Farrow & Ball Limited

Report and Financial Statements

For the year ended

31 December 2022

Company Number 00999927

Farrow & Ball Limited

Report and financial statements
for the year ended 31 December 2022

Contents

Page:

Directors

C Dunbar (appointed 01/08/2022)
C Atkin (appointed 15/03/2022)
M Winstone (appointed 15/03/2022)
N A Spreadbury (appointed 15/03/2022)
N A Kemahli (appointed 23/08/2023)

Company secretary and registered office

N A Spreadbury, 33 Uddens Trading Estate, Wimborne, Dorset, BH21 7NL

Company number

00999927 England and Wales

Auditors

BDO LLP, Arcadia House, Maritime Walk – Ocean Village, Southampton, SO14 3TL, UK

Farrow & Ball Limited

Strategic report
for the year ended 31 December 2022

The directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2022.

Principal activities, review of business and future developments

Principal activities

Farrow & Ball is a UK-based manufacturer and retailer of premium branded paint and wallpaper. It covers the full value chain of design, development, manufacturing, distribution, marketing and sales. It is the market leader in premium paint in the UK. Since its foundation in 1946, Farrow & Ball has been recognised for its distinctive offering and quality proposition.

The Company is headquartered in Dorset, where all paint bases and wallpapers are manufactured by craftsmen using traditional manufacturing techniques. The Company exports its products around the world and has branches outside of the United Kingdom. Its key distribution channels are 45 company-operated stores and over 1,500 third-party stockist locations.

Business review and future developments

The Company delivered revenues of £101m during the financial year (£78m 9 months ended December 2021). Growth in the period of 29% came from national multiple retail customers but web performance was 37% down on prior calendar year post COVID-19 pandemic, resulting in an overall decrease in revenues when adjusted for the nine month period in the prior year. This performance is reflective of restrictions in 2020 until early 2022 hence consumer behaviours returning to their pre pandemic channel of choice.

During the year, the business continued to invest in marketing activity. In September 2022, the signature 132 colour collection was updated with eleven new colours. The launch was deployed extensively through social media and digital channels.

The UK continues to be the largest market for Farrow & Ball, accounting for 67% (67% December 2021) of sales.

The European business continued to roll-out of a new point-of-sale mixing solution within 3rd party stockists.

During the year and in line with government advice surrounding social distancing and home working, the company started to gently ease restrictions of operations and updated associated Safe Systems of Work and associated risk assessments.

From a cost perspective, as a result of multiple disruptions within the supply chain of key upstream raw materials the company was impacted by cost increases. Whilst the company found operation efficiencies within its manufacturing and operational process, these cost increases contributed to the Company's gross margin reduction from 68.6% to 66.7%.

Administrative expenses were £37m (£28m December 2021 9-month period).

The financial position of the company has been impacted during 2022 by a £30m increase in inter-company debtors as a result of advancing surplus cash to the ultimate parent, Hempel A/S.

Statement in compliance with section 172 of the Companies Act 2006.

Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders. In doing so, the Directors must have regard (among other matters) to:

- The likely consequences of any decision in the long term.
- The interest of the Company's employees.
- The need to foster and maintain good working relationships with suppliers, customers and other stakeholders.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly towards all shareholders of the Company.

The following sets out some headline detail on how Management reflect on this when implementing the strategic objectives and policies.

Employees: The company is proud of its employees and the dedication they show to provide our customers with the highest quality products and services. The recruitment, retention and development of our staff is recognized as a key foundation stone of our success. A 'develop and promote within ethos' runs through the company, understanding that the retention of talent is key to the future success of the business. The business conducts an annual engagement survey, which is used in a detailed basis across the business to identify engagement gaps and best practice, which are acted upon. Management communicate the results of these reviews to all employees alongside more general business updates.

Customers: Our customers are central to everything we do, and therefore, we carry out significant consumer research to understand the requirements and expectations of our various customer groups. The results of this research informs the company's investment and product development planning, as well as creating an understanding on how our customers want to shop. We have used this insight to invest further in the development of our e-commerce business and other customer services.

