

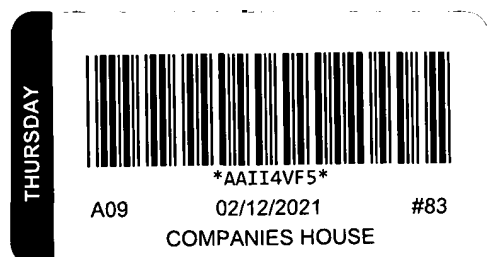
## **Farrow & Ball Limited**

*Report and Financial Statements*

52 week period ended

28 March 2021

Company Number 00999927



**Farrow & Ball Limited**  
**Report and financial statements**  
**for the 52 week period ended 28 March 2021**

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**Directors**

A P Davey  
R R Salmond  
V A Gunn (resigned 30 July 2020)

**Company secretary and registered office**

R R Salmond, 33 Uddens Trading Estate, Wimborne, Dorset, BH21 7NL

**Company number**

00999927 England and Wales

**Auditors**

Ernst & Young LLP, Grosvenor House, Grosvenor Square, Southampton, SO15 2BE

# **Farrow & Ball Limited**

## **Strategic report for the 52 week period ended 28 March 2021**

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The directors present their Strategic Report together with the audited financial statements for the 52 week period ended 28 March 2021.

### **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 unmatched 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 1,491 third-party stockist locations.

#### **Business review and future developments**

The Company delivered record revenues of £107m during this financial year despite limitations on social movements and store operating restrictions, as a result of the COVID-19 pandemic and the associated National and local Government advice. The growth in the year was predominantly based within the UK and EU markets and was across most channels, most notably through the Group's E-commerce platform and its third-party authorised stockist locations.

The growth in E-Commerce sales was achieved following infrastructure investments made in recent years, which enables the business to attract and support the increased consumer traffic, with a high level of customer service.

During the year the business continued to invest in marketing activity. The primary campaign of the year highlighted the durable product attributes of Farrow & Ball's Modern Emulsion product and was deployed extensively through social media and digital channels, including the business' first advertising campaign through on-demand television.

The UK continues to be the largest market for Farrow & Ball, accounting for 71% of sales. Sales in this market grew by over 43% during the current year, with Web and strong third-party sales contributing most to this.

The growth in the European business was driven by the increased focus on web sales and the roll-out of a new point-of-sale mixing solution within 3rd party stockists. These contributed to growth across Europe of 28% with E-Commerce up 171%. During the year, the UK completed its Transition Period and formally exited the European Union with Trade deals in place, avoiding duty charges on the movement of goods. The end of this transition period did generate some short-term delays at ports within the UK and EU, however the group's robust planning and investment throughout the year, helped it mitigate the majority of the impact, and enabled the business to continue supporting its European based customers.

There was a net 5 locations closed during the year, primarily due to UK DIY store closures, with the number of global points of sale decreasing from 1,535 to 1,530. The company continues to focus on growth across all core markets and to follow a rigorous assessment process to ensure the meeting of financial targets.

At the beginning of the year, the onset of the COVID-19 pandemic and subsequent guidance surrounding social distancing led to the business reviewing its Safe Systems of Work and associated risk assessments, and as a result introduced a number of changes to ensure the safety of its employees. This manifested itself in many ways but included all support staff transferring to home-working and the re-engineering and re-structuring of operational processes and shift patterns. In addition, the increased demand on E-Commerce resulted in a change in profile of product shipments from pallets towards individual parcels.

From a cost perspective, the manufacturing efficiencies and operational process re-engineering resulted in an overall gain in gross margin from 70.9% to 71.0%. Administrative expenses were limited to an increase of 5.8%, and as a result, the group achieved a record Operating Profit of £39.8 million, a 102% increase on £19.8 million in the prior year. This increase is stated inclusive of one-off costs, including Brexit mitigation planning and senior management restructuring.

