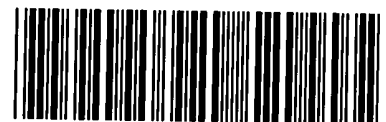


**HÄFELE U.K. LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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COMPANIES HOUSE

# **HÄFELE U.K. LIMITED**

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# **HÄFELE U.K. LIMITED**

## **COMPANY INFORMATION**

### **DIRECTORS**

M Batchelor  
R Morris  
S Thierer  
C Chambers (appointed 1 November 2016)

### **REGISTERED NUMBER**

01486136

### **REGISTERED OFFICE**

Swift Valley Industrial Estate  
Rugby  
CV21 1RD

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **BANKERS**

HSBC  
15 Church Street  
Rugby  
Warwickshire  
CV21 3PN

### **SOLICITORS**

Shoosmiths & Harrison  
The Lakes  
Northampton  
Northants  
NN4 7SH

## **HÄFELE U.K. LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present the Strategic Report of Häfele U.K. Limited (the "company") for the year ended 31 December 2016.

#### **VISION**

- delivering value through a commitment to excellence.

#### **CORE VALUES**

- excellence - deliver excellence for our customers in everything we do.
- innovation - take an innovative solutions based approach.
- professional - invoke trust by demonstrating integrity, reliability and commitment.
- accessible - be open, straight forward and transparent.
- progressive - take a proactive, positive approach to decision making and grasp opportunities.
- responsible - show respect and consideration for our colleagues, the communities around us and the environment we operate in.

#### **OUR PHILOSOPHY**

- together everyone achieves more.

#### **BUSINESS REVIEW**

- Sales have increased as a result of business initiatives taken by Häfele. Particular emphasis has been placed on improvements in customer services providing an easy and enjoyable shopping experience.
- The overall company margin reduced partially as a result of unfavourable exchange rate movements.
- A dividend of £13m was paid in the year.
- The position at 31 December 2016 is detailed on page 10.

#### **FUTURE DEVELOPMENTS**

Häfele continues to seek a competitive advantage by investing in the organisation for high growth through infrastructure development and staff training and development.

Häfele's goal to be closer to its customers than anyone else, to gain a better understanding of their requirements, to analyse the business climate more carefully and to identify new improvement opportunities faster.

2016 saw many of the benefits of the continued investment in people and infrastructure. The company is well positioned to continue to take advantage of these developments. The company anticipates continued growth in both sales and profitability.

## HÄFELE U.K. LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the companies strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company relate to increased competition, uncertainty in the retail sector, economic instability and recruitment and retention of suitable employees.

The risks facing the company are assessed on an ongoing basis. The directors evaluate the likelihood and the potential impact of each risk and ensure appropriate action is taken.

#### KEY PERFORMANCE INDICATORS (KPI)

We have made significant progress in the year in achieving the companies overall strategy. The board monitors progress by reference to the following KPI's.

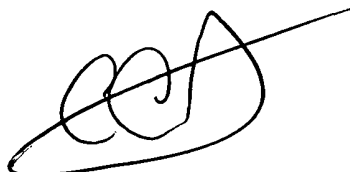
Performance in the year, together with historical data is set out in the table below:

	2016	2015	Definition and method of calculation
Growth in sales (%)	3.3%	6.4%	Year on year growth as a %
Operating margin (%)	13.1%	15.4%	Ratio of operating profit to sales expressed as a %
Return on investment (%)	41.0%	37.6%	Operating profit expressed as a % of net assets
Employee retention	86.3%	91.0%	% of employees who were employed at the start of the year remaining in employment with the company at the end of the year

This report was approved by the board on

29/6/2017

and signed on its behalf by:



**C Chambers**  
Director

## **HÄFELE U.K. LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their annual report and the audited financial statements of Häfele U.K. Limited (the "company") for the year ended 31 December 2016.

### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £10,796,000 (2015: £11,964,000).

The company has paid a dividend of £130 per share totalling £13,000,000 in respect of the financial year ended 31 December 2016 (2015: £87 per share totalling £8,700,000).