Suppliers and Partners: The company has a relatively small number of larger strategic suppliers in addition to a smaller number of local suppliers. When deciding which suppliers to work with several factors are considered, not just from a financial aspect but also their CSR policies, ensuring we work with the right suppliers for all company stakeholders. We are in regular contact with our supply chain and hold broad quarterly business reviews with our strategic suppliers to review ongoing compliance and supply.

Environment: The Directors are aware of the environmental impacts of the Company's operations and puts eco-friendly principles at the heart of its approach to paint and wallpaper manufacturing. The entire range of paints are water-based to prioritise low VOC in-home usage and are rated A+ for indoor air quality. In addition, our distinctive metal tins are recyclable, our shopping bags are produced from 100% recycled and recyclable materials, and 100% of our dry waste is recycled or converted into biofuel.

Community: The company takes its position as part of the Community very seriously and has an internal Committee established to organize events and Community interactions. We have an ongoing relationship with Forest Holme, our local hospice to support palliative and end of life care for the local community, for which we organize many fund-raising events and donate proceeds from staff paint sales. In addition, we donate paint directly to charitable projects throughout the UK ranging from youth clubs to social centres as part of the UK Community Repaint Scheme.

Our Strategy

The Company continues to be focused on its successful strategy of increasing the accessibility, presence and appeal of the Farrow & Ball® brand globally, through its digital channels, flagship showrooms and distribution partners. There is continued emphasis on maintaining the Company's position as premium paint market leaders in the UK, but also development of other markets for Farrow & Ball. In the US, Farrow & Ball has grown 9% compared with the previous calendar year.

Key performance indicators

The Company's key performance indicators ("KPIs") for the period are set out in the table below. Overall they indicate that the business is continuing to meet its objectives.

	2022	**2021**
Points of Sale	**1,576**	1,520
Operating Profit Margin	**30%**	33%
Web revenue (£000)	**14,197**	14,388
Employee Engagement	**79%**	83%
Average number of staff	**584**	573

The board also monitors other non-financial performance indicators which include:

- Health & Safety;
- Quality; and
- Employee turnover and absence.

The principal risks and uncertainties of the business are covered within the Directors' report.

Approval

This Strategic Report was approved on behalf of the Board on 28 September 2023

N A Spreadbury

Director

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

Results and dividends

The results for the company are set out in the statement of comprehensive income on page 13.

The comparative information is for the period 1 April 2021 to 31 December 2021.

Supply chain and inflation risks

Several supply chain infrastructure events has put pressure on the supply of raw materials and in turn has impacted raw material pricing. Inflation has impacted overheads costs such as utilities bills. This risk and impact is being monitored closely by the business but isn't deemed to impact going concern due to strong cash headroom and ability to recover costs increases if required.

Going concern

The business continues to perform well following the COVID-19 Pandemic with trading returning to a traditional mix of consumer channel choices. The Directors consider the company to have the flexibility and resources to cope with other future shifts in the channel demand profile.

The Company is in a strong net asset position with £17m cash balances at year end and generating significant operating profits.

After consideration of these matters and other potential business risks, the directors have formed a judgement, at the time of approving the financial statements and at least 12 months from the approval of the financial statements, that there are no material uncertainties that may cast doubt about the company's ability to continue as a going concern and that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as competitive, macro-economic legislative and financial. There is risk of customer discretionary spend decreasing due to inflationary environment, however, Farrow & Ball continues to invest in new products to attract customers.

Competitive risks

The company faces branded competitors of varying size & positioning in the geographies the company operates in. The company targets specific consumer groups globally and ensures that the brand is always front of mind by trading across a variety of channels and focusing on producing an unmatched range of paint & wallpaper products. The company approaches brand decisions with a global mind-set but recognises the need for local solutions.

Macro-economic

Due to increasing levels of inflation in the UK, there is risk that consumer discretionary spend reduces.

Legislative risk management

There continue to be changes in chemical legislation and the company monitors these changes on an ongoing and global basis, but particularly within the countries in which it trades, to ensure that any risk is mitigated through early Research and Development and product testing. The company remains well placed to meet any legislative challenges, despite there being an increasing need for conformance testing across economic areas.

Financial risk management

Sales to the Eurozone are made in Euros. The company pays the expenses of its Eurozone showrooms in Euros and many of the raw materials it purchases are also priced in Euros. The company is therefore exposed to movements in the Euro to Sterling exchange rate.