# Farrow & Ball Limited

## Strategic report for the 52 week period ended 28 March 2021 *(continued)*

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### 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. In 2019, we launched a collection of paints with the Natural History Museum to support their work in creating advocates for the planet through community education, engagement and involvement.

**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.

# Farrow & Ball Limited

## Strategic report for the 52 week period ended 28 March 2021 (continued)

### 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 market-leading position in the UK, further increasing its market presence across its other core markets in France and Germany and the development of other markets for Farrow & Ball.

The Company continues to have the safety and wellbeing of both our staff and customers at the forefront of all activities. As a result of the current global environment, we have further prioritised and reviewed the safety and wellbeing of both our workforce and our customers and have implemented additional safety procedures to achieve this. As we operate in many territories, we monitor all relevant Government guidance and use this to inform our own operating guidelines for safe working and trading.

For the forthcoming year, despite the ongoing pandemic situation, the Directors expect the planned activities to support continued growth and profitability.

Farrow & Ball will continue to invest in the safety of its operations and further geographical expansion in line with its ongoing business strategy.

### Key performance indicators

The Company's key performance indicators ("KPIs") for the period are set out in the table below.

	2021	2020
Points of Sale	1,530	1,535
Operating Profit Margin	37%	26%
Web revenue (£000)	27,736	7,263
Employee Engagement	83%	80%
Average number of staff	578	550

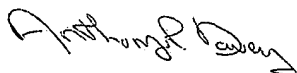
The board also monitors other non-financial performance indicators which include:

- 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 16 July 2021



A P Davey

Director

# **Farrow & Ball Limited**

## **Report of the directors for the 52 week period ended 28 March 2021**

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The directors present their report together with the audited financial statements for the 52 week period ended 28 March 2021.

### **Results and dividends**

The results for the company are set out in the statement of comprehensive income on page 11.

During the period no dividend was paid by the company (2020 - £Nil).

### **COVID-19 risks**

At the onset of the COVID-19 outbreak the business established a cross-functional Nerve Centre to review and assess the impact on the business. Each of the activities and workstreams were headed up by senior management and were focused on both the health & wellbeing of our workforce and liquidity scenarios.

Detailed risk assessments were carried out across all operations of the business, from supply chain through to cash management and these formed the basis for decision making. As the environment progressed to re-opening post lock-down, further detailed workforce and customer risk assessments were performed, which took into account the relevant Government updates.

The home improvement sector has been buoyant, and this combined with a number of supply chain infrastructure events, has put some pressure on the supply of certain raw materials and in turn has impacted raw material pricing. This risk and impact is being monitored closely by the business.

### **Brexit risks**

The company sources raw materials and sells products globally, including within the European Union. As a result of the United Kingdom leaving the EU on 31 December 2020, the group continues to review operational activities and implement process and procedures relevant to the new operating environment. There is uncertainty and risks remaining as the ultimate trading environment is yet unknown, therefore the company will continue to mitigate these uncertainties with contingent arrangements as appropriate.

### **Going concern**

In addition to the normal budgeting and forecast review process, the business performed a detailed liquidity and solvency review, due to the onset of the COVID-19 pandemic. The review was performed at the very outset, and covered both expected outcomes as well as severe downside scenarios, as well as numerous updates as time passed and levels of uncertainty reduced. Trading during this period has been significantly ahead of pre pandemic levels.

The business was able to respond well to the consumer demand shift from traditional bricks and mortar to online trading. The business was able to restructure and reorganise activities and operations in a safe manner to fulfil the revised profile of demand. The Directors consider the group to have the flexibility and resources to cope with further future shifts in the channel demand profile.

The buoyant sectors combined with a number of 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

The Company is in a strong net asset position with £37m 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, 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.

# **Farrow & Ball Limited**

## **Report of the directors for the 52 week period ended 28 March 2021 (continued)**

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### **Post balance sheet event**

On the 9th May 2021, the Board announced that it had reached agreement with Hempel A/S, a global coatings company owned by the Hempel Foundation for the acquisition of the entire share capital of FB Ammonite Limited.