### **DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

M Batchelor  
R Morris  
S Thierer  
C Chambers (appointed 1 November 2016)

### **FINANCIAL RISK MANAGEMENT**

The risks facing the company are assessed on an ongoing basis. The directors evaluate the likelihood and the potential impact of each risk and ensure appropriate action is taken.

A number of risks such as liquidity, interest rates, capital expenditure, insurance, health and safety and regulatory compliance come under the direct control of the directors. The key financial risks are managed as follows:

#### **Currency fluctuation risk**

The company seeks to reduce currency fluctuation risk by entering into forward exchange contracts.

#### **Credit risk**

The company has policies that require appropriate credit checks on potential customers before sales are made.

### **FUTURE DEVELOPMENTS**

Future developments are discussed in the Strategic Report.

### **EMPLOYEE POLICIES**

The directors recognise the considerable benefits which accrue from keeping employees at all levels informed of the progress of the business and involving them in the company's performance. The company's policy is to ensure that information and viewpoints are exchanged and considered and that employees are aware of the financial and economic factors which affect the company's performance.

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. It is the company's policy to consider the skills and aptitudes of disabled people and to comply fully and fairly with any legislation in connection with disabled persons.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company maintains liability insurance for its directors and officers. Following shareholder approval the company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The qualifying indemnity was in force during the financial year and also at the date of approval of the financial statements.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 satisfied that they 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

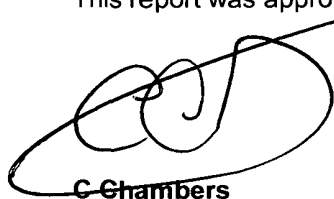
**HÄFELE U.K. LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**INDEPENDENT AUDITORS**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on **29/6/2017** and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a smaller 'C' and a flourish.

**C Chambers**  
Director



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HÄFELE U.K. LIMITED**

**Report on the financial statements**

---

**Our opinion**

In our opinion, Häfele U.K. Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.
- 

**What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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**Opinions on matter prescribed by the Companies Act 2006**

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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**Other matters on which we are required to report by exception**

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**Adequacy of accounting records and information and explanations received**

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Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HÄFELE U.K. LIMITED

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**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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**Responsibilities for the financial statements and the audit**

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**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

*Sarah Phillips*

Sarah Phillips (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Date: 10 July 2017

# HÄFELE U.K. LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016


	Note	2016 £000	2015 £000
Revenue	4	104,360	100,988
Cost of sales		(65,646)	(61,821)
<b>Gross profit</b>		<b>38,714</b>	<b>39,167</b>
Distribution costs		(5,219)	(5,595)
Administrative expenses		(19,373)	(18,289)
Other operating (costs)/income	5	(447)	226
<b>Operating profit</b>	6	<b>13,675</b>	<b>15,509</b>
Interest receivable and similar income	10	4	7
Interest payable and similar expenses	11	(167)	(234)
<b>Profit before income tax</b>		<b>13,512</b>	<b>15,282</b>
Income tax expense	12	(2,716)	(3,318)
<b>Profit for the financial year</b>		<b>10,796</b>	<b>11,964</b>
<b>Other comprehensive (expense)/income for the financial year</b>			
Actuarial (losses)/gains on defined benefit pension scheme		(6,766)	1,060
Movement of deferred tax relating to pension deficit	13	1,102	(191)
<b>Other comprehensive (expense)/income for the financial year</b>		<b>(5,664)</b>	<b>869</b>
<b>Total comprehensive income for the financial year</b>		<b>5,132</b>	<b>12,833</b>