Sales to North America were made in US Dollars and Canadian Dollars during the period.

The company prepares regular projections of potential currency exposures and monitors currency movement weekly.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements.

The company monitors cash flow as part of its day to day control procedures and reviews cash flow projections regularly and with the Board monthly.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. The company welcomes applications from disabled persons whenever a suitable vacancy arises and provides continued employment and retraining of employees who become disabled whilst employed by the company. The company provides training and career development opportunities for disabled employees with a view to encouraging them to play an active role in the development of the company.

Streamlined Energy & Carbon Reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions.

To ensure a high level of transparency is achieved, robust and recognised reporting methods are implemented. The reporting methodology involves usage of the 2021 DEFRA (Department for Environment, Food and Rural Affairs) emissions factors to calculate and assess our UK operational emissions.
The SECR reporting period covers Farrow & Ball Limited's UK operations from the 1st January to the 31st December 2022 and our calculations are for the following scopes:

- Building-related energy – Gas consumption (scope 1), fuel combustion for forklifts (scope 1) and purchased electricity consumption (scope 2).
- Transportation – Business travel in company vehicles (scope 1).

<u>Calculation Methodology</u>

Farrow & Ball Limited's emissions have been assessed in accordance with the 'GHG Protocol Corporate Accounting and Reporting Standard' and in line with Defra's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements'. The Defra 2021 emission conversion factors were used to quantify the emissions associated with Farrow & Ball Limited's UK operations for the specified reporting period.

Streamlined Energy & Carbon Reporting (continued)

Results

Reporting Period		1st January 2021 - 31st December 2021	1st January 2022 - 31st December 2022
Area	**Metric**	**UK & Offshore**	**UK & Offshore**
Emissions from combustion of natural gas (Scope 1)	Energy (kWh)	1,414,428.09	716,686.72
	Emissions (tCO_2e)	259.07	130.82
Emissions from combustion of fuel in company vehicles (Scope 1)	Energy (kWh)	341,664.65	130,821.34
	Emissions (tCO_2e)	78.89	31.55
Emissions from combustion of onsite fuel (Scope 1)	Energy (kWh)	-	137,844.00
	Emissions (tCO_2e)	-	29.51
Emissions from purchased electricity – location-based (Scope 2)	Energy (kWh)	2,235,486.72	2,074,813.65
	Emissions (tCO_2e)	474.66	401.23
Emissions from business travel in expensed and rental vehicles (Scope 3)	Energy (kWh)	-	204,729.23
	Emissions (tCO_2e)	-	50.40
Intensity Ratio	(tCO_2e / tonne product)	**0.07**	**0.06**
Intensity Ratio	(tCO_2e / £M turnover)	**10.42**	**6.38**
Total Energy Consumption	(kWh)	**3,991,579.46**	**3,264,894.94**
Total Emissions	(tCO_2e)	**812.62**	**643.51**

Streamlined Energy & Carbon Reporting *(continued)*

Intensity Measurement

We have chosen the metric tCO_2e / Tonne Production Volume output as this is a common business metric for our industry sector. Intensity ratio of tCO_2e / £m Turnover is also used as a general metric.

Energy Efficiency Measures

- The process of changing all fluorescent lights to LEDs at Wimborne begun; this will be finished in 2 to 3 months. This includes on/off sensors.
- The AC and gas heating units in main areas were set to a standard temperature which cannot be adjusted.
- Automatic shutters were installed to keep heat in, with no shutters remaining open unless in use.
- AC units were replaced in main offices AP 4 and 6, with older AC units planned to be replaced as their lifespans are reached.
- All UK showrooms have been fitted with LEDs.
- Hybrid working has been adopted, and most office employees now work from home and only attend site once per week.
- More efficient compressors were installed.

Employee involvement

The company's policy is to consult and discuss matters likely to affect employees' interests at regular meetings with employees.

Information on matters of concern to employees is disseminated through weekly bulletins, regular reports, quarterly company briefings, meetings and use of the company Intranet, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Directors and officers Insurance

The company takes out Directors & Officers Insurance annually.

