

Company Registration No. SC126669 (Scotland)

FRANKE UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FRANKE UK LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | B Borra D Orwin |
| Secretary | D Orwin |
| Company number | SC126669 |
| Registered office | Saltire Court 20 Castle Terrace Edinburgh EH1 2EG |
| Auditor | Hart Shaw LLP Europa Link Sheffield Business Park Sheffield S9 1XU |

FRANKE UK LIMITED

CONTENTS

| | Page |
|-----------------------------------|---------|
| Strategic report | 1 |
| Directors' report | 2 - 3 |
| Independent auditor's report | 4 - 6 |
| Statement of comprehensive income | 7 |
| Balance sheet | 8 |
| Statement of changes in equity | 9 |
| Notes to the financial statements | 10 - 22 |

FRANKE UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activities of Franke UK Ltd (the "Company") are the marketing and distribution of equipment for the domestic kitchen market.

Fair review of the business

The profit for the year after tax was 1,514,000 (2020: £689,000). The revenue of the business increased by 16.2%, showing encouraging recovery from the coronavirus (COVID-19) global pandemic which caused significant disruption to the economy in prior year. The balance sheet position of the business continues to grow, but also remains a key focus area.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows:

- The impact of increasing inflation on the economy and the availability of personal disposable income
- Consolidation of our customer base into fewer organisations with centralised buying power
- Recessionary tendency towards cheaper own brand products

Strategic development

Key areas of strategic development driving the performance of the Company include:

- Accelerated new product development in all product areas supported by targeted brand development
- A focussed approach to meaningful distribution channels in the market place

Key performance indicators

Key financial indicators include the constant monitoring of ratios such as profitability and return on assets:

| | 2021 | 2020 | |
|-------------------|-------|-------|--------------------------------|
| Gross Margin | 28.0% | 27.4% | Gross profit / turnover |
| Return on capital | 27.8% | 17.8% | Profit before tax / net assets |

On behalf of the board

D Orwin
Director

22 August 2022

FRANKE UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activity of the company continued to be that of marketing and distribution of equipment for the domestic kitchen market

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

B Borra

D Orwin

Auditor

Hart Shaw LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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.

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 of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

FRANKE UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board

D Orwin
Director

22 August 2022

FRANKE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF FRANKE UK LIMITED

Opinion

We have audited the financial statements of Franke UK Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We 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 twelve months from when the financial statements are authorised for issue.

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

Other information

The 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 our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

FRANKE UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF FRANKE UK LIMITED

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 and the directors' report.

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

- adequate accounting records have not been kept, 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 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, 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.

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

We have assessed the overall susceptibility of the financial statements to material misstatement due to irregularities as low.

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

At the planning stage we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management, as required by auditing standards. The potential effect of any laws and regulation on the financial statements can vary considerably. There are laws and regulations that directly affect the financial statements (e.g. the Companies Act) as well as many other operational laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. Owing to the size, nature and complexity of the organisation and the applicable laws and regulations to which it must adhere, the risk of material misstatement was deemed to be low, therefore the procedures performed by the audit team were limited to:

- Communicating identified laws and regulations at planning throughout the audit team to remain alert to any indications of non-compliance throughout the audit.
- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

FRANKE UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF FRANKE UK LIMITED

We have assessed the overall susceptibility of the financial statements to material misstatement due to fraud as low because the nature of the business does not particularly lend itself to fraud.

Management override is inherently high risk on any audit. Management override, which may cause there to be a material misstatement within the financial statements, may present itself in a number of ways, for example:

- Override of internal controls (e.g. segregation of duties)
- Entering into transactions outside the normal course of business, especially with related parties
- Fraudulent revenue recognition, including fictitious sales and sales being recorded in the wrong period
- Presenting bias in accounting judgements and estimates, particularly the ones disclosed in "*Critical accounting estimates and judgements*" section of the accounting policies; note 2 to the financial statements.

In order to reduce the risk of material misstatement to an acceptable level, numerous audit procedures were performed including:

- Enquiries of management as to whether they had any knowledge of any actual or suspected fraud
- Review of material journal entries made throughout the year as well as those made to prepare the financial statements
- Reviewing the underlying rationale behind transactions in order to assess whether they were outside the normal course of business
- Reviewing the minutes of meetings held by management.
- Increased substantive testing across all material income streams
- Assessing whether management's judgements and estimates indicated potential bias, particularly those disclosed in "*Critical accounting estimates and judgements*" section of the accounting policies; note 2 to the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected material misstatements in the financial statements, even though we have performed our audit in accordance with auditing standards. Furthermore, as with all audits, there is a higher risk of irregularities (especially those relating to fraud) being undetected, as these may involve the override of internal controls, collusion, intentional omissions and misrepresentations etc. We are not responsible for preventing non-compliance or fraud and therefore cannot be expected to detect all instances of such. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member for our audit work, for this report, or for the opinions we have formed.