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £000	2016 £000	Restated 2015 £000	Restated 2015 £000
<b>Fixed assets</b>					
Intangible assets	15		885		810
Property, plant and equipment	16		19,713		19,984
			<u>20,598</u>		<u>20,794</u>
<b>Current assets</b>					
Inventories	17	15,708		13,829	
Trade and other receivables	18	21,067		20,551	
Cash and cash equivalents	19	1,912		4,304	
		<u>38,687</u>		<u>38,684</u>	
Creditors: amounts falling due within one year	20	(15,222)		(13,460)	
<b>Net current assets</b>			<u>23,465</u>		<u>25,224</u>
<b>Total assets less current liabilities</b>			<u>44,063</u>		<u>46,018</u>
Pension liability	25		(10,696)		(4,783)
<b>Net assets</b>			<u><u>33,367</u></u>		<u><u>41,235</u></u>
<b>Capital and reserves</b>					
Called up share capital	24		100		100
Retained earnings	23		33,267		41,135
<b>Total shareholders' funds</b>			<u><u>33,367</u></u>		<u><u>41,235</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
by:

**R Morris**  
Director

 , 29/6/2017

The notes on pages 12 to 30 form part of these financial statements.

# HÄFELE U.K. LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
At 1 January 2015	100	37,002	37,102
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	11,964	11,964
Actuarial gains on pension scheme	-	869	869
<b>Other comprehensive income for the financial year</b>	-	869	869
<b>Total comprehensive income for the financial year</b>	-	12,833	12,833
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(8,700)	(8,700)
<b>Total transactions with owners</b>	-	(8,700)	(8,700)
At 1 January 2016	100	41,135	41,235
<b>Comprehensive (expense)/income for the financial year</b>			
Profit for the financial year	-	10,796	10,796
Actuarial losses on pension scheme	-	(5,664)	(5,664)
<b>Other comprehensive expense for the financial year</b>	-	(5,664)	(5,664)
<b>Total comprehensive income for the financial year</b>	-	5,132	5,132
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(13,000)	(13,000)
<b>Total transactions with owners</b>	-	(13,000)	(13,000)
<b>At 31 December 2016</b>	<b>100</b>	<b>33,267</b>	<b>33,367</b>

## **HÄFELE U.K. LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. GENERAL INFORMATION**

Häfele U.K. Limited ('the company') supplies furniture fittings, ironmongery and hardware to the trade including specialists products from hinges, handles and door furniture to storage solutions, sliding door systems and lighting.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is: Swift Valley Industrial Estate, Rugby, CV21 1RD.

#### **2. ACCOUNTING POLICIES**

##### **2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of certain financial assets and liabilities, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

##### **2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Häfele Holding GmbH as at 31 December 2016 and these financial statements may be obtained from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.

##### **2.3 REVENUE**

Revenue comprises the invoiced value of goods supplied, net of returns, discounts and value added tax. Revenue is recognised when the goods are shipped to the customer.

Accruals for rebates, based on customer turnover as determined by signed rebate agreements are held to reflect payments to be made in respect of such arrangements post year end. These costs are recognised against revenue in the year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.4 INTANGIBLE ASSETS**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

**2.5 PROPERTY, PLANT AND EQUIPMENT**

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

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold & leasehold property	- 2%
Plant and machinery	- 10-25%
Fixtures and fittings	- 10-25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.6 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.7 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.8 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.9 FINANCIAL INSTRUMENTS**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

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 income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

**2.10 CREDITORS**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.11 FOREIGN CURRENCY TRANSLATION**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**2.12 FINANCE COSTS**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.13 DIVIDENDS**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**2.14 LEASED ASSETS**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.15 PENSIONS**

**DEFINED CONTRIBUTION PENSION PLAN**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**DEFINED BENEFIT PENSION PLAN**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

**2.16 INTEREST INCOME**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.17 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.18 CURRENT AND DEFERRED TAXATION**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**2.19 REVENUE ACCOUNTING**

Accruals for rebates, based on customer turnover as determined by signed rebate agreements are held to reflect payments to be made in respect of such arrangements post year end. These costs are recognised against revenue in the year.

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION**

The Company operates a defined benefit schemes with the key judgements arising from the determination of the pension liability. We use a specialist third party to advise on the appropriate assumptions to use and the main assumptions are set out in note 26 of the financial statements.

