,917	5,417
Work in progress	1,196	1,533	1,196	1,533
Finished goods	43,097	38,100	26,168	21,667
	<u>51,135</u>	<u>45,670</u>	<u>34,281</u>	<u>28,617</u>

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

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

For the year ended 30 September 2013

11 DEBTORS

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	17,390	16,498	1,827	2,176
Amounts owed by subsidiary undertakings	-	-	13,766	18,472
Corporation tax and overseas tax recoverable	409	372	-	-
Deferred tax asset (note 16)	1,151	1,303	-	-
Other debtors	2,670	1,720	1,718	781
Prepayments and accrued income	992	1,283	585	733
	22,612	21,176	17,896	22,162

All the above fall due within one year with the exception of £124,000 included in Other debtors (2012 £461,000) 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	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank overdrafts (see note 15)	2,968	1,572	2,176	883
Bank loans (see note 15)	3,181	4,458	-	2,510
Other loans (see note 15)	294	433	-	139
Trade creditors	13,303	14,117	11,110	12,468
Amounts owed to subsidiary undertakings	-	-	945	3,139
Corporation tax and overseas tax	492	1,333	211	803
Deferred tax liability (note 16)	324	147	318	147
Other taxes and social security	1,634	1,111	294	367
Finance leases (see note 15)	50	31	50	31
Other creditors	990	1,012	-	-
Accruals	3,688	3,399	2,047	2,011
	26,924	27,613	17,151	22,498

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loans (see note 15)	22,202	20,776	14,668	13,980
Other loans (see note 15)	4,771	1,950	4,771	1,950
Finance leases (see note 15)	150	113	150	113
Deferred tax liability (note 16)	637	294	637	294
	27,760	23,133	20,226	16,337

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

For the year ended 30 September 2013

14 PROVISION FOR LIABILITIES

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Warranty provision				
At 1 October	829	2,500	628	2,500
Utilised in the year	(262)	(1,671)	(252)	(1,872)
Provided for in year	463	-	352	-
At 30 September	1,030	829	728	628

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	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Within one year				
Bank overdrafts	2,968	1,572	2,176	883
Bank loans	3,181	4,458	-	2,510
Other loans	294	433	-	139
Finance leases	50	31	50	31
Between one and two years				
Bank loans	21,846	9,692	14,668	9,560
Other loans	4,771	1,950	4,771	1,950
Finance leases	50	29	50	29
Between two and five years				
Bank loans	356	11,008	-	4,420
Finance leases	100	84	100	84
After more than five years				
Bank loans	-	76	-	-
	33,616	29,333	21,815	19,606

The average rate payable on the bank loans is 5.4% (2012 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 4.0% (2012 4.0%).

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

At 30 September 2013 the Group's net debt was less than 81% (2012 less than 73%) of agreed banking facilities.

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

For the year ended 30 September 2013

BORROWINGS (CONTINUED)**Derivatives**

At 30 September 2013 the group had interest rate Swap contracts, providing certainty of borrowing costs on Euro loans, with a fair value loss of €46,000 (2012 loss of €117,000)

16 DEFERRED TAX

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

	Group	Group	Company	Company
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
At 1 October 2012	862	1,390	(441)	282
Transfer to profit and loss account	(672)	(528)	(514)	(723)
At 30 September 2013	190	862	(955)	(441)
These balances comprise				
Capital allowance timing differences	(998)	(460)	(998)	(460)
Short term timing differences	1,188	1,322	43	19
	190	862	(955)	(441)

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 £17,000

Unrelieved tax losses of £947,000 (2012 £1,389,000) 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 £229,000 (2012 £334,000)

17 CALLED UP SHARE CAPITAL

Group and Company	2013	2013	2012	2012
	Number	£'000	Number	£'000
Authorised				
Preferred ordinary shares of £1 each	800,000	800	800,000	800
Ordinary share of £1 each	1,750,000	1,750	1,750,000	1,750
	2,550,000	2,550	2,550,000	2,550
Allotted, and fully paid				
Preferred ordinary shares of £1 each	800,000	800	800,000	800
Ordinary share of £1 each	1,200,001	1,200	1,200,001	1,200
	2,000,001	2,000	2,000,001	2,000

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

For the year ended 30 September 2013

18 SHARE PREMIUM ACCOUNT

Group and Company	2013 £'000
At 1 October 2012 and 30 September 2013	<u>13,373</u>

