

COMPANY REGISTRATION NUMBER: 03411690

Lifetime Brands Europe Limited
Financial Statements
31 December 2021

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Lifetime Brands Europe Limited

Financial Statements

Year ended 31 December 2021

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Independent auditor's report to the members	11
Profit and loss account	15
Balance sheet	16
Notes to the financial statements	17

Lifetime Brands Europe Limited

Officers and Professional Advisers

The board of directors

Mr M B Canwell
Mr J G Siegel
Mr D T Siegel
Mr R B Kay
Mr L Winoker
Mrs C L Budgen
Mr C S Siegel
Mr R T Jones
Mr G Marshall

Company secretary

Gateley Secretaries Limited

Registered office

The Hub
Nobel Way
Birmingham
B6 7EU

Auditor

Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

Bankers

JPMorgan Chase Bank, NA
10 Aldermanbury Road
London
EC2M 7RF

Lifetime Brands Europe Limited

Strategic Report

Year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

Lifetime Brands Europe Limited (the company) designs, sources and sells branded kitchenware, tableware and other products used in the home and markets its products under a number of widely-recognised brand names and trademarks, which are either owned or licensed by the Company. The company's products, which are targeted primarily towards consumers purchasing moderately priced kitchenware, tableware and housewares, are sold through virtually every major level of trade.

Customers

The company's products are sold globally to a diverse customer base including speciality retailers, commercial stores, grocery and department stores, off-price retailers, garden centre groups and independent retailers. The company also sells through pure-play e-commerce retailers, supports the online channels of its existing customers and direct to consumers through its own websites. See note 4 to the financial statements for a detailed breakdown of turnover by territory.

International division of Lifetime Brands

The company's ultimate parent is Lifetime Brands, Inc., a leading durables consumer products company in the USA with strong market positions in kitchen tools & gadgets, cutlery and barware accessories, tabletop as well as other kitchen and home product categories. The company leads the group's international expansion activities into markets outside North America alongside continuing to grow and service its existing UK, EU and International customers.

The Hub

The company runs its operations out of the purpose-built Hub at Aston, Birmingham. Investment in seamless digital systems enables swift pick, pack and despatch and integration into customers' systems for efficient ordering and invoicing. Product design and development, customer support, finance and head office functions are also based here, alongside the company's extensive customer showroom and product demonstration facilities.

Sales & marketing

The company's sales and marketing staff coordinate directly with its wholesale customers to devise marketing strategies and merchandising concepts and to furnish advice on advertising and product promotion. Utilising the latest available design tools, technology and materials, the company creates new products, redesigns existing products and creates packaging and merchandising concepts.

Sources of supply

The company sources its products from hundreds of suppliers, almost all of which are located outside the United Kingdom, with most of the company's suppliers located in China. The company orders products substantially in advance of the anticipated time of their sale. The company does not have formal long-term arrangements with its suppliers and its arrangements allow for flexibility in modifying the quantity, composition and delivery dates of orders.

Employees

At 31 December 2021, the company had approximately 249 full-time employees. The company also hires seasonal workers at its distribution centre through temporary staffing agencies.

Lifetime Brands Europe Limited

Strategic Report *(continued)*

Year ended 31 December 2021

Business review

Results of operations

The key financial performance indicators during the period were as follows:

	31/12/2021	31/12/2020
	£	£
Turnover	58,933,304	61,182,686
Gross profit	11,416,869	10,631,837
Administrative expenses	17,431,126	17,886,509
Operating loss	6,011,257	6,906,008

Analysis of results - sales

Turnover for the year amounted to £58,933,304 (2020: £61,182,686). This is lower than the previous year, in part due to the impact of the COVID-19 pandemic and some lower customer demand. Towards the end of 2020 retailers were increasing inventory levels to prepare for Brexit but this was not repeated at the end of 2021. United Kingdom and European government restrictions during the year have included the forced closure of non-essential bricks and mortar retail and this has had an impact on total sales to national and independent retailers as well as export customers. In the UK, non-essential retail was forced to close from 6 January 2021 to 12 April 2021. Hospitality venues remained closed until 17 May 2021. Plan B restrictions came into force in the UK on 8 December 2021; again limiting mixing, socialising and opportunities for retail.

E-commerce has seen sales fall for 2021 compared to 2020. Online sales in 2020 were abnormally high due to the impact of COVID-19 government restrictions. 2021 has seen fewer government restrictions compared to 2020 and increased footfall for bricks & mortar retail. An improvement in sales is notable for independents, who were hit hardest by the government restrictions in 2020. Other product categories such as food service have seen an increase. This change in customer sales mix has also had consequent effects on sales allowances, leading to a reduction in aggregate sales allowances both in absolute and percentage terms compared to 2020.

