

Häfele UK Limited

Annual report and financial statements

for the year ended 31 December 2013

Company registration number : 1486136

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## **Häfele UK Limited**

### **Annual report and financial statements for the year ended 31 December 2013**

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## **Häfele UK Limited**

### **Company Information**

#### **Executive Directors**

G Marlow (Managing Director)

M Batchelor

R Morris

S Thierer

#### **Company secretary**

Garry Marlow

#### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Donington Park

Pegasus Business Park

Castle Donington

East Midlands

DE74 2UZ

#### **Bankers**

HSBC

15 Church Street

Rugby

Warwickshire

CV21 3PN

#### **Solicitors**

Shoosmiths & Harrison

The Lakes

Northampton

Northants

NN4 7SH

#### **Registered office**

Swift Valley Industrial Estate

Rugby

CV21 1RD

#### **Registered number**

1486136

## **Häfele UK Limited**

**Registered number: 1486136**

### **Strategic Report for the year ended 31 December 2013**

The directors present the Strategic report for the year ended 31 December 2013.

#### **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 improved economic conditions and 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 was slightly down in the year. The individual margin of each sales channel remained constant, but changes in the percentage of sales generated by each channel resulted in the overall decrease. We are confident that initiatives taken during 2013 will see the margin return to its pre 2013 levels during 2014.
- General costs have been controlled in the year. Distribution and marketing costs increased as a result of our customer service initiatives which resulted in improved delivery times, extended working hours and improved targeted marketing activity.
- During 2013, in order to maximise returns, cash deposits were made via Häfele Germany. This resulted in a lower cash balance being reported as at the 31st December 2013. See note 13.
- A dividend of £6.5m was paid in the year.

#### **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.

The second half of 2013 saw many of the benefits of the earlier investment in people and infrastructure, resulting in significant growth in both sales and profitability. The company is well positioned to take advantage of these developments during 2014. The company anticipates double digit growth in both sales and profitability.

#### **Principle 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

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:

	2013	2012	Definition, method of calculation and analysis
Growth in sales (%)	8.1%	1.6%	Year on year growth as a %.
Operating margin (%)	10.3%	11.7%	Ratio of operating profit to sales expressed as a %.
Return on investment (%)	22.6%	23.6%	Operating profit expressed as a % of net assets
Employee retention	90.0%	89.0%	% 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 25 February 2014 and signed by its order.



Garry Marlow  
Secretary  
25 February 2014

## **Häfele UK Limited**

**Registered number: 1486136**

### **Directors' Report for the year ended 31 December 2013**

The directors present their annual report and audited financial statement for the year ended 31 December 2013.

#### **Dividends**

During the year the directors recommend the payment of an ordinary dividend amounting to £65 per share (2012 - £87.5), which represents 96.6% of profit after tax.

#### **Future Developments**

Future developments are discussed in the Strategic Report.

#### **Financial management risk**

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 options.

#### **Credit risk**

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

#### **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**

The following persons served as directors during the year:

G Marlow (Managing Director)  
M F Smith (Resigned 31st December 2013)  
M Batchelor  
R Morris  
S Thierier

#### **Directors' indemnities**

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.

## **Häfele UK Limited**

**Registered number: 1486136**

### **Directors' Report for the year ended 31 December 2013**

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' report and 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 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;
- state whether applicable UK Accounting Standards 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.

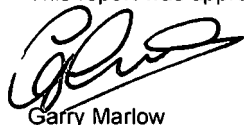
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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 person who was a director at the time this report was approved confirms that:

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

This report was approved by the board on 25 February 2014 and signed by its order.



Garry Marlow

Secretary

25 February 2014

## ***Independent auditors' report to the members of Häfele UK Limited***

### **Report on the financial statements**

#### **Our Opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report

#### **What we have audited**

The financial statements, which are prepared by Häfele UK Limited, comprise :

- the balance sheets as at 31 December 2013;
- the profit and loss account; and
- statement of total recognised gains and losses for the year then ended;
- the Cash Flow Statement for the year; 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (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.

#### **Opinion on matter prescribed by the Companies Act 2006**

In our opinion 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.

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

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

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.



