

Registration number: 01486136

HÄFELE U.K. LIMITED

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Rödl & Partner Limited
170 Edmund Street
Birmingham
B3 2HB



HÄFELE U.K. LIMITED

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HÄFELE U.K. LIMITED

Company Information

Directors	S A Thierer
	N B Cole
	C S Chambers
Registered office	Swift Valley Industrial Estate Rugby Warwickshire CV21 1RD
Auditors	Rödl & Partner Limited 170 Edmund Street Birmingham B3 2HB

HÄFELE U.K. LIMITED

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of the company is supplying 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.

Purpose

- To create "more life per m²"

Core values

- **Open-minded family spirit**
 - We are multicultural, family-owned and operated business with strong common roots.
 - We respect each other as team members, learn from each other and stick together.
- **Team reliance**
 - We are loyal to our company and true to ourselves. Externally, we speak with one voice.
 - We foster an environment of trust and kind behaviour towards each other. We are straight-forward, open and keep our promises. We resolve conflict honestly and fairly.
 - We share information and our experience. These values also supply to our conduct in cooperating with external partners.
- **Embracing challenge**
 - We recognise performance and appreciate those that accept challenges and responsibility.
 - We apply our skills and expertise and we are proactive in adapting to new situations.
 - We welcome new challenges and projects and evolve along with our business. We have the courage to attempt new things, learn from the experiences and celebrate our successes.
- **Client relationships with a wow-factor**
 - We adapt our business to each market. With the Häfele brand we offer added value and become a valuable partner for our customers.
 - We understand our customers' needs and exceed their expectations with new service and product solutions.
 - We can support our clients in every step of the manufacturing process with our comprehensive range of solutions.
 - We ensure our customers long term success and delight terms with our attractive services.

Fair review of the business

2019 was a particular challenging year, as Brexit uncertainty continued to impact many of our key markets. However, Häfele's unrivalled product range and service offering, and the diversified markets we supply, ensured that the impact on revenue was minimal. We continue to invest in new products and services to provide an unrivalled and enjoyable shopping experience. In fact, we have invested over £2m in capital expenditure in 2019 to help maintain our market leading position. Despite the slight drop in revenue in 2019, we managed to improve gross margin, as a result of favourable mix, careful price management and cost control. A dividend of £9.3m was paid in the year. The Balance Sheet as at 31 December 2019 is detailed on Page 11

HÄFELE U.K. LIMITED

Strategic Report for the Year Ended 31 December 2019

The company's key financial and other performance indicators during the year were as follows:

	2019	2018	Definition and method of calculation
Growth in sales (%)	-0.7%	-2.5%	Year on year growth as a %
Operating margin (%)	10.9%	11.5%	Ratio of operating profit to sales expressed as a %
Return on investment (%)	37.1%	35.7%	Operating profit expressed as a % of net assets
Employee retention	91.2%	90.6%	% of employees who were employed at the start of the year remaining in employment with the company at the end of the year

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

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

In addition in 2020, we face further risks to trading, so long as the details of new Free Trade Agreement with the EU remain unclear and whilst we strive to understand the full extent of COVID 19 virus on global trade.

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.

Approved by the Board on 2/3/2020 and signed on its behalf by:



N B Cole
Director

HÄFELE U.K. LIMITED

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the company

The directors who held office during the year were as follows:

S A Thierer

N B Cole

C S Chambers

M W Batchelor (resigned 22 February 2019)

Result and dividends

The profit for the financial year amounted to £8,090,000 (2018: £11,148,000).

The company has paid a dividend of £92.70 per share totalling £9,270,000 in respect of financial year ended 31 December 2019 (2018: £121.3 per share totalling £12,130,000).

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:

Price risk, credit risk, liquidity risk and cash flow risk

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 and credit insurance is in place to mitigate the risk of customer failures.

HÄFELE U.K. LIMITED

Directors' Report for the Year Ended 31 December 2019

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.

Future developments

Häfele's goal is 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.

2020 is predicted to be another challenging year, until we have more clarity on what the future Trade Agreement with the EU looks like. In addition, we are closely monitoring how COVID 19 is impacting our suppliers across the world and implementing contingency plans as best we can to maintain supply.

Despite these threats, we aim to consolidate our leading position in our core markets, through the introduction of exciting new products and services, and explore opportunities for growth in new ones.

Our commitment to develop our people and recruit new people will continue, to ensure we are best placed to take advantage of any opportunities as and when they arise.

Qualifying third party indemnity provision

The company maintains liability insurance for its directors and officers. Following shareholder approval, the company has also provided an indemnity for its directors, 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.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 2/3/2020 and signed on its behalf by:



N B Cole
Director

HÄFELE U.K. LIMITED

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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; and
- 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.