The Completion of the Proposed Transaction is conditional on UK merger control clearance being obtained from the CMA and the receipt of merger control clearance in Germany. Clearance in Germany was received on the 23rd June 2021 and now UK clearance is awaited, with Completion expected within the second half of 2021.

The directors do not believe that the Proposed Transaction will affect the company's ability to operate as a going concern as highlighted in the going concern statement.

### **Principal risks and activities**

The principal risks and uncertainties facing the company are broadly grouped as competitive, legislative and financial.

#### **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.

#### **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. The company continues to utilise forward contracts to sell a proportion of the projected Euro surplus at fixed rates to help mitigate the foreign exchange risk. See Note 23.

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.

# Farrow & Ball Limited

## Report of the directors for the 52 week period ended 28 March 2021 (continued)

### 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 2020 DEFRA (Department for Environment, Food and Rural Affairs) emissions factors to calculate and assess our UK operational emissions.

The SECR reporting period covers FB Ammonite Limited's UK operations (of which Farrow & Ball Ltd is covered) from the 1st April 2020 to the 28th March 2021 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).

### Calculation Methodology

FB Ammonite 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 2020 emission conversion factors were used to quantify the emissions associated with FB Ammonite Limited's UK operations for the specified reporting period.

### Results

	Current Reporting Period (1st April 2020 - 28th March 2021)	Previous Reporting Period (1st April 2019 - 29th March 2020)
Scope 1 emissions	352.04 tCO <sub>2</sub> e	368.45 tCO <sub>2</sub> e
Scope 2 emissions	474.44 tCO <sub>2</sub> e	551.03 tCO <sub>2</sub> e
Energy use	3,917,517 kWh	4,084,536 kWh
Emissions intensity (scopes 1 and 2 emissions)	7.75 tonnes of CO <sub>2</sub> e per £1m of Revenue	12.01 tonnes of CO <sub>2</sub> e per £1m of Revenue

### Intensity Measurement

We have chosen the metric tCO<sub>2</sub>e / Tonne Production Volume output as this is a common business metric for our industry sector. Intensity ratio of tCO<sub>2</sub>e / £m Turnover is also used as a general metric.

### Energy Efficiency Measures

Areas of efficiency improvements are constantly reviewed by FB Ammonite Limited. We carry out installation of efficient LED lighting systems across our portfolio, when required. Waste wallpaper produced at our Farrow and Ball Ltd is supplied to a local facility that places energy produced from the waste into the national electricity grid. Old gas fired air heaters at unit 37 have been replaced by indirect gas fired unit air heaters (Winterwarm XR series) to ensure better efficiency and optimised power usage. In order to achieve better accuracy with respect to electricity consumption, we are considering meter upgradation to AMR meters where they are not already in place. We are also actively reviewing the recommendations suggested from our ESOS Phase II report and how they can best be integrated into our operations.

### 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.



# Farrow & Ball Limited

## Report of the directors for the 52 week period ended 28 March 2021 (continued)

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### 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  
R R Salmond  
V A Gunn (resigned 30 July 2020)

### 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 period.

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.

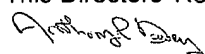
### Auditors

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.

Ernst & Young 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 16 July 2021



A P Davey  
Director

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

### Opinion

We have audited the financial statements of Farrow & Ball Limited for the year ended 28 March 2021 which comprise Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 27, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 March 2021 and of its profit for the period 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.