Adam Shield (Senior Statutory Auditor)
For and on behalf of Hart Shaw LLP

14 September 2022

Chartered Accountants
Statutory Auditor

Europa Link
Sheffield Business Park
Sheffield
S9 1XU

FRANKE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 £'000s | 2020 £'000s |
|---------------------------------------|----------|----------------|----------------|
| Turnover | 3 | 48,877 | 42,048 |
| Cost of sales | | (35,209) | (30,512) |
| Gross profit | | 13,668 | 11,536 |
| Distribution costs | | (3,368) | (2,817) |
| Administrative expenses | | (8,383) | (7,737) |
| Other operating income | | 29 | 333 |
| Operating profit | 4 | 1,946 | 1,315 |
| Dividend income | | - | 303 |
| Interest payable and similar expenses | 8 | (59) | (47) |
| Investment impairment | | - | (634) |
| Profit before taxation | | 1,887 | 937 |
| Tax on profit | 9 | (373) | (248) |
| Profit for the financial year | | 1,514 | 689 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FRANKE UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

| | | 2021 | 2020 |
|---|-------|---------|----------|
| | Notes | £'000s | £'000s |
| Fixed assets | | | |
| Goodwill | 10 | 850 | 970 |
| Other intangible assets | 10 | 57 | 72 |
| Total intangible assets | | 907 | 1,042 |
| Tangible assets | 11 | 251 | 343 |
| | | 1,158 | 1,385 |
| Current assets | | | |
| Stocks | 13 | 5,388 | 5,713 |
| Debtors | 14 | 270 | 137 |
| Cash at bank and in hand | | 10,386 | 9,349 |
| | | 16,044 | 15,199 |
| Creditors: amounts falling due within one year | 15 | (9,874) | (11,322) |
| Net current assets | | 6,170 | 3,877 |
| Total assets less current liabilities | | 7,328 | 5,262 |
| Provisions for liabilities | | | |
| Provisions | 16 | 552 | - |
| | | (552) | - |
| Net assets | | 6,776 | 5,262 |
| Capital and reserves | | | |
| Called up share capital | 18 | 500 | 500 |
| Profit and loss reserves | | 6,276 | 4,762 |
| Total equity | | 6,776 | 5,262 |

The financial statements were approved by the board of directors and authorised for issue on 22 August 2022 and are signed on its behalf by:

D Orwin
Director

Company Registration No. SC126669

FRANKE UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital | Profit and loss reserves | Total |
|--|---------------|--------------------------|--------|
| | £'000s | £'000s | £'000s |
| Balance at 1 January 2020 | 500 | 4,073 | 4,573 |
| Year ended 31 December 2020: | | | |
| Profit and total comprehensive income for the year | - | 689 | 689 |
| Balance at 31 December 2020 | 500 | 4,762 | 5,262 |
| Year ended 31 December 2021: | | | |
| Profit and total comprehensive income for the year | - | 1,514 | 1,514 |
| Balance at 31 December 2021 | 500 | 6,276 | 6,776 |

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Franke UK Limited is a private company, limited by shares and incorporated in Scotland. The registered office is Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000s.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Franke UK Limited is a wholly owned subsidiary of Franke UK Holding Limited and the results of Franke UK Limited are included in the consolidated financial statements of Franke UK Holding Limited which are available from The Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents the value, net of value added tax, of goods and services supplied to customers during the year.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units of group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill is amortised over a period of 10 years.

1.5 Intangible fixed assets other than goodwill

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | |
|---------|----------|
| Website | 10 years |
|---------|----------|

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------|---------------|
| Leasehold improvements | 10 years |
| Office equipment | 5 years |
| Computer software | 3 to 5 years |
| Motor vehicles | 6 to 10 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contributions pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provision

The Directors make provisions for obsolescence, mark downs and shrinkage based on historical experiences and management estimates of future events. Actual outcomes could vary significantly from these estimates.

Sales rebates

Sales rebates are based on sales volumes, they are often growth related and can be product specific. Management often make judgements based on comparing sales data with customer contracts and use some historic experience to determine the levels of rebates to provide. Actual outcomes could vary significantly from these estimates.

Warranty provision

The warranty provision is a provision for the future expected cost of making good any faulty goods sold under warranty. Warranties can range from 2 to 50 years, depending on the type of product; therefore, there is uncertainty about the amount and timing of future cash outflows.