Directors

The directors of the company throughout the year were:

A P Davey	(resigned 31 July 2022)
R R Salmond	(resigned 22 March 2022)
J Devitt	(resigned 31 August 2023)
P McDonald	(resigned 31 October 2022)
C Dunbar	
C Atkin	
N Spreadbury	
M Winstone	
N A Kemahli	

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

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

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

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

All of the directors as at the date of this report have taken all the 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. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approval

This Directors' Report was approved by order of the board on 28 September 2023

N A Spreadbury
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARROW & BALL LIMITED

Opinion on the financial statements
In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Farrow & Ball Limited ("the Company") for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

Responsibilities of Directors
As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Non-compliance with laws and regulations

Based on:
- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Evaluation of controls designed to prevent and detect irregularities.

we considered the significant laws and regulations to include the applicable accounting framework and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Auditor's responsibilities for the audit of the financial statements (continued)
Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and checking to supporting documentation;
- Involvement of tax specialists in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
- Detecting and responding to the risks of fraud; and
- Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and considered that the principal risk was related to the posting of inappropriate journal entries to improve the result before tax for the year, which would be addressed by applying the below mentioned procedures.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by assessing against supporting documentation;
- Assessing significant estimates made by management for indicators of bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Alex Stansbury

D2B2F4744551423...

Alex Stansbury (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

September 2023   28 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Farrow & Ball Limited

Statement of comprehensive income
for the year ended 31 December 2022

	Note	2022 £'000	2021 (9mths) £'000
Turnover	3	**100,904**	77,977
Cost of sales		**(33,558)**	(24,469)
Gross profit		**67,346**	53,508
Administrative expenses		**(36,898)**	(27,773)
Other operating income		**320**	311
Operating profit	4	**30,768**	26,046
Other interest receivable and similar income		**519**	6
Profit on ordinary activities before taxation		**31,287**	26,052
Taxation on profit on ordinary activities	8	**(6,086)**	(4,889)
Profit for the financial year/period		**25,201**	21,163
Other comprehensive income/ (loss) for the year/period		**59**	(75)
Total comprehensive income for the period		**25,260**	21,088

All amounts relate to continuing activities.

The notes on pages 16 to 28 form part of these financial statements.

Farrow & Ball Limited

Balance Sheet
at 31 December 2022

Company number 00999927	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Intangible assets	9		**2,284**		2,736
Tangible assets	10		**8,025**		6,409
Investments	11		**24**		24
			10,333		9,169
Current assets					
Stock	12	**7,737**		6,865	
Debtors	13	**174,290**		142,137	
Cash at bank and in hand		**16,791**		14,973	
		198,818		163,975	
Creditors: amounts falling due within one year	14	**(35,203)**		(24,456)	
Net current assets			**163,615**		139,519
Total assets less current liabilities			**173,948**		148,688
Creditors: amounts falling due after more than one year	15		**(70)**		(70)
Net assets			**173,878**		148,618
Capital and reserves					
Called up share capital	19		**24**		24
Share premium			**69**		69
Capital redemption reserve			**20**		20
Profit and loss account			**173,765**		148,505
Shareholders' funds			**173,878**		148,618

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2023

N A Spreadbury
Director

The notes on pages 16 to 28 form part of these financial statements.

Farrow & Ball Limited

Statement of changes in equity for the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
29 March 2021	24	69	20	127,417	127,530
Comprehensive income for the period:					
Profit for the period	-	-	-	21,163	21,163
Other comprehensive loss for the period	-	-	-	(75)	(75)
Total comprehensive income for the period	-	-	-	21,088	21,088
Contributions by and distributions to owners	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
31 December 2021	24	69	20	148,505	148,618
Comprehensive income for the year:					
Profit for the year	-	-	-	25,201	25,201
Other comprehensive income for the year	-	-	-	59	59
Total comprehensive income for the year	-	-	-	25,260	25,260
Contributions by and distributions to owners	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
31 December 2022	**24**	**69**	**20**	**173,765**	**173,878**

The notes on pages 16 to 28 form part of these financial statements.