### 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 below. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the entity's financial close process to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors we identified were considered in their assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts and covenant calculations for the going concern period which covers the period to 31st August 2022.
- Evaluating the integrity of the model used to prepare the forecast, which includes testing of the clerical accuracy of the forecasts and our assessment of the historical accuracy of forecasts prepared by management.
- Challenging the appropriateness of the assumptions used in the forecasts (including the related risks where relevant such as the impact of Covid-19 and Brexit).
- Analysing the current financing facilities, including the nature of the facilities, maturity of the bank loan and loan notes and covenants.
- Assessing the level of headroom in the forecasts and testing committed facilities for covenant compliance over the going concern period.
- Considering the potential impact of the non-adjusting post balance sheet event, being the sales agreement signed with Hempel A/S and how this may impact the debt structure of the group; and reviewing the proposed completion funds-flow in relation to this transaction.
- Reviewing the going concern disclosures included in the Director's report and financial statements in order to assess their completeness and conformity with the reporting standards.

We observed that at 28 March 2021 the Company had cash and cash equivalents of £36.8m and net current assets of £120.2m.

## **Independent auditor's report (continued)**

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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 up until 31st August 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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 directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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 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 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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

### ***Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, FRS 102), the Companies Act 2006 and relevant tax compliance regulations in the UK.
- We understood how Farrow & Ball Limited is complying with those frameworks by making enquiries of management and those charged with governance and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions. We understood the potential incentives and ability of management to override controls and considered management attitude and tone at the top to embed a culture of honesty and ethical behaviours. We further understood how the company maintains and communicated its policies and procedures in these areas and corroborated this by reviewing board minutes and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with management where it considered there was susceptibility to fraud and by assessing key assumptions over significant estimates made by management for evidence of bias. We also considered performance targets and their propensity to influence efforts made by management to manage revenue and earnings. We considered the programmes and controls established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those programmes and controls.
- Where the risk was considered to be higher, including areas impacting key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition, as well as testing manual journals; and were designed to provide reasonable assurance that the financial statements were free from fraud and error. We addressed this risk through cut-off testing over sales made around the period end date to ensure these have been reflected in the period to which they relate. We have also used data analytics and obtained the entire population of journals for the year and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Enquiry of management and those charged with governance as to any fraud identified or suspected in the period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the company;
  - Auditing the risk of management override of controls, through testing of a sample of journal entries and other adjustments for appropriateness;
  - Enquiry of management, coupled with testing of journal entries, in order to identify and understand any significant transactions outside of the normal course of business;
  - Challenging the judgements made by management through corroborating the basis for those judgements and considering contradicting evidence; and
  - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

## Independent auditor's report (*continued*)

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A further description of our responsibilities for the audit of the financial statements is located 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.

*Ernst & Young LLP*

*James Harris (Senior statutory auditor)*  
*for and on behalf of Ernst & Young LLP, Statutory Auditor*  
*Southampton*  
*Date 16 July 2021*

# Farrow & Ball Limited

## Statement of comprehensive income for the 52 week period ended 28 March 2021

	Note	2021 £'000	2020 £'000
Turnover	3	107,363	76,574
Cost of sales		(31,095)	(22,310)
<b>Gross profit</b>		<b>76,268</b>	<b>54,264</b>
Administrative expenses		(36,512)	(34,501)
Other operating income		78	-
<b>Operating profit</b>	4	<b>39,834</b>	<b>19,763</b>
Other interest receivable and similar income		31	46
Interest payable and similar charges		-	-
<b>Profit on ordinary activities before taxation</b>		<b>39,865</b>	<b>19,809</b>
Taxation on profit on ordinary activities	8	(7,630)	(3,779)
<b>Profit for the financial period</b>		<b>32,235</b>	<b>16,030</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>372</b>
<b>Total comprehensive income for the period</b>		<b>32,235</b>	<b>16,402</b>

All amounts relate to continuing activities.

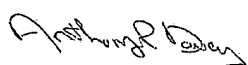
The notes on pages 15 to 28 form part of these financial statements.