Analysis of results - costs

Gross profit percentage has increased compared to the prior year. A strategic decision to increase prices has helped, along with reduced customer allowances arising out of the change in sales mix. The focussed strategic review also involved discontinuing certain product lines, especially via e-commerce channels, where those products were less profitable. The restructuring costs incurred in relocating to The Hub during 2020 involved a significant increase in temporary labour. 2021 saw improved efficiency from people across operations, with lower temporary and employed labour costs in cost of sales. These improvements in gross profit have been partially offset by increases in factory prices and freight costs, and also by adverse foreign exchange movements. The continuing disruption caused by Brexit has adversely impacted the cost of sales to Europe, leading to increased duty and carriage costs.

Administrative expenses are consistent with the prior year. Overhead costs in 2020 were well controlled due to a conscious effort to reduce such costs across all functions and to right size the business for the future. Rates and utility costs show a significant increase in 2021, reflecting a reassessment by local rating authorities of the costs of Business Rates for the Hub which included £842,574 related to periods prior to the current financial year.

Balance sheet analysis

Consistent with the broader strategy of the Lifetime Brands, Inc group there has been little new capital expenditure during the year, with a focus on process improvement and efficiency instead. Tangible fixed assets decreased, reflecting depreciation charges for the year. Intangible fixed assets also decreased slightly as a result of amortisation charges, with no acquisitions of new businesses or brands in the year.

Lifetime Brands Europe Limited

Strategic Report *(continued)*

Year ended 31 December 2021

Balance sheet analysis - continued

Bank loans and overdrafts total £nil (2020: £19,999,999). All bank borrowings in the company have been replaced by direct loans from Lifetime Brands, Inc. The bank facilities remain in place and available to the company. These facilities have not been utilised subsequent to the year end.

The company has continued to invest in inventory, driven in part by higher factory and freight prices, but also by decisions to maintain availability in order to meet customer demand. Trade Debtors are lower than 2020 due to lower sales in the fourth quarter as a result of retailers not increasing inventory to respond to Brexit as happened in 2020. The change in customer mix also has an effect here, alongside timing of receipts from some larger customers

	2021 £	2020 £
Stock	31,098,972	20,601,859
Trade debtors	14,904,294	21,521,788
Trade creditors	8,185,073	7,507,714

The company's balance sheet reflects challenging conditions due to the COVID-19 pandemic and the associated lockdowns put in place by the UK and international governments, and also the continuing disruption caused by Brexit, with net assets decreasing to £4,217,781 (2020: £10,388,467).

Future developments

The UK government restrictions due to the COVID-19 pandemic have largely been removed by the end of January 2022. Macro-economic inflationary pressures caused by national and international responses to the COVID-19 pandemic are expected to continue in 2022. The impact on the company is expected to be indirect, mainly in terms of persistently high shipping and freight costs, but also persistently high factory cost for manufactured products. The company has mitigated these by increasing prices to customers.

The United Kingdom's exit from the European Union, Brexit, continues to present operational challenges for the company, including; delays with freight companies and at various customs points; increases in distribution costs and non-recoverable duty, and increased administration costs. In 2022 Lifetime Brands is establishing a warehouse in the Netherlands, the Euro Hub, operated through a fellow subsidiary Lifetime Brands Europe B.V. All European operations will continue to be driven from the UK. The opening of a direct warehouse in the Netherlands and holding of stock inside the EU is expected to lead to improved gross profit margins, better efficiency and increased revenues for the Group. However, Lifetime Brands Europe Limited's revenue will be lower due to European sales now going through Lifetime Brands Europe B.V. Inventory levels will also reduce as stock destined for the European market will be stored at the third party logistics warehouse in the Netherlands.

In line with the Lifetime Brands, Inc. future growth strategy the company is working towards growth through entering new markets and appropriate acquisitions. The hiring of more in country managers across a number of regions will continue to enable strategic penetration of brands most suited to those markets. The company will also look to capitalise on adjacent product categories that fit with the established core competencies in design, manufacture and innovation and also focus on opportunities for revenue growth.

Lifetime Brands Europe Limited

Strategic Report *(continued)*

Year ended 31 December 2021

Principal risks and uncertainties

The company is subject to risks and uncertainties associated with economic and political conditions around the world, including but not limited to; government regulations, taxes including value-added taxes, import and export duties/tariffs and quotas, anti-dumping regulations, incidents and fears involving security, man-made or natural disasters, health epidemics, terrorism and wars, political unrest and other restrictions on trade and travel.

As noted elsewhere in this report, the COVID-19 pandemic and its macro-economic inflationary after-effects remain a key risk and the company's responses will continue to evolve. The company is monitoring the impact continuously in an effort to both support its customers and manage all aspects of the company's risk.