1 Accounting policies

Farrow & Ball Limited is a private limited company incorporated in England. The registered office is 33 Uddens Trading Estate, Wimborne, Dorset, BH21 7NL.The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies. The financial statements are prepared in sterling which is the functional currency and rounded to the nearest £'000. The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption not to prepare a cash flow statement on the grounds that at least 90% of the voting rights are controlled within the group headed by Hempel A/S and the company is included in the consolidated financial statements.

Exemption from preparation of consolidated financial statements

The financial statements contain information about Farrow & Ball Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as the company's parent company publish group financial statements in which the company is included.

Going concern

The business continues to perform well following the COVID-19 Pandemic with trading returning to a traditional mix of consumer channel choices. The Directors consider the company to have the flexibility and resources to cope with other future shifts in the channel demand profile.

Several supply chain infrastructure events, has put pressure on the supply of raw materials and in turn has impacted raw material pricing. This risk and impact is being monitored closely by the business but isn't deemed to impact going concern due to strong cash headroom and ability to recover costs increases if required.

The Company is in a strong net asset position with £17m cash balances at year end and generating significant operating profits.

After consideration of these matters and other potential business risks, the directors have formed a judgement, at the time of approving the financial statements and at least 12 months from the approval of the financial statements, that there are no material uncertainties that may cast doubt about the company's ability to continue as a going concern and that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Revenue

Turnover represents sales to external customers at invoiced amounts net of discounts less value added tax or local taxes on sales. Revenue is recognised when goods are despatched to customers.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1 Accounting policies *(continued)*

Tangible fixed assets (continued)

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation

Depreciation on assets is charged at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold buildings	-	Over the unexpired lease period
Office/showroom equipment	-	20% pa straight line
Computer software	-	$33^{1}/_{3}$% pa straight line
Plant and machinery	-	10% - 20% pa straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ('CGU') to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Financial assets

Financial assets are initially recognised at transaction price and subsequently held at amortised cost.

Financial liabilities and equity

Financial liabilities are initially recognised at transaction price and subsequently held at amortised cost. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Intangible assets
French restricted lease rights relate to rights within the leases on some of the company's showrooms in France.

The value of these restricted rights is initially at cost and the assets are then amortised over the term of the individual leases. If any impairment has been incurred the value of the relevant lease rights are immediately reduced to the lower identified cost.

Computer software is stated at historical cost less accumulated amortisation and any accumulated amortisation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Amortisation is charged in order to write off each asset over its estimated useful life using straight-line method between 3-10 years.

1 Accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of overheads. Net realisable value is based on estimated selling price less additional costs to completion or disposal.

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account. The results of overseas branches are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not discounted.

Leased assets

Leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2012) to continue to be charged over the period to the date of the next lease break option rather than the term of lease.

For leases entered into on or after 1 April 2015, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

1 Accounting policies *(continued)*

Development expenditure

Expenditure on the development of products is written off as incurred.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis. In particular, the company leases certain equipment to stockists that is considered to be under an operating lease due to the fact that ownership does not transfer at the end of the lease, which is not considered to be the end of the assets' useful economic lives and at which point they are considered to have a residual value. Had an alternative view been taken that the assets were sold under finance leases, revenues would have been brought forward and the assets derecognised from the company's Balance sheet.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Stockist growth rebates are accrued during the year based upon expected contractual pay-out using actual performance.

3 Analysis of turnover

	2022	2021 (9 mths)
	£'000	£'000
Analysis by geographical market:		
United Kingdom	**67,826**	52,269
Europe	**24,011**	19,320
Rest of the World	**9,067**	6,388
	100,904	77,977

4 Operating profit

	2022 £'000	2021 (9mths) £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**1,695**	1,009
Amortisation of intangible fixed assets	**1,500**	765
Auditor's remuneration	**148**	105
(Profit)/Loss from exchange differences	**(578)**	227
Hire of plant and machinery - operating leases	**220**	174
Hire of other assets - operating leases	**2,467**	1,929
Loss/(profit) on sale of assets	**25**	(28)

5 Auditor's remuneration

	2022 £'000	2021 (9mths) £'000
Audit of the financial statements	**148**	105
Audit of fellow subsidiaries	**-**	-
Total audit services	**148**	105
Total	**148**	105

6 Employees

	2022 £'000	2021 (9mths) £'000
Staff costs (including directors) consist of:		
Wages and salaries	**16,089**	12,076
Social security costs	**1,976**	1,585
Cost of defined contribution scheme	**445**	324
	18,510	13,985

The average number of employees (including directors) during the period was as follows:	Number	Number
Production	**70**	70
Sales and distribution	**357**	345
Administration	**157**	158
	584	573

7 Directors' remuneration

	2022 £'000	2021 (9mths) £'000
Directors' emoluments	**811**	4,791
Company contributions to money purchase schemes	**42**	10

There were 4 directors in the company's defined contribution pension scheme.