# Farrow & Ball Limited

## Balance Sheet at 28 March 2021

<i>Company number 00999927</i>	<b>Note</b>	<b>2021 £'000</b>	<b>2021 £'000</b>	<b>2020 £'000</b>	<b>2020 £'000</b>
<b>Fixed assets</b>					
Intangible assets	9		2,511		2,271
Tangible assets	10		4,865		5,045
Investments	11		24		25
			7,400		7,341
<b>Current assets</b>					
Stock	12	6,150		5,495	
Debtors	13	101,356		77,321	
Cash at bank and in hand		36,785		24,195	
		144,291		107,011	
<b>Creditors: amounts falling due within one year</b>	14	(24,091)		(18,956)	
<b>Net current assets</b>			120,200		88,055
<b>Total assets less current liabilities</b>			127,600		95,396
<b>Creditors: amounts falling due after more than one year</b>	15		(70)		(101)
<b>Net assets</b>			127,530		95,295
<b>Capital and reserves</b>					
Called up share capital	20		24		24
Share premium			69		69
Capital redemption reserve			20		20
Profit and loss account			127,417		95,182
<b>Shareholders' funds</b>			127,530		95,295

The financial statements were approved by the Board of Directors and authorised for issue on 16 July 2021



A P Davey  
Director

The notes on pages 15 to 28 form part of these financial statements.

# Farrow & Ball Limited

## Statement of changes in equity for the 52 week period ended 28 March 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
<b>31 March 2019</b>	24	69	20	78,780	78,893
<b>Comprehensive income for the period:</b>					
Profit for the period	-	-	-	16,030	16,030
Other comprehensive income for the period	-	-	-	372	372
<b>Total comprehensive income for the period</b>	-	-	-	16,402	16,402
<b>Contributions by and distributions to owners</b>	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-
<b>29 March 2020</b>	24	69	20	95,182	95,295
<b>Comprehensive income for the period:</b>					
Profit for the period	-	-	-	32,235	32,235
Other comprehensive loss for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	32,235	32,235
<b>Contributions by and distributions to owners</b>	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-
<b>28 March 2021</b>	24	69	20	127,417	127,530

The notes on pages 15 to 28 form part of these financial statements.



# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021

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### 1 Accounting policies

Farrow & Ball Limited is a limited liability 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 FB Ammonite Limited 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 directors have reviewed the period through to August 2022 for the purpose of considering going concern.

Detailed assessment set out within the Directors Report.

#### *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.

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.

# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021 (*continued*)

### 1 Accounting policies (*continued*)

#### *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 equipment	-	20% pa straight line
Computer equipment	-	33 <sup>1</sup> / <sub>3</sub> % 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 liabilities and equity*

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 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.

#### *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.

# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021 (*continued*)

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### 1 Accounting policies (*continued*)

#### *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, or if appropriate, the rate specified in any forward contract in relation to these assets/liabilities. Any differences are taken to the profit and loss account.

#### *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;
- 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*

All other 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.

#### *Development expenditure*

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

# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021 (*continued*)

### 1 Accounting policies (*continued*)

#### *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.
- 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.

### 3 Analysis of turnover

	2021 £'000	2020 £'000
Analysis by geographical market:		
United Kingdom	76,305	53,098
Europe	25,720	20,120
Rest of the World	5,338	3,356
	<hr/>	<hr/>
	107,363	76,574
	<hr/>	<hr/>

# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021 (continued)

### 4 Operating profit

	2021 £'000	2020 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1,374	1,508
Amortisation of intangible fixed assets	1,169	1,070
Auditor's remuneration	80	93
Loss/(profit) from exchange differences	1,163	(480)
Hire of plant and machinery - operating leases	229	252
Hire of other assets - operating leases	2,527	2,524
(Profit)/loss on sale of assets	(27)	1

### 5 Auditor's remuneration

	2021 £'000	2020 £'000
Audit of the financial statements	25	20
Audit of fellow subsidiaries	55	55
Total audit services	80	75
All taxation advisory services	-	-
All other services	-	18
Total non-audit services	-	18
Total	80	93

### 6 Employees

	2021 £'000	2020 £'000
Staff costs (including directors) consist of:		
Wages and salaries	15,945	15,405
Social security costs	2,141	2,069
Cost of defined contribution scheme	468	442
	18,554	17,916

The average number of employees (including directors) during the period was as follows:

	Number	Number
Production	78	79
Sales and distribution	351	356
Administration	149	115
	578	550

# Farrow & Ball Limited

Notes forming part of the financial statements  
for the 52 week period ended 28 March 2021 (continued)

## 7 Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	1,317	843
Company contributions to money purchase schemes	23	20

There were 3 directors in the company's defined contribution pension scheme.