The company's operations and sales may continue to be affected by Brexit. Further changes to the detailed rules surrounding export to countries in the European Union are expected, and the marketplace for freight and customs services is still evolving. The transfer of the majority of European customer based activity to Lifetime Brands Europe B.V. (the Euro Hub) in the Netherlands will remove many of these risks for the Company and mitigate them from a wider group perspective.

Another operational risk for the business is the marked increase in ocean freight costs as well as increases in commodity prices as has been experienced over the recent months. The company has introduced customer price increases to offset the impact of these cost increases, and will continue to work with customers on inflationary price expectations going forwards.

The company's financial risk management objective is broadly to make neither profit or loss from exposure to currency or interest rate risks. The company will where possible seek to achieve a natural hedge position on currency and will, in certain circumstances, use forward contract currency contracts to manage the company's exposure whilst adhering to the company's policy to pay suppliers in accordance with their stated terms. Credit risk applies to financial instruments such as trade debtors. Policies and procedures exist to ensure the management of trade debtors minimises as far as is reasonably practicable the company's exposure to credit risk.

The company's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all loan instruments are its parent company and its bankers, it is also exposed to minimal credit and liquidity risks in respect of these loan instruments.

This report was approved by the board of directors on 30 September 2022 and signed on behalf of the board by:

DocuSigned by:

Matthew Canwell

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Mr M B Canwell
Director

Registered office:
The Hub
Nobel Way
Birmingham
B6 7EU

Lifetime Brands Europe Limited

Directors' Report

Year ended 31 December 2021

The directors present their report and the financial statements of the company for the year ended 31 December 2021.

Directors

The directors who served the company during the year were as follows:

Mr M B Canwell
Mr J G Siegel
Mr D T Siegel
Mr R B Kay
Mr L Winoker
Mrs C L Budgen
Mr C S Siegel
Mr R T Jones
Mr G Marshall

(Appointed 13 September 2021)

Dividends

The directors do not recommend the payment of a dividend.

Going concern

The directors have prepared a forecast for the business through to the end of September 2023 as part of a wider strategic plan to 2026. This strategic plan indicates that the company will be able to continue to operate under the facilities made available to it by Lifetime Brands Inc, which, along with cash generated from operating activities, represents the company's principal source of funds to fund liquidity needs.

In order to effectively manage the group's overall finance costs, Lifetime Brands Inc has provided the company with an internal revolving credit facility of up to \$40m which either party can terminate with 3 days' notice or shorten the term with 60 days' notice. This facility matures on 2 March 2023. The company also continues to have access to the group's external asset based lending facility of up to \$200m which matures on 26 August 2027, the level of access to which is dependent on available inventory and receivables and the extent of drawdown by other group entities. As a result the directors have concluded the company remains dependant on support by Lifetime Brands Inc.

The company has therefore obtained written confirmation from Lifetime Brands Inc. that is able to and will provide financial support to the company to enable to meet its liabilities as they fall due, but only to the extent that other monies are not available to do so, for a period of at least 12 months from the date of approval of these financial statements through to no earlier than 30 September 2023.

Having considered the ability of Lifetime Brands Inc. to provide this financial support through to the end of September 2023, the directors have concluded that the company will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Lifetime Brands Europe Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Greenhouse gas emissions and energy consumption

	Unit	2021	2020
Emissions resulting from the use of transport fuel by the company	tCO ₂ e	31	–
Emissions resulting from the purchase of electricity by the company for its own use	tCO ₂ e	312	305
Emissions resulting from the purchase of natural gas by the company	tCO ₂ e	83	12
Total emissions	tCO ₂ e	426	317
Total energy consumption	kWh	1,883,858	1,265,378
kgCO ₂ e / M ² area of occupied space		<u>19.54</u>	<u>14.57</u>

Methodologies for energy and emissions calculations

We have followed 2019 HM Government environmental reporting guidelines to ensure compliance with the SECR requirements. The DEFRA issued "Greenhouse gas reporting: conversion factors 2021" for CO₂e were used. The company has determined that the best metric of energy efficiency is the tCO₂e per total square metres of occupied floor space. The company has included the emissions for the grey road transport fleet based on mileages and DEFRA fuel properties to convert into kWh and tCO₂e.

Greenhouse gas emissions and energy consumption

Lifetime Brands Europe Limited continues to take a lead on sustainability throughout all operations. A recently published sustainability strategy focuses on three core areas of process, product and people, with clearly defined targets within each. These include, amongst many other elements; packaging, sustainable product development both from a consumer pain point and recycling perspective, and sustainable business operations including recycling, efficiency and carbon offset.

Specific measures taken across 2021 to improve energy efficiency were to install motion detector lighting and to complete the transition to full LED lighting.

