

HÄFELE U.K. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018



# HÄFELE U.K. LIMITED

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**HÄFELE U.K. LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

S Thierer  
C Chambers  
N Cole

**REGISTERED NUMBER**

01486136

**REGISTERED OFFICE**

Swift Valley Industrial Estate  
Rugby  
CV21 1RD

**INDEPENDENT AUDITORS**

Ernst and Young LLP  
Chartered Accountants and Statutory Auditors  
No. 1 Colmore Square  
Birmingham  
B4 6HQ

**BANKERS**

HSBC  
15 Church Street  
Rugby  
Warwickshire  
CV21 3PN

**SOLICITORS**

Shoosmiths LLP  
1<sup>st</sup> Floor  
Witan Gate House  
500- 600 Witan Gate West  
Milton Keynes  
MK9 1SH

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present the Strategic Report of Häfele U.K. Limited (the "company") for the year ended 31 December 2018.

**PURPOSE**

- To create 'more life per m²'.

**CORE VALUES**

• **OPEN-MINDED FAMILY SPIRIT**

- We are a 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 apply 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 them with our attractive services.

**BUSINESS REVIEW**

- 2018 was a particularly challenging year, as Brexit uncertainty and subsequently lower consumer confidence impacted many of our key markets. However, Häfele's unrivalled product range and service offering, along with careful price management, mitigated the impact on our revenue.
- We continue to invest in new products and services to provide an unrivalled and enjoyable shopping experience. In fact, we have invested over £1.1m in capital expenditure in 2018 to help maintain our market leading position.
- Despite the fall in revenue in 2018, the overall company margin improved, largely due to careful price management, cost control and favourable exchange rates.
- A dividend of £12.1m was paid in the year.
- The statement of financial position at 31 December 2018 is detailed on page 10.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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.

2019 is predicted to be another challenging year, until we have more clarity on how the UK economy will respond post-Brexit. However, we will consolidate our 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.

**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 business risks and uncertainties affecting the company relate to increased competition, uncertainty in the retail sector, economic instability so long as a Brexit outcome remains so uncertain, and recruitment and retention of suitable employees.

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

**KEY PERFORMANCE INDICATORS (KPI)**

We have made significant progress in the year in achieving the company's overall strategy, despite the small drop in revenue. 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:

	<b>2018</b>	<b>2017</b>	<b>Definition and method of calculation</b>
Growth in sales (%)	<b>(2.5%)</b>	9.0%	Year on year growth as a %
Operating margin (%)	<b>12.7%</b>	12.4%	Ratio of operating profit to sales expressed as a %
Return on investment (%)	<b>39.5%</b>	38.5%	Operating profit expressed as a % of net assets
Employee retention	<b>90.6%</b>	88.5%	% 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 *23<sup>rd</sup> May 2019* and signed on its behalf by:



**N Cole**  
Director

## **HÄFELE U.K. LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their annual report and the audited financial statements of Häfele U.K. Limited (the "company") for the year ended 31 December 2018.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year amounted to £11,148,000 (2017: £11,159,000).

The company has paid a dividend of £121.30 per share totaling £12,130,000 in respect of the financial year ended 31 December 2018 (2017: £110 per share totaling £11,000,000).

#### **DIRECTORS**

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

M Batchelor (resigned 22 February 2019)

S Thierer

C Chambers

N Cole (appointed 7 March 2018)

#### **FINANCIAL RISK MANAGEMENT**

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

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

##### **Currency fluctuation risk**

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

##### **Credit risk**

The company has policies that require appropriate credit checks on potential customers before sales are made and credit insurance is in place to mitigate the risk of customer failures.

#### **FUTURE DEVELOPMENTS**

Future developments are discussed in the Strategic Report.