Emoluments of the highest paid director for the period was £725,451 (2020 - £481,424). Company pension contributions of £10,000 (2020 - £10,000) which 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

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
<i>UK corporation tax</i>				
Current tax charge on profits for the period	7,722		3,778	
Adjustment in respect of prior year	130		(69)	
Foreign tax relief	(203)		(96)	
Foreign tax suffered	202		96	
Total current tax		7,851		3,709
<i>Deferred tax</i>				
Origination and reversal of timing differences	(64)		75	
Adjustment in respect of prior period	(157)		-	
Changes to tax rates	-		(5)	
		(221)		70
Taxation on profit on ordinary activities		7,630		3,779

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

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	39,865	19,809
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020 - 19%)	7,574	3,764
Effects of:		
Expenses not deductible for tax purposes	83	89
Group relief	202	-
Adjustment to tax charge in respect of prior years	(26)	(69)
Other timing differences	(203)	-
Tax rate changes	-	(5)
Total tax charge for the period	7,630	3,779

# Farrow & Ball Limited

Notes forming part of the financial statements  
for the 52 week period ended 28 March 2021 *(continued)*

## 9 Intangible fixed assets

	Computer Software £'000	French restricted lease rights £'000	Total £'000
<i>Cost or valuation</i>			
At 29 March 2020	6,847	615	7,462
Transfers	-	-	-
Additions	1,417	-	1,417
Disposals	-	-	-
Foreign Exchange on Branch assets	(5)	(27)	(32)
	<hr/>	<hr/>	<hr/>
At 28 March 2021	<b>8,259</b>	<b>588</b>	<b>8,847</b>
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 29 March 2020	4,776	415	5,191
Provision for period	1,084	85	1,169
Disposals	-	-	-
Foreign Exchange on Branch assets	(3)	(21)	(24)
	<hr/>	<hr/>	<hr/>
At 28 March 2021	<b>5,857</b>	<b>479</b>	<b>6,336</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 March 2021	<b>2,402</b>	<b>109</b>	<b>2,511</b>
	<hr/>	<hr/>	<hr/>
At 29 March 2020	2,071	200	2,271
	<hr/>	<hr/>	<hr/>

# Farrow & Ball Limited

Notes forming part of the financial statements  
for the 52 week period ended 28 March 2021 (*continued*)

## 10 Tangible assets

	Leasehold land and buildings £'000	Office and showroom equipment £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>				
At 29 March 2020	6,749	7,754	5,035	19,538
Additions	117	483	827	1,427
Disposals	(38)	(20)	-	(58)
Transfers	-	-	-	-
Foreign Exchange on Branch assets	(97)	(66)	(159)	(322)
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 March 2021	<b>6,731</b>	<b>8,151</b>	<b>5,703</b>	<b>20,585</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 29 March 2020	4,151	6,467	3,875	14,493
Provision for period	502	655	217	1,374
Disposals	(29)	(20)	-	(49)
Foreign Exchange on Branch assets	(53)	(45)	-	(98)
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 March 2021	<b>4,571</b>	<b>7,057</b>	<b>4,092</b>	<b>15,720</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>	<b>2,160</b>	<b>1,094</b>	<b>1,611</b>	<b>4,865</b>
<b>At 28 March 2021</b>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>	2,598	1,287	1,160	5,045
At 29 March 2020	<hr/>	<hr/>	<hr/>	<hr/>



# Farrow & Ball Limited

Notes forming part of the financial statements  
for the 52 week period ended 28 March 2021 (*continued*)

## 11 Investments

Group  
undertakings  
£'000

<i>Cost or valuation</i>	
At 29 March 2020	25
Foreign Exchange movement	(1)
	<hr/>
At 28 March 2021	<b>24</b>
	<hr/>

All investments are unlisted.