Employment of disabled persons

The company is committed to promoting equality of opportunity for all staff and job applicants. Where staff or job applicants are disabled or become disabled, they are encouraged to tell the company about their condition so that the company can support them as appropriate. If staff experience difficulties at work because of their disability, staff may wish to contact Human Resources to discuss any reasonable adjustments that would help overcome or minimise the difficulty. The company will consider the matter carefully and try to accommodate needs within reason. The company will monitor physical features of our premises to consider whether they place disabled workers, job applicants or service users at a substantial disadvantage compared to other staff. Where reasonable, the company will take steps to improve access for disabled staff and services users.

Lifetime Brands Europe Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Engagement with employees and workers

We are committed to creating positive working relationships and to ensuring that all employees are valued and treated with dignity and respect at work. Frequent two-way communication between the directors and all employees is achieved in the following ways: Directors' regular business updates, consultation forums, functional briefings and meetings, team meetings and 1-2-1's in place across all functions. Underneath the executive board for the United Kingdom that meets once a month, there are also regular meetings for the senior leadership team and the middle management group.

During 2021 Lifetime Brands Europe operated its business in the UK with a combination of hybrid working for the vast majority of our office staff based on the business requirements. Hybrid working ranged from full time working from home with in some cases a gradual phasing to 3 days in the office. This was under constant review taking account of UK Government mandatory requirements, guidelines and our own focus on employee wellbeing. Throughout the entire pandemic our Operations colleagues have continued to work as normal. In all areas of the business we have adopted safe working practices during covid, including increased sanitisation, the provision of additional PPE, onsite covid testing, strict social distancing measures and in some cases we have extended these practices beyond the time limits of the UK Government to maximise safety of our people. In addition, we took a generous and sympathetic approach to the payment of absence due to covid to encourage employees not to come into work when unwell and potentially infect colleagues.

As a result of government restrictions some roles within the business have become temporarily impractical, and the company has benefitted from the Coronavirus Job Retention Scheme receiving a total of £3,000 in the year (2020: £348,664).

The gender pay gap (GPG) is closely monitored and reported on at Lifetime Brands Europe Limited. The directors are committed to supporting long term improvement in this area and believe that our employees performing equal work should receive equal reward. Mean GPG for the year was 13.9% compared to 12.9% in 2020. The median GPG was -6.8% compared to 2.6% in 2020. The GPG in bonus was 64.4% compared to 0% in 2020 (no bonus was paid for 2020). We as a business continue to monitor this area and are committed to continuing with our regular pay and benefits audits to ensure continued fairness and consistency in our pay structures.

The company operates a defined bonus scheme and this is paid out based partly on company profitability (measured by EBITDA) and partly on individual goal-based performance. In 2021 the EBITDA goals were not met but the directors authorised some discretionary amounts and a flat bonus payment to recognise the efforts of our people. This is accrued in 2021 and paid out in 2022.

The company's policy ensures compliance with all applicable employment laws and commit to ensuring fairness in the hiring and advancement of all colleagues without discrimination. We require all staff to comply with the company's code of conduct and ethics within all business dealings.

Any recruiters who we engage with for the supply of temporary workers must be licensed by the Gangmasters Labour Abuse Authority (GLAA) and will work to the same strict standards as per our own operating procedures.

Supply chain quality

The company is committed to maintaining a reputation for high standards of business conduct. We support the promotion of ethical business policies and practices in order to protect workers from any kind of abuse, deprivation of a person's liberty, or exploitation, in relation to our business and supply chain. We have also embarked on a programme to communicate and regulate our policies to existing and new suppliers, as well as our sourcing agents and employees throughout the business where we make it clear from the outset our expectations; insisting on only working with suppliers who share our ethical values; completion of robust Self-Assessment Questionnaires (SAQ); mapping our supply chains; and adopting a diligent approach in our selection of new suppliers through factory visits and our rigorous factory evaluation and verification process.

Lifetime Brands Europe Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

Qualifying indemnity provision

Lifetime Brands, Inc. provided qualifying third party indemnity provisions for the directors during the financial year and at the date of signing this report.

Statement under s.172 (1)

The directors have acted to promote the success of the company for the benefit of shareholders as a whole. In carrying out that role, the directors have also had regard for broader matters and other key stakeholders as explained below and elsewhere within this annual report. The directors and management team in the United Kingdom are integrated into, and work in conjunction with the directors and senior management team of Lifetime Brands as a whole in the United States of America. The annual report of Lifetime Brands Inc. is available on its website and explains the significant decisions and actions taken by the directors. This report expands on some relevant highlights in relation to the United Kingdom and this company below:

Key developments and decisions

During the year, the board has considered the following significant decisions and developments for the company:

The continuing effects of the COVID-19 pandemic. The board has followed all government guidance in reducing social contact to play its part in mitigating the spread of coronavirus in the community. Staff are provided with a COVID-secure working environment where working from home is not practical, such as in the warehouse. Testing facilities have been provided in the workplace, and the company has continued to pay sick pay for staff members needing to self-isolate. Hybrid working, both in the office and at home has been adopted with some office based roles working on a three days in and two days out basis.