3 Turnover and other revenue

| | 2021 £'000s | 2020 £'000s |
|--|----------------------|----------------------|
| Turnover analysed by class of business | | |
| Sale of goods | 48,042 | 41,385 |
| Rendering of services | 835 | 663 |
| | <u>48,877</u> | <u>42,048</u> |
| | <u><u>48,877</u></u> | <u><u>42,048</u></u> |
| | | |
| | 2021 £'000s | 2020 £'000s |
| Turnover analysis by activity | | |
| Sale of domestic kitchen sinks and accessories | 48,042 | 41,385 |
| Revenue from recharge of freight expenses | 100 | 104 |
| Other income | 735 | 559 |
| | <u>48,877</u> | <u>42,048</u> |
| | <u><u>48,877</u></u> | <u><u>42,048</u></u> |
| | | |
| | 2021 £'000s | 2020 £'000s |
| Other significant revenue | | |
| Dividends received | - | 303 |
| Grants received | 29 | 333 |
| | <u><u>29</u></u> | <u><u>333</u></u> |

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue (Continued)

| | 2021 £'000s | 2020 £'000s |
|---|----------------|----------------|
| Turnover analysed by geographical market | | |
| United Kingdom | 48,518 | 41,983 |
| Continental Europe | 358 | 58 |
| Rest of the World | 1 | 7 |
| | <u>48,877</u> | <u>42,048</u> |

4 Operating profit

| | 2021 £'000s | 2020 £'000s |
|---|----------------|----------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange losses | 147 | - |
| Government grants | (29) | (333) |
| Depreciation of owned tangible fixed assets | 97 | 91 |
| Loss on disposal of tangible fixed assets | 9 | - |
| Amortisation of intangible assets | 135 | 134 |
| Impairment of intangible assets | - | 634 |
| Operating lease charges | 480 | 364 |
| | <u>480</u> | <u>364</u> |

5 Auditor's remuneration

| | 2021 £'000s | 2020 £'000s |
|---|----------------|----------------|
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the company | 16 | 16 |
| | <u>16</u> | <u>16</u> |

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2021 Number | 2020 Number |
|---------------------|----------------|----------------|
| Sales and marketing | 57 | 48 |
| Administration | 23 | 15 |
| | <u>80</u> | <u>63</u> |

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Employees (Continued)

Their aggregate remuneration comprised:

| | 2021 £'000s | 2020 £'000s |
|-----------------------|----------------|----------------|
| Wages and salaries | 3,078 | 2,737 |
| Social security costs | 343 | 288 |
| Pension costs | 189 | 176 |
| | <u>3,610</u> | <u>3,201</u> |

7 Directors' remuneration

| | 2021 £'000s | 2020 £'000s |
|--------------------------------------|----------------|----------------|
| Remuneration for qualifying services | 231 | 15 |
| | <u>231</u> | <u>15</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2021 £'000s | 2020 £'000s |
|---|----------------|----------------|
| Remuneration for qualifying services | 221 | 14 |
| Company pension contributions to defined contribution schemes | 10 | 1 |
| | <u>231</u> | <u>15</u> |

8 Interest payable and similar expenses

| | 2021 £'000s | 2020 £'000s |
|--|----------------|----------------|
| Interest payable to group undertakings | 59 | 47 |
| | <u>59</u> | <u>47</u> |

9 Taxation

| | 2021 £'000s | 2020 £'000s |
|--|----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 397 | 252 |
| Adjustments in respect of prior periods | (24) | (4) |
| | <u>373</u> | <u>248</u> |

The UK corporation tax rate is expected to remain at 19% (2020 - 19%).

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2021 £'000s | 2020 £'000s |
|--|----------------|----------------|
| Profit before taxation | 1,887 | 937 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 359 | 178 |
| Tax effect of expenses that are not deductible in determining taxable profit | 28 | 127 |
| Under/(over) provided in prior years | (25) | (4) |
| Dividend income | - | (58) |
| Depreciation in excess of capital allowances | 11 | 5 |
| Taxation charge for the year | 373 | 248 |

10 Intangible fixed assets

| | Investment in Subsidiary £'000s | Goodwill £'000s | Website £'000s | Total £'000s |
|--|---------------------------------------|--------------------|-------------------|-----------------|
| Cost | | | | |
| At 1 January 2021 and 31 December 2021 | 634 | 1,194 | 150 | 1,978 |
| Amortisation and impairment | | | | |
| At 1 January 2021 | 634 | 224 | 78 | 936 |
| Amortisation charged for the year | - | 120 | 15 | 135 |
| At 31 December 2021 | 634 | 344 | 93 | 1,071 |
| Carrying amount | | | | |
| At 31 December 2021 | - | 850 | 57 | 907 |
| At 31 December 2020 | - | 970 | 72 | 1,042 |