## ***Independent auditors' report to the members of Häfele UK Limited***

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report 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.

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

#### **Our responsibilities and those of the directors**

As explained more fully in the statement of directors responsibilities 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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



David Teager (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
25 February 2014

**Häfele UK Limited**  
**Profit and Loss Account**  
**for the year ended 31 December 2013**

	<b>Notes</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Turnover</b>	2	84,580	78,263
Cost of sales		(55,308)	(50,066)
<b>Gross profit</b>		<u>29,272</u>	<u>28,197</u>
Selling & Distribution costs		(4,352)	(3,162)
Administrative expenses		(16,167)	(16,061)
Other operating expenses / income		(30)	145
<b>Operating profit</b>	4	<u>8,723</u>	<u>9,119</u>
Interest receivable and similar income	5	246	244
Interest payable and similar charges	8	-	(5)
<b>Profit on ordinary activities before taxation</b>		<u>8,969</u>	<u>9,358</u>
Tax on profit on ordinary activities	9	(2,243)	(2,394)
<b>Profit for the financial year</b>	18	<u>6,726</u>	<u>6,964</u>

There is no material difference between the profits on ordinary activities before taxation and the retained profit for the year stated above and their historical equivalents

None of the company's activities were acquired or discontinued during the above two financial years.

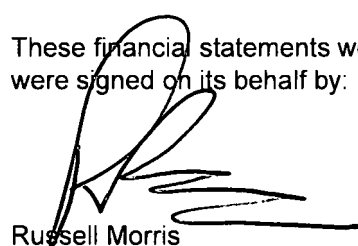
**Häfele UK Limited**  
**Statement of total recognised gains and losses**  
**for the year ended 31 December 2013**

	<b>Notes</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Profit for the financial year		6,726	6,964
Actuarial loss (note15)		(260)	(1,188)
Tax on actuarial loss		52	273
Total recognised gains and losses related to the year		<u>6,518</u>	<u>6,049</u>

**Häfele UK Limited**  
**Balance Sheet**  
**as at 31 December 2013**

	Notes	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	10	19,566	20,309
<b>Current assets</b>			
Stocks	11	11,997	11,150
Debtors	12	18,866	12,305
Cash at bank and in hand		1,808	7,292
		<u>32,671</u>	<u>30,747</u>
<b>Creditors: amounts falling due within one year</b>	14	(10,840)	(9,757)
<b>Net current assets</b>		<u>21,831</u>	<u>20,990</u>
<b>Total assets less current liabilities</b>		<u>41,397</u>	<u>41,299</u>
<b>Provisions for liabilities</b>			
Deferred taxation	16	(382)	(489)
<b>Net assets excluding pension deficit</b>		<u>41,015</u>	<u>40,810</u>
Pension deficit	15	(2,340)	(2,153)
<b>Net assets</b>		<u>38,675</u>	<u>38,657</u>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Profit and loss account	18	38,575	38,557
<b>Total shareholders' funds</b>	20	<u>38,675</u>	<u>38,657</u>

These financial statements were approved by the board of directors on 25 February 2014 and were signed on its behalf by:



Russell Morris

Director

25 February 2014

Company registration number : 1486136

**Häfele UK Limited**  
**Cash Flow Statement**  
**for the year ended 31 December 2013**

	<b>Notes</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		8,723	9,119
Depreciation and amortisation		1,781	1,738
Profit on disposal of fixed assts		(16)	-
(Increase)/decrease in stocks		(847)	148
(Increase)/decrease in debtors		(6,561)	135
Increase in creditors		1,140	854
Pension service costs in excess of contributions		106	81
<b>Net cash inflow from operating activities</b>		<b>4,326</b>	<b>12,075</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow from operating activities</b>		<b>4,326</b>	<b>12,075</b>
<b>Returns on investments and servicing of finance</b>	<b>21</b>	<b>10</b>	<b>15</b>
<b>Taxation</b>		<b>(2,298)</b>	<b>(2,208)</b>
<b>Capital expenditure</b>	<b>21</b>	<b>(1,022)</b>	<b>(2,292)</b>
		<b>1,016</b>	<b>7,590</b>
<b>Equity dividends paid</b>		<b>(6,500)</b>	<b>(8,750)</b>
		<b>(5,484)</b>	<b>(1,160)</b>
<b>Financing</b>	<b>21</b>	<b>-</b>	<b>(583)</b>
<b>Decrease in cash</b>		<b>(5,484)</b>	<b>(1,743)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Decrease in cash in the period		(5,484)	(1,743)
Decrease in debt and lease financing		-	583
<b>Change in net debt</b>	<b>22</b>	<b>(5,484)</b>	<b>(1,160)</b>
<b>Cash at bank and in hand at 1 January</b>		<b>7,292</b>	<b>8,452</b>
<b>Cash at bank and in hand at 31 December</b>		<b>1,808</b>	<b>7,292</b>