Brexit. The company is continuously developing its strategy in order to reduce the impact on its customers. The establishment of the Euro Hub to directly service EU customers, managed from the UK, has already had a positive impact for customers, and for the Lifetime Brands, Inc. group as a whole.

Macro-economic environment and inflationary pressure. A key issue for the company in recent years has been external pressure leading to increases in costs, at all stages of the value chain. The directors have worked with customers to plan for and implement price increases at a sustainable level.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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.

Lifetime Brands Europe Limited

Directors' Report *(continued)*

Year ended 31 December 2021

Directors' responsibilities statement *(continued)*

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/ or the group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A resolution to reappoint Ernst & Young LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 30 September 2022 and signed on behalf of the board by:

DocuSigned by:

Matthew Canwell

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Mr M B Canwell
Director

Registered office:
The Hub
Nobel Way
Birmingham
B6 7EU

Lifetime Brands Europe Limited

Independent Auditor's Report

Year ended 31 December 2021

Opinion

We have audited the financial statements of Lifetime Brands Europe Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, balance sheet and the related notes 1 to 28, 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 state of the company's affairs as at 31 December 2021 and of its loss 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.

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.

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 12 months from when the financial statements are authorised for issue through to no earlier than 30 September 2023.

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.

Lifetime Brands Europe Limited

Independent Auditor's Report *(continued)*

Year ended 31 December 2021

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 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 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 the 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 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 directors' responsibilities statement set out on pages 9 and 10, 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.

Lifetime Brands Europe Limited

Independent Auditor's Report *(continued)*

Year ended 31 December 2021

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.

- 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 (FRS 102 and the Companies Act 2006);
- We understood how Lifetime Brands Europe Limited is complying with those frameworks by making enquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the Company. We read the minutes of the Board of Directors and we reviewed the legal expenses incurred to identify any litigation or claims in relation to breaches of these frameworks;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management. We considered the programmes and controls that the entity has established to address identified risks, or that otherwise prevent or detect fraud; and how senior management monitors these programmes and controls. We considered that the principal areas where the risk of fraud was considered to be higher were in relation to revenue recognition and management override of the key estimate in respect of trade receivable balances. In these areas we performed additional procedures to address the identified fraud risk. These procedures principally comprised identifying the existence of manual journals impacting revenue, and where necessary, testing those journals to provide reasonable assurance that the financial statements were free from fraud, and establishing an independent assessment of the provisions recorded in respect of trade receivables in order to evaluate the provisions established by management;
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, internal audit and, where relevant, legal counsel and performing focused testing on manual journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Lifetime Brands Europe Limited

Independent Auditor's Report *(continued)*

Year ended 31 December 2021

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:



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Andrew Merrick (Senior statutory auditor)

For and on behalf of
Ernst & Young LLP, Statutory auditor
1 Colmore Square
Birmingham
B4 6HQ

30 September 2022

Lifetime Brands Europe Limited

Profit and Loss Account

Year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	58,933,304	61,182,686
Cost of sales		(47,516,435)	(50,550,849)
Gross profit		11,416,869	10,631,837
Administrative expenses		(17,431,126)	(17,886,509)
Other operating income	5	3,000	348,664
Operating loss	6	(6,011,257)	(6,906,008)
Other interest receivable and similar income		—	960
Interest payable and similar expenses	10	(159,429)	(547,826)
Loss before taxation		(6,170,686)	(7,452,874)
Tax on loss	11	—	(1,412,379)
Loss for the financial year and total comprehensive income		(6,170,686)	(8,865,253)
Retained earnings at the start of the year		9,613,800	18,479,053
Retained earnings at the end of the year		3,443,114	9,613,800

All the activities of the company are from continuing operations.

The notes on pages 17 to 29 form part of these financial statements.

Lifetime Brands Europe Limited

Balance Sheet

31 December 2021

	Note	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	12		789,634		1,183,849
Tangible assets	13		4,747,745		5,095,033
Investments	14		4,000		4,000
			<u>5,541,379</u>		<u>6,282,882</u>
Current assets					
Stocks	15	31,098,972		20,601,859	
Debtors	16	17,863,965		24,167,348	
Cash at bank and in hand		<u>3,144,805</u>		<u>1,583,650</u>	
		<u>52,107,742</u>		<u>46,352,857</u>	
Creditors: amounts falling due within one year	17	<u>(27,531,506)</u>		<u>(42,247,272)</u>	
Net current assets			<u>24,576,236</u>		<u>4,105,585</u>
Total assets less current liabilities			<u>30,117,615</u>		<u>10,388,467</u>
Creditors: amounts falling due after more than one year	18		<u>(25,899,834)</u>		<u>-</u>
Net assets			<u><u>4,217,781</u></u>		<u><u>10,388,467</u></u>
Capital and reserves					
Called up share capital	23		690,000		690,000
Capital redemption reserve	24		84,667		84,667
Profit and loss account	24		<u>3,443,114</u>		<u>9,613,800</u>
Shareholders funds			<u><u>4,217,781</u></u>		<u><u>10,388,467</u></u>

These financial statements were approved by the board of directors and authorised for issue on 30 September 2022, and are signed on behalf of the board by:

DocuSigned by:

Matthew Canwell

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Mr M B Canwell
Director

Company registration number: 03411690

The notes on pages 17 to 29 form part of these financial statements.