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Tangible fixed assets

| | Leasehold improvements | Office equipment | Computer software | Motor vehicles | Total |
|------------------------------------|------------------------|------------------|-------------------|----------------|--------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Cost | | | | | |
| At 1 January 2021 | 915 | 350 | 736 | 57 | 2,058 |
| Additions | 12 | 20 | - | - | 32 |
| Disposals | - | - | - | (37) | (37) |
| At 31 December 2021 | 927 | 370 | 736 | 20 | 2,053 |
| Depreciation and impairment | | | | | |
| At 1 January 2021 | 752 | 255 | 698 | 10 | 1,715 |
| Depreciation charged in the year | 36 | 40 | 16 | 5 | 97 |
| Eliminated in respect of disposals | - | - | - | (10) | (10) |
| At 31 December 2021 | 788 | 295 | 714 | 5 | 1,802 |
| Carrying amount | | | | | |
| At 31 December 2021 | 139 | 75 | 22 | 15 | 251 |
| At 31 December 2020 | 163 | 95 | 38 | 47 | 343 |

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct |
|-----------------------------|--|--------------------|----------------------|---------------|
| Central Services UK Limited | Mioc (Co: Franke Uk Ltd), Styal Road, Manchester, England, M22 5WB | Dormant | Ordinary | 100.00 |
| Sinks and Things Limited | Unit 17, Shield Road, Ashford, Middlesex, TW15 1AU | Dormant | Ordinary | 100.00 |

13 Stocks

| | 2021 £'000s | 2020 £'000s |
|-------------------------------------|----------------|----------------|
| Finished goods and goods for resale | 5,388 | 5,713 |

Included in the above is a stock provision of £642,000 (2020: £503,000) for slow moving and obsolete stock.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Debtors

| | 2021 £'000s | 2020 £'000s |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 62 | 48 |
| Prepayments and accrued income | 208 | 89 |
| | <u>270</u> | <u>137</u> |

15 Creditors: amounts falling due within one year

| | 2021 £'000s | 2020 £'000s |
|------------------------------------|----------------|----------------|
| Trade creditors | 1,961 | 2,828 |
| Amounts owed to group undertakings | 3,067 | 3,110 |
| Corporation tax | 293 | 482 |
| Other taxation and social security | 631 | 1,664 |
| Accruals and deferred income | 3,922 | 3,238 |
| | <u>9,874</u> | <u>11,322</u> |

Amounts owed to group undertakings are unsecured, interest free and repayable within standard trading terms.

16 Provisions for liabilities

| | 2021 £'000s | 2020 £'000s |
|---|----------------|--|
| Warranty provision | <u>552</u> | <u>-</u> |
| Movements on provisions: | | |
| | | Warranty provision £'000s |
| Brought forward provision transferred from accruals | | 119 |
| Additional provisions in the year | | 515 |
| Utilisation of provision | | (82) |
| At 31 December 2021 | | <u>552</u> |

The warranty provision is a provision for the future expected cost of making good any faulty goods sold under warranty. Warranties can range from 2 to 50 years, depending on the type of product; therefore, there is uncertainty about the amount and timing of future cash outflows. The vast majority of the provided cash outflows are expected to occur over one year after the reporting date.

The provision has not been discounted because the effect of discounting is not material.

FRANKE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Retirement benefit schemes

| | 2021 £'000s | 2020 £'000s |
|---|----------------|----------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 189 | 176 |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

| | 2021 £'000s | 2020 £'000s |
|------------------------------------|----------------|----------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 500,000 ordinary shares of £1 each | 500 | 500 |

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2021 £'000s | 2020 £'000s |
|----------------------------|----------------|----------------|
| Within one year | 502 | 577 |
| Between two and five years | 129 | 528 |
| | 631 | 1,105 |

20 Related party transactions

Transactions with related parties

As a wholly owned member of a group, the company is exempt from the requirements of FRS 102.33 to disclose transactions with other members of the group.

21 Ultimate controlling party

The Company is a subsidiary undertaking of Franke UK Holding Limited. The ultimate parent company is Artemis Holding AG.

The smallest group in which the results of the company are consolidated is that headed by Franke UK Holding Limited, West Carron Works, Stenhouse Road, Carron, Falkirk, FK2 8DR.

The largest group in which the results of the company are consolidated is that headed by Artemis Holding AG, 6052 Hergiswil, Switzerland. The consolidated financial statements of this group are not available to the public.

The ultimate controlling party is Michael Pieper.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.