HÄFELE U.K. LIMITED

Independent Auditor's Report to the Members of HÄFELE U.K. LIMITED

Opinion

We have audited the financial statements of HÄFELE U.K. LIMITED (the 'company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

HÄFELE U.K. LIMITED

Independent Auditor's Report to the Members of HÄFELE U.K. LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

HÄFELE U.K. LIMITED

Independent Auditor's Report to the Members of HÄFELE U.K. LIMITED

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Imran Farooq (Senior Statutory Auditor)
For and on behalf of Rödl & Partner Limited, Statutory Auditor

170 Edmund Street
Birmingham
B3 2HB

Date: 2nd March 2020

HÄFELE U.K. LIMITED

Statement of Comprehensive Income for the Year Ended 31 December 2019

		2019	(As restated) 2018
	Note	£ 000	£ 000
Turnover	3	110,196	111,005
Cost of sales		<u>(68,973)</u>	<u>(69,898)</u>
Gross profit		41,223	41,107
Distribution costs		(6,946)	(6,594)
Administrative expenses		(22,768)	(21,656)
Other operating income	4	<u>458</u>	<u>(107)</u>
Operating profit	5	11,967	12,750
(Loss)/gain on financial assets at fair value	23	(2,009)	1,088
Other interest receivable and similar income	6	1	1
Interest payable and similar expenses	7	<u>-</u>	<u>(6)</u>
Profit before tax		9,959	13,833
Taxation	11	<u>(1,869)</u>	<u>(2,685)</u>
Profit for the financial year		<u>8,090</u>	<u>11,148</u>
Other comprehensive income for the financial year			
P&I reserve - Actuarial (loss)/gain recognised in pension		(2,581)	(122)
P&I reserve - Deferred tax on actuarial (loss)/gain recognised in pension		<u>299</u>	<u>26</u>
		<u>(2,282)</u>	<u>(96)</u>
Total comprehensive income for the year		<u>5,808</u>	<u>11,052</u>


The above results were derived from continuing operations.

HÄFELE U.K. LIMITED

(Registration number: 01486136)
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	931	680
Tangible assets	13	17,609	17,906
		<u>18,540</u>	<u>18,586</u>
Current assets			
Stocks	14	18,320	16,268
Debtors	15	20,413	20,841
Cash at bank and in hand	16	448	355
		<u>39,181</u>	<u>37,464</u>
Creditors: Amounts falling due within one year	17	<u>(18,355)</u>	<u>(14,927)</u>
Net current assets		<u>20,826</u>	<u>22,537</u>
Total assets less current liabilities		<u>39,366</u>	<u>41,123</u>
Provisions for liabilities	18	<u>(7,113)</u>	<u>(5,408)</u>
Net assets		<u>32,253</u>	<u>35,715</u>
Capital and reserves			
Called up share capital	20	100	100
Profit and loss account		<u>32,153</u>	<u>35,615</u>
Total equity		<u>32,253</u>	<u>35,715</u>

Approved and authorised by the Board on 2/3/2020 and signed on its behalf by:



N B Cole
Director

HÄFELE U.K. LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	100	35,615	35,715
Profit for the year	-	8,090	8,090
Other comprehensive income	-	(2,282)	(2,282)
Total comprehensive income	-	5,808	5,808
Dividends	-	(9,270)	(9,270)
At 31 December 2019	100	32,153	32,253

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	100	36,693	36,793
Profit for the year	-	11,148	11,148
Other comprehensive income	-	(96)	(96)
Total comprehensive income	-	11,052	11,052
Dividends	-	(12,130)	(12,130)
At 31 December 2018	100	35,615	35,715

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

Swift Valley Industrial Estate

Rugby

Warwickshire

CV21 1RD

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentational currency used to prepare the financial statements is Sterling (£) and the amounts have been rounded to the nearest £1,000.

Summary of 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 2019 and these financial statements may be obtained from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Reclassification of comparative amounts

Derivatives with a fair value gain of £1,087,978 in the prior year have been reclassified to Gain on financial assets at fair value from Distribution costs.

Pension finance costs of £146,000 have been reclassified to admin expenses from interest payable and other expenses.

Judgements in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

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 19 of the financial statements.

Impairment of trade debtors

When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors, historical experience and the extent to which the debt is protected under the company's credit insurance arrangements. See note 15 for the net carrying amount of the debtors and associated impairment provision.

Impairment of inventory

When calculating the inventory provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 14 for the net carrying amount of the stock and associated provision.