19 PROFIT AND LOSS ACCOUNT

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

Group	2013 £'000	2012 £'000
At 1 October	17,284	12,289
Profit for the financial year	8,572	8,916
Dividends paid	(4,600)	(3,858)
Exchange differences	237	(63)
At 30 September	<u>21,493</u>	<u>17,284</u>
 Company	 2013 £'000	 2012 £'000
At 1 October	28,068	16,304
Profit for the financial year	8,748	15,622
Dividends paid	(4,600)	(3,858)
At 30 September	<u>32,216</u>	<u>28,068</u>

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 2013 and 30 September 2012

20 MINORITY INTEREST

	2013 £'000	2012 £'000
At 1 October	448	502
Share of retained profit/(loss) for year	45	(17)
Exchange movements	22	(37)
At 30 September	<u>515</u>	<u>448</u>

The minority interest arises in respect of the fifty percent interest in B & W Loudspeakers Espana S A not owned by the group at the year end but subsequently purchased (note 30)

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

For the year ended 30 September 2013

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013	2012
	£'000	£'000
Profit for the financial year	8,572	8,916
Dividends paid	(4,600)	(3,858)
Exchange translation adjustments	237	(63)
Net increase in shareholders' funds	4,209	4,995
Shareholders' funds at 1 October	32,657	27,662
Shareholders' funds at 30 September	36,866	32,657

22 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	£'000	£'000
Operating profit	12,213	14,320
Depreciation and amortisation	4,854	4,610
Increase in stocks	(5,448)	(6,392)
(Increase)/decrease in debtors	(1,540)	2,880
Increase/(decrease) in creditors	90	(2,320)
Increase/(decrease) in provisions	201	(1,672)
Net cash inflow from operating activities	10,370	11,426

23 ANALYSIS OF NET DEBT

	At 1 October	Cash flow	Exchange	At 30
	2012	£'000	movements	September
	£'000		£'000	2013
				£'000
Cash at bank and in hand	1,892	237	15	2,144
Overdrafts	(1,572)	(1,363)	(33)	(2,968)
	320	(1,126)	(18)	(824)
Debt falling due within one year	(4,891)	1,546	(130)	(3,475)
Debt falling due after more than one year	(22,726)	(3,547)	(700)	(26,973)
Hire purchase and finance leases	(144)	(56)	-	(200)
	(27,441)	(3,183)	(848)	(31,472)

24 CAPITAL COMMITMENTS

Group and Company	2013	2012
	£'000	£'000
Authorised and contracted for	160	120

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

For the year ended 30 September 2013

25 CONTINGENT LIABILITIES

Company	2013 £'000	2012 £'000
Cross guarantees in respect of subsidiary borrowings	<u>7,982</u>	<u>6,883</u>

26 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 £593,000 for the group (2012 £484,000) and £391,000 for the company (2012 £306,000)

27 OPERATING LEASE COMMITMENTS

The group is committed to leasing payments of £1,111,000 (2012 £1,324,000) in the next financial year The company is committed to leasing payments of £204,000 (2012 £329,000) in the next financial year The commitments to make the payments included in these sums expire as follows

	Group				Company			
	2013 Land and buildings £'000	2013 Other £'000	2012 Land and buildings £'000	2012 Other £'000	2013 Land and buildings £'000	2013 Other £'000	2012 Land and buildings £'000	2012 Other £'000
Within one year	280	42	338	37	65	17	117	4
Between two and five years	437	183	651	219	-	24	157	36
After five years	168	1	71	8	98	-	15	-
	<u>885</u>	<u>226</u>	<u>1,060</u>	<u>264</u>	<u>163</u>	<u>41</u>	<u>289</u>	<u>40</u>

28 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 27 September 2013 B&W International Limited, the ultimate holding company, made an unsecured loan to B&W Group Limited of £4,778,000 for 15 months on which interest of 4% per annum is payable

During the financial year the company made sales of £1,984,000 (2012 £2,104,000) to B & W Loudspeakers Espana S A a non wholly owned subsidiary At 30 September 2013 the company owed the subsidiary £336,000 (2012 £58,000)

B & W GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

29 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.

30 EVENTS AFTER THE BALANCE SHEET DATE

On 25 October 2013 B&W Group acquired the remaining share capital of B&W Loudspeakers Espana S A for a consideration of €1,212,000 (£1,018,000)