**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

**1 Accounting policies**

***Basis of preparation***

The financial statements are prepared in accordance the the Companies Act 2006 and applicable UK accounting and financial reporting standards. The financial statements are also prepared on the going concern basis and in accordance with the historical cost convention, modified to include the revaluation of ceretian financial assets and liabilities. The accounting policies have been consistently applied.

***Turnover***

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

***Tangible fixed assets***

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The principle depreciation rates for fixed assets are :	%
Freehold land	nil
Freehold buildings	2
Assets in the course of construction	nil
Plant & Machinery	10 to 25
Fixtures, fittings, tools and equipment	10 to 25

***Stocks***

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Cost is determined on a weighted average cost basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

***Deferred taxation***

Deferred taxation, arising from timing differences between recognition in the financial statements and the taxation computation, has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

***Foreign currencies***

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date, or the rate specified in a related forward contract, if applicable. Exchange gains or losses are included in operating profit.

***Leasing and hire purchase commitments***

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

***Pensions***

The company operates a defined benefit pension scheme contracted out of the state scheme, which was closed to new members with effect from 1 November 2003. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates.

In accordance with Financial Reporting Standard Number 17 – "Retirement Benefits", the financial statements reflect the fair value of the assets and liabilities arising from the company's retirement benefit obligations and any related funding. The scheme liabilities and the scheme assets are measured at each balance sheet date. The scheme assets are measured at fair value. The scheme liabilities are measured on an actuarial basis. The difference between the fair value of the scheme assets and the actuarial value of the scheme liabilities is a surplus or deficit that is recognised as an asset or liability on the company's balance sheet. Changes in the scheme assets and scheme liabilities are reported in the profit and loss account or the statement of recognised gains and losses depending on the nature of the change.

The company also makes contributions to a defined contribution pension scheme. The cost of providing retirement pensions and related benefits is charged against profits over the periods which benefit from the employees' services.

**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

<b>2 Turnover</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
By activity:		
Distribution of furniture fixings, hardware and accessories	84,580	78,263
By geographical market:		
UK	83,591	77,331
Europe	904	851
Rest of world	85	81
	84,580	78,263

**3 Related party transactions**

As a wholly owned subsidiary, the company has taken advantage of the exemption granted under Financial Reporting Standard Number 8 – “Related Party Disclosures” and not disclosed any transactions with other 100% owned group undertakings. There are no other related party transactions (2012: £nil).

<b>4 Operating profit</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
This is stated after charging:		
Depreciation of owned fixed assets	1,781	1,738
Profit on the disposal of fixed assets	(16)	-
Operating lease rentals - other than plant and machinery	135	135
Exchange losses/(gains)	46	(145)
Auditors' remuneration for audit services	35	35
Auditors' remuneration for other services	8	13

<b>5 Interest receivable and similar income</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Bank interest receivable	10	20
Pension finance income (note 15)	236	224
	246	244



**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

<b>6 Directors' emoluments</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Emoluments	630,488	641,355
Highest paid director: Emoluments	302,527	307,147
<b>Number of directors in company pension schemes:</b>	<b>2013 Number</b>	<b>2012 Number</b>
Money purchase schemes	1	1
Defined benefit schemes	2	2
<b>7 Staff costs</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Wages and salaries	8,510	8,496
Social security costs	934	883
Other pension costs	448	424
	9,892	9,803
<b>Average number of employees during the year</b>	<b>Number</b>	<b>Number</b>
Warehouse	144	145
Selling and distribution	201	199
Administration	15	11
	360	355
<b>8 Interest payable and similar charges</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Bank loans and overdrafts	-	5