Emoluments of the highest paid director for the period was £175,689 (2021 - £3,382,965). Company pension contributions of £9,667 (2021 - £5,000) were made in the period to a money purchase scheme on their behalf. Some directors' remuneration costs have been borne by other group companies.

8 Taxation on profit on ordinary activities

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
UK corporation tax				
Current tax charge on profits for the period	**5,953**		4,958	
Adjustment in respect of prior year	**88**		107	
Foreign tax relief	**(163)**		(91)	
Foreign tax suffered	**150**		116	
Total current tax		**6,028**		5,090
Deferred tax				
Origination and reversal of timing differences	**21**		19	
Adjustment in respect of prior period	**30**		(126)	
Changes to tax rates	**8**		(94)	
		59		(201)
Taxation on profit on ordinary activities		**6,086**		4,889

The tax assessed for the year/period is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2022 £'000	2021 (9mths) £'000
Profit on ordinary activities before tax	**31,287**	26,052
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (Dec 2021 - 19%)	**5,945**	4,950
Effects of:		
Expenses not deductible for tax purposes	**28**	26
Group relief		-
Adjustment to tax charge in respect of prior years	**119**	(18)
Other timing differences	**(13)**	25
Tax rate changes	**7**	(94)
Total tax charge for the year/period	**6,086**	4,889

9 Intangible fixed assets

	Computer Software £'000	French restricted lease rights £'000	Total £'000
Cost or valuation			
At 1 January 2022	7,407	577	7,984
Additions	1,045	-	1,045
Disposals	(47)	-	(47)
Foreign Exchange on Branch assets	2	32	34
At 31 December 2022	**8,407**	**609**	**9,016**
Amortisation			
At 1 January 2022	4,739	509	5,248
Provision for year	1,470	30	1,500
Disposals	(47)	-	(47)
Foreign Exchange on Branch assets	2	29	31
At 31 December 2022	**6,164**	**568**	**6,732**
Net book value			
At 31 December 2022	**2,243**	**41**	**2,284**
At 31 December 2021	2,668	68	2,736

10 Tangible assets

	Leasehold land and buildings £'000	Office and showroom equipment £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2022	6,349	8,052	6,517	20,918
Additions	367	1,527	1,468	3,362
Disposals	(74)	(1,083)	(42)	(1,199)
Foreign Exchange on Branch assets	93	61	(40)	114
At 31 December 2022	**6,735**	**8,557**	**7,903**	**23,195**
Depreciation				
At 1 January 2022	4,491	5,960	4,058	14,509
Provision for year	462	710	523	1,695
Disposals	(36)	(1,078)	(21)	(1,135)
Foreign Exchange on Branch assets	24	65	12	101
At 31 December 2022	**4,941**	**5,657**	**4,572**	**15,170**
Net book value **At 31 December 2022**	**1,794**	**2,900**	**3,331**	**8,025**
Net book value At 31 December 2021	1,858	2,092	2,459	6,409

11 Investments

	Group undertakings £'000
Cost or valuation	
At 1 January 2022	24
Foreign Exchange movement	-
At 31 December 2022	**24**

All investments are unlisted.

Subsidiary undertakings, associated undertakings and other investments

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Subsidiary undertaking			
Farrow & Ball DE GmbH	Germany	100%	Paint and wallpapers

Farrow & Ball DE GmbH remained dormant throughout the year ending 31st December 2022.

	Aggregate share capital and reserves		Profit for the period	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Subsidiary undertaking				
Farrow & Ball DE GmbH	**24**	24	-	-

12 Stock

	2022 £'000	2021 £'000
Raw materials	**3,021**	2,684
Finished goods and goods for resale	**4,716**	4,181
	7,737	6,865

There is no material difference between the replacement cost of stock and the amounts stated above.