*Subsidiary undertakings, associated undertakings and other investments*

The principal undertakings in which the company's interest at the period end is 20% or more are as follows:

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

Farrow & Ball DE GmbH remained dormant throughout the period ending 28<sup>th</sup> March 2021

	Aggregate share capital and reserves		Profit for the period	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<i>Subsidiary undertaking</i>				
Farrow & Ball DE GmbH	<b>24</b>	25	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

# Farrow & Ball Limited

Notes forming part of the financial statements  
for the 52 week period ended 28 March 2021 (continued)

## 12 Stock

	2021 £'000	2020 £'000
Raw materials	2,609	2,072
Finished goods and goods for resale	3,541	3,423
	<u>6,150</u>	<u>5,495</u>

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

## 13 Debtors

	2021 £'000	2020 £'000
Trade debtors	13,247	10,190
Amounts owed by group undertakings	84,592	65,642
Other debtors	2,235	15
Prepayments and accrued income	1,092	1,474
Deferred taxation (notes 17 & 18)	190	-
	<u>101,356</u>	<u>77,321</u>

All amounts shown under debtors fall due for settlement within one year.

## 14 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	7,224	4,275
Corporation tax	-	390
Taxation and social security	2,295	1,695
Amounts owed to group undertakings	9,203	7,715
Accruals and deferred income	5,368	4,881
	<u>24,090</u>	<u>18,956</u>

## 15 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Deferred taxation (notes 17 & 18)	-	31
Deferred shares classified as financial liabilities (see note 20)	70	70
	<u>70</u>	<u>101</u>

# Farrow & Ball Limited

Notes forming part of the financial statements  
for the 52 week period ended 28 March 2021 (continued)

## 16 Financial instruments

The company's financial instruments may be analysed as follows:

	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost	137,524	101,516
Financial liabilities measured at amortised cost	(21,795)	(16,871)
	<u>115,729</u>	<u>84,645</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors and accrued income, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

## 17 Deferred tax (liability) / asset

	Deferred taxation (note 18) £'000
At 29 March 2020	(31)
Adjustment in respect of prior years	156
Charged to profit and loss in the period	65
	<u>190</u>
At 28 March 2021	<u>190</u>

## 18 Deferred taxation

	Accelerated capital allowances 2021 £'000	Short term timing differences 2021 £'000	Total 2021 £'000
Deferred tax liability	170	20	190
	<u>170</u>	<u>20</u>	<u>190</u>
	Accelerated capital allowances 2020 £'000	Short term timing differences 2020 £'000	Total 2020 £'000
Deferred tax liability	(51)	20	(31)
	<u>(51)</u>	<u>20</u>	<u>(31)</u>

# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021 (*continued*)

### 19 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 £410,000 (2020 - £387,000). At the period end contributions totalling £83,000 (2020 - £73,000) were outstanding.

### 20 Share capital

	2021 £'000	2020 £'000
<i>Allotted, called up and fully paid</i>		
23,935 (2020 - 23,935) ordinary shares of £1 each	24	24

a) 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 2021 (2020 - £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.

### 21 Commitments under operating leases

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

	Land and buildings 2021 £'000	Other 2021 £'000	Land and buildings 2020 £'000	Other 2020 £'000
Not later than 1 year	2,162	174	2,326	168
Later than 1 year and not later than 5 years	6,533	155	6,480	101
Later than 5 years	2,631	-	3,670	-
Total	11,326	329	12,476	269

### 22 Contingent liabilities

There is a charge on the company's tangible fixed assets resulting from the Senior Facility Agreement entered into by a fellow subsidiary in February 2016.