**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

<b>9 Tax on profit on ordinary activities</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Analysis of charge in year</b>		
Current tax:		
UK corporation tax on profits of the year	2,201	2,417
Adjustments in respect of previous periods	39	18
	<u>2,240</u>	<u>2,435</u>
Deferred tax:		
Origination and reversal of timing differences	(107)	(109)
Pension Deficit	110	68
	<u>3</u>	<u>(41)</u>
<b>Tax on profit on ordinary activities</b>	<b><u>2,243</u></b>	<b><u>2,394</u></b>

**Factors affecting tax charge for period**

The tax assessed for the year is higher (2012 : higher) than the standard rate of corporation tax in the UK of 23.25%

	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Profit on ordinary activities before tax</b>	<b>8,969</b>	<b>9,358</b>
Standard rate of corporation tax in the UK	23.25%	24.5%
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax	2,085	2,293
Effects of:		
Expenses not deductible for tax purposes	37	45
Accelerated capital allowances	79	79
Adjustments to tax charge in respect of previous periods	39	18
<b>Current tax charge for year</b>	<b><u>2,240</u></b>	<b><u>2,435</u></b>

**Factors that may affect future tax charges**

The standard rate of UK corporation tax in the year changed from 24% to 23% with effect from 1 April 2013 and will change to 21% from 1 April 2014 and 20% from 1 April 2015. UK deferred tax is therefore recognised at the reduced rate of 20%.

**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

**10 Tangible fixed assets**

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2013	16,252	12,759	4,935	33,946
Additions	372	169	499	1,040
Disposals	-	(22)	(167)	(189)
At 31 December 2013	16,624	12,906	5,267	34,797
<b>Depreciation</b>				
At 1 January 2013	2,769	9,323	1,545	13,637
Charge for the year	312	836	633	1,781
On disposals	-	(22)	(165)	(187)
At 31 December 2013	3,081	10,137	2,013	15,231
<b>Net book value</b>				
At 31 December 2013	13,543	2,769	3,254	19,566
At 31 December 2012	13,483	3,436	3,390	20,309

**11 Stocks**

	2013 £'000	2012 £'000
Finished goods and goods for resale	11,997	11,150

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**12 Debtors**

	2013 £'000	2012 £'000
Trade debtors	14,203	11,678
Amounts owed by group undertakings and undertakings in which the company has a participating interest	4,067	228
Other debtors	19	18
Prepayments and accrued income	577	381
	18,866	12,305

**13 Cash Deposits**

Amounts owed by group undertakings and undertakings in which the company has a participating interest (£4,067,000) included a cash deposit of £3,800,000. The deposit attracted interest of Libor plus 2%. The deposit is repayable on demand.

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<b>14 Creditors: amounts falling due within one year</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	5,055	4,360
Amounts owed to group undertakings and undertakings in which the company has a participating interest	1,707	1,528
Corporation tax	1,215	1,273
Other taxes and social security costs	2,186	1,772
Other creditors	120	-
Accruals and deferred income	557	824
	<b>10,840</b>	<b>9,757</b>

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**15 Pension**

The company participates in a funded pension scheme administered by Schroders and Legal & General, providing benefits based on final pensionable salary. The scheme was closed to new members with effect from 1 November 2003, with the company initiating a stakeholder pension scheme, which provides pension benefits based upon contributions to new employees qualifying for pensions. The assets of both schemes are held separately from those of the company.

The latest actuarial valuation of the scheme was at 31 December 2010. At the date of the latest actuarial valuation, the market value of the assets of the scheme on a Statutory Funding Objective basis was £12,208,000 and the actuarial value of the assets was sufficient to cover 101% of the Technical Provisions (being the amount required, on an actuarial calculation, to make provision for the scheme's liabilities).

The assumptions that have the most significant effect on the valuation are those relating to the discount rate, the rates of increase in salaries and inflation. It was assumed that the discount rate would be 6.7% per annum pre retirement and 4.7% per annum post retirement, that salary increases would average 4.40% per annum and that price inflation would increase at the rate of 3.40% RPI and 2.90% CPI per annum.