Lifetime Brands Europe Limited

Notes to the Financial Statements

Year ended 31 December 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Hub, Nobel Way, Birmingham, B6 7EU.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The directors have prepared a forecast for the business through to the end of September 2023 as part of a wider strategic plan to 2026. This strategic plan indicates that the company will be able to continue to operate under the facilities made available to it by Lifetime Brands Inc, which, along with cash generated from operating activities, represents the company's principal source of funds to fund liquidity needs.

In order to effectively manage the group's overall finance costs, Lifetime Brands Inc has provided the company with an internal revolving credit facility of up to \$40m which either party can terminate with 3 days' notice or shorten the term with 60 days' notice. This facility matures on 2 March 2023. The company also continues to have access to the group's external asset based lending facility of up to \$200m which matures on 26 August 2027, the level of access to which is dependent on available inventory and receivables and the extent of drawdown by other group entities. As a result the directors have concluded the company remains dependant on support by Lifetime Brands Inc.

The company has therefore obtained written confirmation from Lifetime Brands Inc. that is able to and will provide financial support to the company to enable to meet its liabilities as they fall due, but only to the extent that other monies are not available to do so, for a period of at least 12 months from the date of approval of these financial statements through to no earlier than 30 September 2023.

Having considered the ability of Lifetime Brands Inc. to provide this financial support through to the end of September 2023, the directors have concluded that the company will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Lifetime Brands, Inc, which can be obtained from 1000 Stewart Avenue, Garden City, New York 11530, United States of America. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 401 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is not established under the law of an EEA State. Accordingly these financial statements are for this company as a separate entity.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of finished goods:

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Estimates are required in relation to forecast sales volumes and stock balances. In situations where excess stock balances are identified, estimates of net realisable values for the excess volumes are made. Stock provision for estimated losses as of 31 December 2021 amounted to £2,003,109 (2020: £2,270,817).

Valuation of trade debtors:

Accounts receivable are measured at transaction price less provisions. Estimates are required in relation to future sales returns, customer chargebacks, allowances and rebates, and any bad debts. Total accounts receivable provisions offset within debtors as of 31 December 2021 amounted to £4,091,358 (2020: £2,027,301).

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sales of Goods -

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on customer receipt of the goods. Sales transactions are recorded on despatch of goods, and adjustments are made at each reporting date to account for goods not yet received by customers.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

IT software	-	20% straight line over the estimated average useful life of five years
Licences	-	10% straight line over the ten year term of the agreement

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Straight line over the lease term of 15 years
Fixtures & fittings	-	10-33% Straight line
Motor vehicles	-	33% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently measured at amortised cost. Other financial instruments such as currency purchase forward contracts are subsequently measured at fair value, with any changes recognised in profit or loss.

Defined contribution plans

The company operates defined contribution pension schemes. The pension charge represents the amount payable by the company in respect of the period.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Sale of goods	<u>58,933,304</u>	<u>61,182,686</u>

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

4. Turnover *(continued)*

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2021 £	2020 £
United Kingdom	38,738,271	40,757,790
Rest of Europe	17,658,681	17,526,780
Rest of World	2,536,352	2,898,116
	<u>58,933,304</u>	<u>61,182,686</u>

5. Other operating income

	2021 £	2020 £
Government grant income	<u>3,000</u>	<u>348,664</u>

6. Operating loss

Operating loss is stated after charging/(crediting):

	2021 £	2020 £
Amortisation of intangible assets	412,965	400,465
Depreciation of tangible assets	437,311	475,321
(Gains)/loss on disposal of tangible assets	(11,763)	17,016
Impairment of trade debtors	227,908	796,077
Operating lease rentals	2,130,524	2,547,457
(Gains)/loss on derivatives at fair value	<u>42,415</u>	<u>(251,003)</u>

Rates and utility costs include a reassessment by local rating authorities of the costs of Business Rates for the Hub and comprises £636,928 related to 2021 and £842,574 related to periods prior to the current financial year.