Revenue recognition

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

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.

Finance income and costs policy

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.

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Foreign currency 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'.

Tax

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:

- a) 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
- b) 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.

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Tangible assets

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 the Statement of Comprehensive Income 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

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
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.

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:

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

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the Statement of Comprehensive Income.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. Where the company transfers substantially all the risks and rewards of ownership, the arrangement is classified as a finance lease and a receivable is recognised at an amount equal to the net investment in the lease. Recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Defined benefit pension obligation

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. Payment to defined contribution retirement benefit schemes are charges as an expense as they fall due. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred. The liability recognised in the Balance Sheet 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income as a 'finance expense'.

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

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 creditors or debtors, 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 out- right 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 Balance Sheet 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 the Statement of Comprehensive Income in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Sale of goods	110,196	111,005

The analysis of the company's turnover for the year by market is as follows:

	2019 £ 000	2018 £ 000
UK	108,729	109,336
Europe	1,305	1,516
Rest of world	162	153
	110,196	111,005

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £ 000	2018 £ 000
Exchange gain/(loss)	458	(107)

5 Operating profit

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation expense	1,533	1,676
Amortisation expense	265	181
Operating lease expense - other	469	428
Loss on disposal of property, plant and equipment	1	-

6 Other interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	1	1

7 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest on bank overdrafts and borrowings	-	6

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	12,888	11,929
Social security costs	1,425	1,350
Pension costs, defined contribution scheme	576	540
	<u>14,889</u>	<u>13,819</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	11	9
Sales, marketing and distribution	234	224
Distribution	183	183
	<u>428</u>	<u>416</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	597	660

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	360	340
Company contributions to money purchase pension schemes	10	10

10 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	42	43
Other fees to auditors		
Taxation compliance services	3	4

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

11 Taxation

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	1,870	2,618
UK corporation tax adjustment to prior periods	-	(34)
	<u>1,870</u>	<u>2,584</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(1)	80
Adjustments in respect to prior years	-	29
Changes to tax rates	-	(8)
	<u>(1)</u>	<u>101</u>
Total deferred taxation	<u>(1)</u>	<u>101</u>
Tax expense in the income statement	<u>1,869</u>	<u>2,685</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	<u>9,959</u>	<u>13,833</u>
Corporation tax at standard rate	1,892	2,628
Effect of expense not deductible in determining taxable profit (tax loss)	143	70
UK deferred tax expense/(credit) relating to changes in tax rates or laws	26	(8)
Decrease in UK and foreign current tax from adjustment for prior periods	(1)	(5)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(191)</u>	<u>-</u>
Total tax charge	<u>1,869</u>	<u>2,685</u>

Deferred tax

Tax relating to items recognised in other comprehensive income or equity

	2019 £ 000	2018 £ 000
Deferred tax related to items recognised as items of other comprehensive income	<u>299</u>	<u>26</u>

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Intangible assets

	Software £ 000	Total £ 000
Cost		
At 1 January 2019	1,980	1,980
Additions acquired separately	<u>516</u>	<u>516</u>
At 31 December 2019	<u>2,496</u>	<u>2,496</u>
Amortisation		
At 1 January 2019	1,300	1,300
Amortisation charge	<u>265</u>	<u>265</u>
At 31 December 2019	<u>1,565</u>	<u>1,565</u>
Carrying amount		
At 31 December 2019	<u>931</u>	<u>931</u>
At 31 December 2018	<u>680</u>	<u>680</u>

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Tangible assets

	Freehold & leasehold property £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Total £ 000
Cost				
At 1 January 2019	17,139	7,185	15,305	39,629
Additions	35	1,365	284	1,684
Disposals	-	(111)	-	(111)
Transfers	-	(569)	91	(478)
At 31 December 2019	<u>17,174</u>	<u>7,870</u>	<u>15,680</u>	<u>40,724</u>
Depreciation				
At 1 January 2019	4,654	3,607	13,462	21,723
Charge for the year	331	873	329	1,533
Eliminated on disposal	-	(110)	-	(110)
Transfers	-	(31)	-	(31)
At 31 December 2019	<u>4,985</u>	<u>4,339</u>	<u>13,791</u>	<u>23,115</u>
Carrying amount				
At 31 December 2019	<u>12,189</u>	<u>3,531</u>	<u>1,889</u>	<u>17,609</u>
At 31 December 2018	<u>12,484</u>	<u>3,579</u>	<u>1,843</u>	<u>17,906</u>

14 Stocks

	2019 £ 000	2018 £ 000
Finished goods and goods for resale	<u>18,320</u>	<u>16,268</u>

Impairment of stocks

The amount of impairment loss included in the Statement of Comprehensive Income is £1,756,000 (2018 - £2,149,000).