The movement in the pension deficit is as follows:	Gross £'000	Tax £'000	Net £'000
Pension scheme surplus at 1 January 2013	(2,795)	643	(2,152)
Change in deferred tax rate		(84)	(84)
Pension contributions paid	326	(65)	261
Recognised in the profit and loss account:			
Service cost	(432)	86	(346)
Other finance income	236	(47)	189
	(196)	39	(157)
Actuarial loss included in the statement of recognised gains and losses	(260)	52	(208)
Pension scheme deficit at 31 December 2013	(2,925)	585	(2,340)

The total pension contributions paid by the company were:	2013 £'000	2012 £'000
Defined benefit scheme	326	281
Defined contribution scheme	16	12
	342	293

The company expects to contribute £330,000 for the year ending 31 December 2014

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**Financial assumptions underlining the FRS 17 – “Retirement Benefits” valuation:**

	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>
Discount rate	4.60	4.40
Salary increases	3.50	3.10
Pension increases:		
Benefits accrued pre 6 April 1997	2.40	2.30
Benefits accrued post 5 April 1997	3.50	3.10
Rate of revaluation of deferred pensions in excess of GMP	3.50	2.40
Rate of inflation (RPI)	3.50	3.10
Rate of inflation (CPI)	2.50	2.40

**Demographic assumptions:**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Pre retirement mortality (male/female)	S1PxA yob mc min 1.5% improvement	S1PxA yob mc min 1.5% improvement
Post retirement mortality for non pensioner members (male/female)	S1PxA yob mc min 1.5% improvement	S1PxA yob mc min 1.5% improvement
Post retirement mortality for pensioner members (male/female)	S1PxA yob mc min 1.5% improvement	S1PxA yob mc min 1.5% improvement

The net assets/(liabilities) of the scheme and expected return on assets were:

	<b>Long-term rate of return expected at</b>	<b>2013 £'000</b>	<b>Long-term rate of return expected at</b>	<b>2012 £'000</b>
	<b>2013</b>		<b>2012</b>	
Diversified growth funds	7.6%	12,140	7.7%	11,192
Bonds	4.1%	1,523	4.7%	1,543
Cash	7.6%	205	7.7%	123
Total fair value of assets		13,868		12,858
Present value of scheme liabilities		(16,793)		(15,653)
Deficit in scheme		(2,925)		(2,795)
Related deferred tax asset/(liability)		585		642
Net pensions deficit under FRS 17		(2,340)		(2,153)

The overall expected rate of return on the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The following amounts have been recognised in the performance statements for the year ended 31 December 2013 under the requirements of FRS17 – “Retirement Benefits”:

**Häfele UK Limited**  
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	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
<b>Amount recognised in the profit and loss account:</b>					
Current service cost	432	411	332	300	221
<b>Amount (debited)/credited to other finance income:</b>					
Expected return on pension scheme assets	(933)	(881)	(925)	(815)	(657)
Interest on pension scheme liabilities	697	657	692	628	525
	196	187	99	113	89

**Amount recognised in the STRGL:**

Actual return less expected return on pension scheme	(220)	105	(1,442)	710	1,169
Changes in assumptions underlying the present value of the scheme liabilities	(40)	(1,293)	(305)	(563)	(2,152)
	(260)	(1,188)	(1,747)	147	(983)
<b>Net cumulative actuarial (losses)/gains recognised in the STRGL</b>	(5,528)	(5,268)	(4,080)	(2,333)	(2,480)

	2013 £'000	2012 £'000
<b>Changes in present value of scheme liabilities</b>		
Scheme liabilities at 1 January	15,653	13,701
Service cost	432	411
Interest cost	697	657
Employee contributions	148	137
Actuarial losses	40	1,293
Benefits paid	(177)	(546)
Scheme liabilities at 31 December	16,793	15,653

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	<b>2013</b>	<b>2,012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in present value of scheme assets</b>		
Scheme assets at 1 January	12,858	11,951
Expected return	933	881
Actuarial gains	(220)	105
Contributions by employer	326	330
Employee contributions	148	137
Benefits paid	(177)	(546)
Scheme assets at 31 December	13,868	12,858
Actual return on scheme assets	713	986