7. Auditor's remuneration

	2021 £	2020 £
Fees payable for the audit of the financial statements	<u>105,000</u>	<u>103,819</u>

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2021 No.	2020 No.
Marketing, buying, and quality control	45	47
Sales and administration	84	87
Warehouse	124	129
Management	8	11
	<u>261</u>	<u>274</u>

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

8. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£	£
Wages and salaries	9,174,187	9,682,866
Social security costs	937,768	929,014
Other pension costs	371,347	400,580
	<u>10,483,302</u>	<u>11,012,460</u>

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	762,043	702,790
Company contributions to defined contribution pension plans	59,600	52,699
	<u>821,643</u>	<u>755,489</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2021	2020
	No.	No.
Defined contribution plans	<u>4</u>	<u>4</u>

Remuneration of the highest paid director in respect of qualifying services:

	2021	2020
	£	£
Aggregate remuneration	336,727	334,979
Company contributions to defined contribution pension plans	26,530	24,644
	<u>363,257</u>	<u>359,623</u>

Four of the directors were remunerated through the company and their remuneration is disclosed above.

The other five directors who served during the year were remunerated by other group undertakings. The directors do not believe that it is practicable to apportion the remuneration of these directors between their services as directors of the company and their services to other group undertakings.

10. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	128,990	547,826
Interest due to group undertakings	30,439	—
	<u>159,429</u>	<u>547,826</u>

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

11. Tax on loss

Major components of tax expense

	2021 £	2020 £
Deferred tax:		
Origination and reversal of timing differences	—	1,412,379
Tax on loss	<u>—</u>	<u>1,412,379</u>

Reconciliation of tax expense

The tax assessed on the loss on ordinary activities for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Loss on ordinary activities before taxation	<u>(6,170,686)</u>	<u>(7,452,874)</u>
Loss on ordinary activities by rate of tax	<u>(1,172,430)</u>	<u>(1,416,046)</u>
Effect of expenses not deductible for tax purposes	2,571	(15,084)
Effect of capital allowances and depreciation	18,119	27,496
Other timing differences	—	(6,076)
Effect of deferred tax measured at 17%	—	(166,162)
Deferred tax asset on trading losses not recognised	<u>1,151,740</u>	<u>2,988,251</u>
Tax on loss	<u>—</u>	<u>1,412,379</u>

Factors that may affect future tax income

Finance Act 2021 will increase the main rate of corporation tax to 25% effective from 1 April 2023. This change was announced at the budget on 3 March 2021 and the Act received Royal Assent on 10 June 2021. Accordingly this rate change was substantively enacted at 31 December 2021.

As no deferred tax asset is recognised in these accounts there is no numerical impact. If all unrecognised trading tax losses were to meet the conditions for recognition this would lead to tax income of £5,447,357 at the future tax rate of 25%.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

12. Intangible assets

	IT software £	Brand goodwill and licences £	Total £
Cost			
At 1 January 2021	1,882,007	500,000	2,382,007
Additions	18,750	—	18,750
At 31 December 2021	1,900,757	500,000	2,400,757
Amortisation			
At 1 January 2021	1,073,158	125,000	1,198,158
Charge for the year	362,965	50,000	412,965
At 31 December 2021	1,436,123	175,000	1,611,123
Carrying amount			
At 31 December 2021	464,634	325,000	789,634
At 31 December 2020	808,849	375,000	1,183,849

Brand goodwill & licences relates to the UK business of Maxwell & Williams. This asset is being amortised over 10 years to June 2028.

All amortisation of intangible assets is included in administrative expenses in the profit and loss account

13. Tangible assets

	Short leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2021	5,409,766	809,108	110,681	6,329,555
Additions	13,878	78,381	—	92,259
Disposals	—	(9,075)	(56,557)	(65,632)
At 31 December 2021	5,423,644	878,414	54,124	6,356,182
Depreciation				
At 1 January 2021	490,036	643,576	100,910	1,234,522
Charge for the year	365,884	68,592	2,835	437,311
Disposals	—	(8,054)	(55,342)	(63,396)
At 31 December 2021	855,920	704,114	48,403	1,608,437
Carrying amount				
At 31 December 2021	4,567,724	174,300	5,721	4,747,745
At 31 December 2020	4,919,730	165,532	9,771	5,095,033

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

14. Investments

	Shares in group undertakings £
Cost	
At 1 January 2021 and 31 December 2021	<u>4,000</u>
Impairment	
At 1 January 2021 and 31 December 2021	<u>-</u>
Carrying amount	
At 31 December 2021	<u>4,000</u>
At 31 December 2020	<u>4,000</u>

Subsidiaries, associates and other investments

Investments in subsidiaries comprises a 100% holding in Kitchen Craft (Asia) Limited, registered office: Hong Kong Managers and Secretaries Limited, Units 1607-1608, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong, which was dormant throughout the period.