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 4. REVENUE

An analysis of revenue by class of business is as follows:

	2016 £000	2015 £000
Distribution of furniture fixings, hardware and accessories	<u>104,360</u>	<u>100,988</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	102,875	99,563
Rest of Europe	1,419	1,382
Rest of the World	66	43
	<u>104,360</u>	<u>100,988</u>

#### 5. OTHER OPERATING (COSTS)/INCOME

	2016 £000	2015 £000
Exchange (losses)/gains	<u>(447)</u>	<u>226</u>

#### 6. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of property, plant and equipment	2,018	1,901
Amortisation of intangible assets, including goodwill	210	-
Operating lease rentals	104	104
Stocks write off	711	290
Bad debt expense	<u>147</u>	<u>159</u>

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 7. AUDITORS' REMUNERATION

	2016 £000	2015 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	44	56
<b>Fees payable to the company's auditors in respect of:</b>		
All other services	11	28

#### 8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	10,679	9,920
Social security costs	1,217	1,101
Other pension costs	380	714
	<b>12,276</b>	<b>11,735</b>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 Number	2015 Number
Warehouse	171	155
Selling and distribution	210	214
Administration	15	17
	<b>396</b>	<b>386</b>

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 9. DIRECTORS' REMUNERATION

	2016 £000	2015 £000
Aggregate directors' emoluments	481	453
Compensation for loss of office	-	250
	<u>481</u>	<u>703</u>

During the year retirement benefits were accruing to 3 directors (2015: 3) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to no directors (2015: 5) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £180,175 (2015: £407,000).

#### 10. INTEREST RECEIVABLE AND SIMILAR EXPENSES

	2016 £000	2015 £000
Bank interest receivable	<u>4</u>	<u>7</u>

#### 11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £000	2015 £000
Other interest payable	<u>167</u>	<u>234</u>

# HÄFELE U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 12. INCOME TAX EXPENSE

	2016 £000	2015 £000
<b>Corporation tax</b>		
Current tax on profits for the year	2,741	2,908
Adjustments in respect of prior years	(31)	112
<b>Total current tax</b>	<b>2,710</b>	<b>3,020</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	59	187
Changes to tax rates	(77)	111
Adjustments in respect of prior years	24	-
<b>Total deferred tax</b>	<b>6</b>	<b>298</b>
<b>Tax on profit on ordinary activities</b>	<b>2,716</b>	<b>3,318</b>

### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit before income tax	13,512	15,282
Profit before income tax multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	2,702	3,095
<b>Effects of:</b>		
Expenses not deductible for tax purposes	98	-
Adjustments to tax charge in respect of prior years	(7)	112
Changes in tax rates	(77)	111
<b>Total tax charge for the year</b>	<b>2,716</b>	<b>3,318</b>

### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The July 2015 Budget Statement announced changes to the UK Corporation tax regime which will reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. These rates have been substantively enacted but a change was announced in March 16 budget to reduce to the rate to 17% from 1 April 2020.

Consequently, deferred tax has been remeasured and the year end balance calculated using a tax rate of 17%.



# HÄFELE U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. TAX INCOME/(EXPENSE) INCLUDED IN OTHER COMPREHENSIVE INCOME

	2016 £000	2015 £000
Deferred tax	1,353	(191)
- Changes to tax rate in current year	(203)	-
- Changes to tax rate in prior year	(48)	-
<b>Total tax income/(expense) included in other comprehensive income</b>	<b>1,102</b>	<b>(191)</b>

### 14. DIVIDENDS

	2016 £000	2015 £000
Dividend of £130 per £1 share (2015: £87 per £1 share)	13,000	8,700

### 15. INTANGIBLE ASSETS

	Restated Software £000
<b>Cost</b>	
At 1 January 2016	1,527
Additions	285
At 31 December 2016	1,812
<b>Accumulated amortisation</b>	
At 1 January 2016	717
Charge for the year	210
At 31 December 2016	927
<b>Net book value</b>	
At 31 December 2016	885
At 31 December 2015	810
<b>Prior year adjustment</b>	

Software assets of £1,527,000 and depreciation of £717,000 had previously been classified as tangible fixed assets as at 31 December 2015. The adjustment to classify as intangible assets has decreased fixed assets and increased intangibles by this amount, with no impact on net assets or profit of the business.