**Historical pension scheme**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Scheme assets	13,868	12,858	11,951	12,278	10,438
Present value of scheme liabilities	(16,793)	(15,653)	(13,701)	(12,463)	(10,946)
(Deficit)/surplus in the scheme	(2,925)	(2,795)	(1,750)	(185)	(508)

Difference between the actual and expected return of the scheme assets

	(220)	105	(1,442)	710	1,169
- Percentage of scheme assets	-1.6%	0.8%	-12.1%	6.0%	11.0%

Experience gains and losses on scheme liabilities

	9	(120)	709	(292)	7
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- Percentage of the present value of the scheme liabilities

	-0.1%	0.8%	-5.2%	-2.0%	0.0%
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Total amount recognised in the STRGL

	(260)	(1,188)	(1,747)	147	(983)
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- Percentage of the present value of the scheme liabilities

	1.5%	7.6%	12.8%	1.0%	-9.0%
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**Häfele UK Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2013**

<b>16 Deferred taxation</b>			<b>2013 £'000</b>	<b>2012 £'000</b>
Accelerated capital allowances			382	489
Undiscounted provision for deferred tax			382	489
			<b>2013 £'000</b>	<b>2012 £'000</b>
At 1 January			489	598
Deferred tax charge in profit and loss account			(107)	(109)
At 31 December			382	489
<b>17 Share capital</b>			<b>2013 £'000</b>	<b>2012 £'000</b>
	<b>Nominal value</b>	<b>Number</b>		
Allotted, called up and fully paid:				
Ordinary shares	£1 each	100,000	100	100
<b>18 Profit and loss account</b>			<b>2013 £'000</b>	<b>2012 £'000</b>
At 1 January 2013			38,557	41,258
Prior year adjustments			-	-
At 1 January 2013			38,557	41,258
Profit for the financial year			6,726	6,964
Dividends			(6,500)	(8,750)
Actuarial gains/(losses) on pension scheme net of tax			(208)	(914)
At 31 December 2013			38,575	38,557
<b>19 Dividends</b>			<b>2013 £'000</b>	<b>2012 £'000</b>
Dividends for which the company became liable during the year:				
Dividends paid			6,500	8,750
<b>20 Reconciliation of movement in shareholders' funds</b>			<b>2013 £'000</b>	<b>2012 £'000</b>
At 1 January			38,657	41,358
Profit for the financial year			6,726	6,964
Dividends			(6,500)	(8,750)
Actuarial gains/(losses) on pension scheme net of tax			(208)	(914)
At 31 December			38,675	38,657

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<b>21 Gross cash flows</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	10	20
Interest paid	-	(5)
	10	15
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(1,040)	(2,292)
Receipts from sales of tangible fixed assets	18	-
	(1,022)	(2,292)
<b>Financing</b>		
Loan repayments	-	(583)

<b>22 Analysis of changes in net debt</b>	<b>At 1 Jan 2013 £'000</b>	<b>Cash flows £'000</b>	<b>Non-cash changes £'000</b>	<b>At 31 Dec 2013 £'000</b>
Cash at bank and in hand	7,292	(5,484)	-	1,808
Total	7,292	(5,484)	-	1,808

**23 Financial commitments**

The company's local currency is pounds sterling but it has significant overseas purchases. These purchases are denominated in Euros. As a result, the company is subject to foreign currency exchange risk due to exchange rate movements between pounds sterling and Euros. The company seeks to reduce this risk by entering into forward exchange options. At 31 December 2013, the fair value of its forward options was an asset of £133,146 (2012: asset of £59,510). This has not been recognised in the financial statements.

**24 Operating lease commitments**

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings 2013 £'000</b>	<b>Land and buildings 2012 £'000</b>	<b>Other 2013 £'000</b>	<b>Other 2012 £'000</b>
Operating leases which expire:				
within one year	104	54	-	-
within two to five years	-	56	-	-
	104	110	-	-

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**25 Ultimate 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 UK Limited at 31 December 2013.

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 2013. The consolidated financial statements of Häfele Holding GmbH are available from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.