13 Debtors

	2022 £'000	2021 £'000
Trade debtors	**11,494**	9,239
Amounts owed by group undertakings	**159,620**	129,127
Other debtors	**784**	1,174
Prepayments and accrued income	**1,322**	1,455
Corporation Tax	**737**	751
Deferred taxation (notes 16 & 17)	**333**	391
	174,290	142,137

All amounts shown under debtors fall due for settlement within one year. £43,827k (2021 - £22,004k) of the inter-company debtor relates to amounts advanced to ultimate parent company, Hempel A/S.

14 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	**3,630**	3,781
Corporation tax	**-**	-
Taxation and social security	**1,509**	2,015
Amounts owed to group undertakings	**25,226**	14,302
Accruals and deferred income	**4,838**	4,358
	35,203	24,456

15 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Deferred taxation (notes 16 & 17)	**-**	-
Deferred shares classified as financial liabilities (see note 19)	**70**	70
	70	70

16 Deferred tax asset

	Deferred taxation (note 17) £'000
At 1 January 2022	391
Adjustment in respect of prior years	(30)
Charged to profit and loss in the year	(28)
At 31 December 2022	**333**

17 Deferred taxation

	Accelerated capital allowances 2022 £'000	**Short term timing differences 2022 £'000**	**Total 2022 £'000**
Deferred tax liability	**322**	**11**	**333**

	Accelerated capital allowances 2021 £'000	Short term timing differences 2021 £'000	Total 2021 £'000
Deferred tax liability	376	15	391

18 Pensions

Defined contribution scheme

The amount recognised in the profit and loss account as an expense in relation to the company's defined contribution schemes is £445,000 (2021 - £324,000). At the year-end contributions totalling £78,000 (2021 - £86,000) were outstanding.

19 Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
23,935 (2021 - 23,935) ordinary shares of £1 each	**24**	24

Deferred shares (as disclosed in note 15) comprise 35,110 ordinary shares of £1 each and 35,110 ordinary shares of €1.57 each. Deferred shares have the following class rights:

The right to 10% of any surplus, profits of the company each year, which remains after paying dividends of £25,000 per annum on the issued ordinary shares of the company. No surplus has been distributed in respect of Dec 2022 (2021 - £Nil).

The right on a winding up or other return of capital to 10% of any surplus assets of the company after the repayment of the amounts paid up on all issued ordinary shares of the company.
No right to attend or vote at general meetings.

20 Commitments under operating leases

Annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2022 £'000	Other 2022 £'000	Land and buildings 2021 £'000	Other 2021 £'000
Not later than 1 year	**2,233**	**150**	2,057	139
Later than 1 year and not later than 5 years	**6,765**	**57**	6,616	92
Later than 5 years	**1,837**	**-**	2,099	-
Total	**10,835**	**207**	10,772	231

21 Related party disclosures

Controlling parties

The directors consider the ultimate parent undertaking of Farrow & Ball Limited is Hempel A/S.

The company is a wholly owned subsidiary of Farrow & Ball Holdings Limited. Farrow & Ball Ltd owes the following amounts to other entities within the group: Hempel A/S £1,745k, Crown Paints Ltd £23k and JWO £31k. During the year, Farrow & Ball Ltd spent the following amounts with intra-group suppliers: Crown Paints Ltd £62k, Hempel A/S £1,931k and J W Ostendorf GmbH & Co KG £48k.

Key Management

Key management personnel include all directors and a number of senior managers across the group who together have the authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £1,196k (December 2021 - £3,087k).

22 Capital commitments

	2022	2021
	£'000	£'000
Contracted but not provided for	**419**	279

23 Ultimate parent company

The ultimate parent company is Hempel A/S, a company incorporated in Denmark. Hempel A/S is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Hempel A/S are available from Hempel A/S Lundtoftegårdsvej 91, DK – 2800 kgs, Lyngby, Denmark. The immediate parent company is FB Holdings Limited, a company incorporated in England and Wales.

The ultimate controlling party is Hempel Fonden, Amaliegade 8, 1256 Copenhagen, Denmark.