# HÄFELE U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold & leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Restated Total £000
<b>Cost</b>				
At 1 January 2016	17,042	14,799	5,787	37,628
Additions	127	412	1,007	1,546
Disposals	(71)	(294)	(779)	(1,144)
At 31 December 2016	<u>17,098</u>	<u>14,917</u>	<u>6,015</u>	<u>38,030</u>
<b>Accumulated depreciation</b>				
At 1 January 2016	3,723	11,592	2,330	17,645
Charge for the year	332	801	674	1,807
Disposals	(69)	(156)	(910)	(1,135)
At 31 December 2016	<u>3,986</u>	<u>12,237</u>	<u>2,094</u>	<u>18,317</u>
<b>Net book value</b>				
At 31 December 2016	<u>13,112</u>	<u>2,680</u>	<u>3,921</u>	<u>19,713</u>
At 31 December 2015	<u>13,319</u>	<u>3,208</u>	<u>3,457</u>	<u>19,984</u>
<b>Prior year adjustment</b>				

Software assets of £1,527,000 and depreciation of £717,000 had previously been classified as tangible fixed assets as at 31 December 2015. The adjustment to classify as intangible assets has decreased fixed assets and increased intangibles by this amount, with no impact on net assets or profit of the business.

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 17. INVENTORIES

	2016 £000	2015 £000
Finished goods and goods for resale	15,708	13,829

Inventories are stated after provisions for impairment of £1,565,000 (2015: £1,137,000).

#### 18. TRADE AND OTHER RECEIVABLES

	2016 £000	2015 £000
Trade debtors	15,187	15,811
Amounts owed by group undertakings	3,912	3,881
Other debtors	20	23
Prepayments and accrued income	284	368
Deferred taxation	1,564	468
Derivative financial instruments	100	-
	21,067	20,551

Trade debtors are stated after provisions of £327,000 (2015: £287,000).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 19. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	<u>1,912</u>	<u>4,304</u>

Amounts owed by group undertakings and undertakings in which the company has a participating interest (£3,912,000) included a cash deposit of £3,625,646. The deposit attracted interest of Libor plus 2%. The deposit is repayable on demand.

#### 20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade creditors	6,983	5,596
Amounts owed to group undertakings	3,160	2,890
Corporation tax	1,163	1,563
Other taxation and social security	2,650	2,464
Other creditors	181	173
Accruals and deferred income	1,085	774
	<u>15,222</u>	<u>13,460</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 21. FINANCIAL INSTRUMENTS

	2016 £000	2015 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>19,199</u>	<u>19,715</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(11,409)</u>	<u>(9,431)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

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

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 22. DEFERRED TAXATION

	2016 £000	2015 £000
At 1 January 2016	468	957
Charged to the profit or loss	(6)	(298)
Charged to other comprehensive income	1,102	(191)
<b>At 31 December 2016</b>	<b>1,564</b>	<b>468</b>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	(254)	(393)
Defined benefit pension scheme	1,818	861
	<b>1,564</b>	<b>468</b>

#### 23. RETAINED EARNINGS

##### Retained earnings

Retained earnings represents the accumulated profits, losses and distributions of the company.

#### 24. CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
<b>Allotted, called up and fully paid</b>		
100,000 (2015: 100,000) Ordinary shares of £1 each	100	100

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**25. PENSION COMMITMENTS**

The Company operates a Defined Benefit Pension Scheme.

**Defined contribution: auto-enrolment plan**

Häfele U.K. Limited operates an auto-enrolment defined contribution plan for employees in line with UK Government legislation. Under the terms of this scheme, both employees and the company make pension contributions into an approved scheme (NEST).