### 23 Financial commitments

At the period end the company had a number of contracts to sell Euros totalling €7,050,000. These fall due between May 2021 and May 2022. At 28 March 2021 the fair value of these contracts was a profit of £271,000 which has been recognised in the income statement in accordance with FRS 102.

# Farrow & Ball Limited

## Notes forming part of the financial statements for the 52 week period ended 28 March 2021 (continued)

### 24 Related party disclosures

#### *Controlling parties*

The directors consider the ultimate parent undertaking of Farrow & Ball Limited is Ares Corporate Opportunities Fund IV, L.P. through its ownership of Ares FB Holdings (Luxembourg) S.à.r.l. as Ares FB Holdings (Luxembourg) S.à.r.l. is the immediate parent company of Farrow & Ball Limited, the company that heads up the UK Group of which Farrow & Ball Limited is included.

The company is a wholly owned subsidiary of Farrow & Ball Holdings Limited and has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with FB Ammonite Limited or other wholly owned subsidiaries within the group.

#### *Contingent liabilities*

There is a charge on the company's fixed assets resulting from the Senior Facility Agreement entered into by a fellow subsidiary in February 2016.

### 25 Capital commitments

	2021 £'000	2020 £'000
Contracted but not provided for	21	71

### 26 Post balance sheet events

On the 9th May 2021, the Board announced that it had reached agreement with Hempel A/S, a global coatings company owned by the Hempel Foundation for the acquisition of the entire share capital of FB Ammonite Limited (the company that heads up the UK Group of which Farrow & Ball Limited is included).

The Completion of the above Proposed Transaction is conditional on UK merger control clearance being obtained from the CMA and the receipt of merger control clearance in Germany. Clearance in Germany was received on the 23rd June 2021 and now UK clearance is awaited, with Completion expected within the second half of 2021.

The Proposed Transaction has been accounted for as a non-adjusting post balance sheet event.

Non-contingent costs of £1.5m relating to the Proposed Transaction have been borne by Farrow & ball Limited and other group companies, whilst other contingent costs have not been accrued for within the group's financial statements, as they are deemed to be part of the non-adjusting post Balance Sheet Event, and also generally relate to sell side advisory fees. The additional Transaction contingent costs are payable mainly as part of the Proposed Transaction Completion funds-flow.

In addition, there are employee contractual commitments that are contingent on the Proposed Transaction being completed and these have been treated as non-adjusting post balance sheet events that would crystallise after the balance sheet date. These commitments relate to the two Company share schemes for (i) Senior Managers and (ii) all eligible employees and also the Executive Director Long Term Incentive Plan ("LTIP") and other Exit related bonuses. The shares included in the two share schemes will be sold as part of the overall Proposed Transaction and the proceeds of each share scheme will be distributed in accordance with each set of Scheme Rules. The LTIP and other Exit bonuses will be borne by the Group after the Completion of the Proposed Transaction.

The valuation of the above total employee obligations are dependent on the final Proposed Transaction costs and timing, but are estimated to be around £7.9m (including National Insurance & Apprenticeship Levies).

# **Farrow & Ball Limited**

## **Notes forming part of the financial statements for the 52 week period ended 28 March 2021 *(continued)***

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### **26 Post balance sheet events (continued)**

As part of the Proposed Transaction, the Loan Notes and accrued Interest thereon will be purchased and repaid. The Bank Loans, Revolving Credit Facility and associated Ancillary Facilities will be settled/cancelled as part of the Completion mechanism. It is expected that any existing group intercompany balances will continue and will not form part of any restructuring at completion. After the Proposed Transaction it is not expected that the Farrow & Ball Group would enter into any external debt facilities and that rather any funding requirements would be met through Hempel Inter-company funding. This may not cover all general ancillary facilities, that may be entered into with lenders on a bi-lateral basis.

### **27 Ultimate parent company**

The ultimate parent company is Ares FB Holdings (Luxembourg) S.à.r.l.

At the period end the largest and smallest group in which the results of the company are consolidated is that headed by FB Ammonite Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of the company.