15. Stocks

	2021 £	2020 £
Finished goods and goods for resale	<u>31,098,972</u>	<u>20,601,859</u>

16. Debtors

	2021 £	2020 £
Trade debtors	14,904,294	21,521,788
Amounts owed by group undertakings	2,295,189	2,240,740
Prepayments and accrued income	249,186	342,803
Other debtors	415,296	62,017
	<u>17,863,965</u>	<u>24,167,348</u>

Amounts owed by group undertakings are repayable on demand.

Included in other debtors is £340,784 (2020: £nil) of derivative financial instruments stated at fair value, further described in note 22.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

17. Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans and overdrafts	–	19,999,999
Trade creditors	8,185,073	7,507,714
Amounts owed to group undertakings	6,476,750	5,912,562
Accruals and deferred income	8,485,691	6,444,066
Social security and other taxes	4,361,464	2,342,179
Other creditors	22,528	40,752
	<u>27,531,506</u>	<u>42,247,272</u>

Amounts owed to group undertakings are repayable on demand.

Bank loans and overdraft borrowing have been replaced by direct loans from Lifetime Brands, Inc. which are included in Creditors: amounts falling due after more than one year. The bank loan and overdraft facilities remain in place and available to the company.

18. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Amounts owed to group undertakings	<u>25,899,834</u>	<u>–</u>

Loans from group undertakings are unsecured and mature on March 2nd, 2023.

19. Deferred tax

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021 £	2020 £
Accelerated capital allowances	296,981	262,546
Unused tax losses	(296,981)	(262,546)
	<u>–</u>	<u>–</u>

A deferred tax asset relating to trading losses of £296,981 is recognised only to the extent it matches deferred tax liabilities arising on accelerated capital allowances. Further deferred tax assets of £5,447,357 (2020: £2,988,251) relating to trading losses carried forwards are not recognised due to uncertainty about the timing of future taxable profits. These amounts are calculated at 25% (2020: 19%), the rate of UK corporation tax substantially enacted as at the balance sheet date.

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £371,347 (2020: £400,580).

The total amount of employee and employer pension contributions unpaid and included in other creditors was £5,320 (2020: £nil)

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

21. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2021 £	2020 £
Recognised in other operating income:		
Government grants recognised directly in income	<u>3,000</u>	<u>348,664</u>

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2021 £	2020 £
Financial assets measured at fair value through profit or loss		
Currency purchase forward contracts	<u>340,784</u>	<u>—</u>
Financial liabilities measured at amortised cost		
Loans from group undertakings	<u>25,899,834</u>	<u>—</u>

The total amount outstanding under currency purchase contracts at 31 December 2021 was the right to purchase USD \$22,600,000 at fixed exchange rates across January to November 2022. These are measured on a mark-to-market basis at the balance sheet date, being the best evidence of fair value available.

Loans from group undertakings are denominated in USD. The total amount outstanding at 31 December 2021 was \$35,000,000. Interest is payable and compounds quarterly and is charged to interest payable and similar expenses in the profit and loss account.

23. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>690,000</u>	<u>690,000</u>	<u>690,000</u>	<u>690,000</u>

24. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Lifetime Brands Europe Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Not later than 1 year	1,922,214	2,015,582
Later than 1 year and not later than 5 years	7,657,335	7,890,685
Later than 5 years	12,689,422	14,505,750
	<u>22,268,971</u>	<u>24,412,017</u>

26. Contingencies

At 31 December 2021 there were contingent liabilities of £125,000 (2020 £125,000) in respect of HM Revenue & Customs guarantees. From 1 July 2013 the company entered into an agreement with HMRC relating to outstanding liabilities for the bonded warehouse. Based on current compliance, the directors do not expect any claims to be made against this agreement.

In the normal course of the Company's business, claims, disputes and legal proceedings involving customers, agents, suppliers, employees or others are pending or may be brought against the Company in respect of past or current operations. The Company believes the impact of these claims and proceedings will be immaterial.

27. Events after the end of the reporting period

In 2022 the Lifetime Brands, Inc. Group is establishing a warehouse in the Netherlands, the Euro Hub, operated through a fellow subsidiary Lifetime Brands Europe B.V. All European operations will continue to be driven from the UK and the opening of a direct warehouse in the Netherlands and holding of stock inside the EU is expected to lead to improved gross profit margins, better efficiency and increased revenues for the Group. Lifetime Brands Europe Limited's revenue will be lower due to European sales now going through Lifetime Brands Europe B.V. Inventory levels will also reduce as stock destined for the European market will be stored at the third party logistics warehouse in the Netherlands.

28. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Thomas Plant (Birmingham) Holdings Limited, a company incorporated in England. The ultimate parent undertaking and controlling party is Lifetime Brands, Inc, which is incorporated in Delaware, United States of America.

Lifetime Brands, Inc. is the parent undertaking of the largest and smallest group undertaking to consolidate these financial statements at 31 December 2021. The consolidated financial statements of Lifetime Brands, Inc. are available from 1000 Stewart Avenue, Garden City, New York 11530, United States of America.