**Defined contribution: other plan**

Häfele U.K. Limited operates a defined contribution plan for selective employees. both employees and the company make pension contributions into the scheme (Friends Life).

**Defined benefit plan**

Häfele U.K. Limited operates a funded pension plan which provides benefits based on the final pensionable salary of participating employees. This plan was closed to new entrants from November 2003, and closed to future accrual on the 31 December 2015. The assets of the plan are held separately from those of the Company, being held in a trustee-administered pension plan and invested with independent fund managers. The plan exposes the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

**Actuarial valuation**

The present value of the defined benefit obligation, the related current and past service costs are determined by a qualified actuary. The most recent completed actuarial valuation was carried out at 31st December 2013. As at the valuation date the market value of the assets held by the scheme was £13,868,051, sufficient to cover 83% of the actuarial calculated Technical Provision (being the amount required, on an actuarial calculation, to make provision for the scheme's liabilities).

**Funding and estimated contributions**

Häfele U.K. Limited has an agreement with the pension plan trustees to make additional deficit contributions to the plan of £1m per year until May 2018 and £0.7m per annum for the period May 2018 until May 2025. The level of deficit recovery payments will be reviewed on a three yearly basis in line with the scheme triannual valuation.

Reconciliation of present value of plan liabilities:

	2016 £000	2015 £000
<b>Reconciliation of present value of plan liabilities:</b>		
At the beginning of the year	21,131	21,806
Current service cost	-	624
Interest cost	802	794
Actuarial losses/(gains)	6,470	(1,375)
Contributions	-	150
Benefits paid	(1,133)	(237)
Past service cost	-	1,044
Gain on settlement or curtailment	-	(1,675)
<b>At the end of the year</b>	<b>27,270</b>	<b>21,131</b>

# HÄFELE U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 25. PENSION COMMITMENTS (CONTINUED)

	2016 £000	2015 £000
At the beginning of the year	16,348	15,054
Interest income	635	561
Actuarial losses	(296)	(315)
Contributions	1,020	1,135
Benefits paid	(1,133)	(237)
Past service cost	-	150
<b>At the end of the year</b>	<b>16,574</b>	<b>16,348</b>

Composition of plan assets:

	2016 £000	2015 £000
Diversified growth funds	14,295	14,324
Bonds	2,134	1,807
Cash	145	217
<b>Total plan assets</b>	<b>16,574</b>	<b>16,348</b>

	2016 £000	2015 £000
Fair value of plan assets	16,574	16,348
Present value of plan liabilities	(27,270)	(21,131)
<b>Net pension scheme liability</b>	<b>(10,696)</b>	<b>(4,783)</b>

The amounts recognised in profit or loss are as follows:

	2016 £000	2015 £000
Current service cost	-	624
Past service cost	(167)	(233)
<b>Total</b>	<b>(167)</b>	<b>391</b>
Actual return on scheme assets	339	246

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**25. PENSION COMMITMENTS (CONTINUED)**

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	<b>2016</b>	<b>2015</b>
Discount rate at 31 March	<b>2.70 %</b>	3.90 %
Future salary increases	<b>N/A</b>	3.30 %
Future pension increases:		
Benefits accrued pre 6 April 1987	<b>2.35 %</b>	2.30 %
Benefits accrued post 5 April 1987	<b>3.35 %</b>	3.30 %
Rate of revaluation of deferred pensions in excess of GMP	<b>3.35 %</b>	3.30 %
Rate of Inflation (RPI)	<b>3.35 %</b>	3.30 %
Rate of Inflation (CPI)	<b>2.35 %</b>	2.30 %

**26. CONTROLLING PARTY**

The immediate parent undertaking is Häfele Holding GmbH. According to the register kept by the company, Häfele Holding GmbH has a 100% interest in the equity capital of Häfele U.K. Limited at 31 December 2016. The ultimate parent undertaking and controlling party is Häfele Holding GmbH, a company incorporated in Germany. Häfele Holding GmbH is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Häfele Holding GmbH are available from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.