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

15 Debtors

	Note	2019 £ 000	2018 £ 000
Trade debtors		14,838	14,786
Amounts owed by group undertakings		3,474	4,303
Other debtors		420	18
Prepayments		676	357
Derivative financial instruments	21	-	595
Deferred tax assets	11	1,005	782
		<u>20,413</u>	<u>20,841</u>

16 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash on hand	6	9
Cash at bank	<u>442</u>	<u>346</u>
	<u>448</u>	<u>355</u>

17 Creditors

	Note	2019 £ 000	2018 £ 000
Due within one year			
Trade creditors		7,077	6,041
Amounts owed to group undertakings		3,060	3,249
Social security and other taxes		2,602	3,049
Other payables		1,369	146
Accruals		2,204	1,303
Derivative financial instruments		1,414	-
Corporation tax	11	629	1,139
		<u>18,355</u>	<u>14,927</u>

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

18 Other provisions

	Employee benefits £ 000	Total £ 000
At 1 January 2019	5,408	5,408
Increase (decrease) in existing provisions	1,705	1,705
At 31 December 2019	<u>7,113</u>	<u>7,113</u>

19 Pension and other schemes

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 (AVIVA).

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 (AVIVA).

Defined benefit pension schemes

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 date of the most recent comprehensive actuarial valuation was Saturday, December 31, 2016. 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 2016. As at the valuation date the market value of the assets held by the scheme was £16,973,000, sufficient to cover 76% of the actuarial calculated Technical Provision (being the amount required, on an actuarial calculation, to make provision for the scheme's liabilities).

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Funding and estimated contributions

Häfele U.K. Limited has an agreement with the pension plan trustees to make additional minimum deficit contributions to the plan of £1m per year. The level of the deficit recovery payment will be reviewed on a three-yearly basis in line with scheme triannual valuation.

The total cost relating to defined benefit schemes for the year recognised in the Other Comprehensive Income as an expense was £144,000 (2018 - £146,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019	2018
	£ 000	£ 000
Fair value of scheme assets	15,809	13,470
Present value of defined benefit obligation	<u>(22,922)</u>	<u>(18,878)</u>
Defined benefit pension scheme deficit	<u>(7,113)</u>	<u>(5,408)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019
	£ 000
Present value at start of year	18,878
Interest cost	536
Actuarial gains and losses	4,402
Benefits paid	<u>(894)</u>
Present value at end of year	<u>22,922</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2019
	£ 000
Fair value at start of year	13,470
Interest income	392
Actuarial gains and losses	1,821
Employer contributions	1,020
Benefits paid	<u>(894)</u>
Fair value at end of year	<u>15,809</u>

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Diversified Growth Funds	12,119	9,929
Bonds	3,530	3,397
Cash	160	144
	<u>15,809</u>	<u>13,470</u>

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	<u>1,821</u>	<u>(1,202)</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2019 %	2018 %
Inflation (RPI)	3.20	3.45
Inflation (CPI)	2.35	2.45
Discount rate	2.10	2.95
Future pension increases (RPI or 2.5% pa if less)	2.25	2.35
Future pension increases (RPI or 5% pa if less)	<u>3.20</u>	<u>3.45</u>

20 Share capital

Allotted, called up and fully paid shares

	2019		2018
	No. 000	£ 000	No. 000 £ 000
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100 100</u>

HÄFELE U.K. LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2019

21 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Not later than one year	308	310
Later than one year and not later than five years	330	298
	<u>638</u>	<u>608</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £469,000 (2018 - £428,000).

22 Dividends

Interim dividends paid

	2019 £ 000	2018 £ 000
Interim dividend of £92.7 (2018 - £121.30) per £1 share	<u>9,270</u>	<u>12,130</u>

23 Financial instruments

Derivatives

Forward contracts and foreign exchange rate swaps

During the year the company had entered into forward contracts and foreign exchange swaps to manage its currency risks. From forward contracts the company has contracted to deliver £6,719,639 at various stages over the next 12 months in exchange for \$8,600,000 (2018: £6,925,865 in exchange for \$9,434,100) and deliver £27,423,249 in exchange for €30,800,000 (2018: £19,451,706 in exchange for €21,697,000).

At 31 December 2019 the financial liability recognised at fair value loss in respect of the derivatives was £2,009,274 (2018: Gain of £1,087,978).

24 Parent and ultimate parent undertaking

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 2019. 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 2019. The consolidated financial statements of Häfele Holding GmbH are available from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.