#### **EMPLOYEE POLICIES**

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

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

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

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

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

**HÄFELE U.K. LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**INDEPENDENT AUDITORS**

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP were appointed as auditors in 2018 and will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 23<sup>rd</sup> May 2019 and signed on its behalf by:



**N Cole**  
Director



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

### **Opinion**

We have audited the financial statements of Hafele UK Limited for the year ended 31 December 2018 which comprise of Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HÄFELE U.K. LIMITED (Continued)

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### Responsibilities of directors

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's 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

*Ernst & Young LLP*

Stephen Kirk (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham

Date: *24<sup>th</sup> May 2019*

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Revenue</b>	4	<b>111,005</b>	113,796
Cost of sales		(69,898)	(73,351)
<b>Gross profit</b>		<b>41,107</b>	40,445
Distribution costs		(5,506)	(5,825)
Administrative expenses		(21,510)	(20,257)
Other operating costs	5	(107)	(203)
<b>Operating profit</b>	6	<b>13,984</b>	14,160
Interest receivable and similar income	11	1	1
Interest payable and similar expenses	12	(152)	(279)
<b>Profit before taxation</b>		<b>13,833</b>	13,882
Income tax expense	13	(2,685)	(2,723)
<b>Profit for the financial year</b>		<b>11,148</b>	11,159
<b>Other comprehensive income for the financial year</b>			
Actuarial (losses)/gains on defined benefit pension scheme	26	(122)	3,935
Deferred tax arising on actuarial (losses)/gains related to defined benefit pension scheme	14	26	(669)
Other comprehensive (expense)/income for the financial year		(96)	3,266
<b>Total comprehensive income for the financial year</b>		<b>11,052</b>	14,425

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

**HÄFELE U.K. LIMITED**

REGISTERED NUMBER: 01486136

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>Fixed assets</b>					
Intangible assets	16		680		724
Property, plant and equipment	17		17,906		18,576
			<u>18,586</u>		<u>19,300</u>
<b>Current assets</b>					
Inventories	18	16,268		17,609	
Trade and other receivables	19	20,841		19,346	
Cash and cash equivalents	20	355		3,624	
		<u>37,464</u>		<u>40,579</u>	
Creditors: amounts falling due within one year	21	(14,927)		(17,071)	
<b>Net current assets</b>			<u>22,537</u>		<u>23,508</u>
<b>Total assets less current liabilities</b>			<u>41,123</u>		<u>42,808</u>
Defined benefit pension scheme liability	26		(5,408)		(6,016)
<b>Net assets</b>			<u>35,715</u>		<u>36,792</u>
<b>Capital and reserves</b>					
Called up share capital	25		100		100
Retained earnings	24		35,615		36,692
<b>Total shareholders' funds</b>			<u>35,715</u>		<u>36,792</u>

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

23<sup>rd</sup> May 2019

by:



N Cole

Director

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital £000</b>	<b>Retained earnings £000</b>	<b>Total shareholders' funds £000</b>
At 1 January 2017	<b>100</b>	<b>33,268</b>	<b>33,368</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	11,159	11,159
Actuarial gains on pension scheme (net of tax)	-	3,266	3,266
Other comprehensive expense for the financial year	-	3,266	3,266
Total comprehensive income for the financial year	-	14,425	14,425
<b>Contributions by and distributions to equity shareholders</b>			
Dividends: Equity capital	-	(11,000)	(11,000)
Total transactions with owners	-	(11,000)	(11,000)
<b>At 31 December 2017</b>	<b>100</b>	<b>36,693</b>	<b>36,793</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	11,148	11,148
Actuarial (losses) on pension scheme (net of tax)	-	(96)	(96)
Other comprehensive income for the financial year	-	(96)	(96)
Total comprehensive income for the financial year		11,052	11,052
<b>Contributions by and distributions to equity shareholders</b>			
Dividends: Equity capital	-	(12,130)	(12,130)
Total transactions with owners	-	(12,130)	(12,130)
<b>At 31 December 2018</b>	<b>100</b>	<b>35,615</b>	<b>35,715</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. GENERAL INFORMATION**

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

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

**2. ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

This information is included in the consolidated financial statements of Häfele Holding GmbH as at 31 December 2018 and these financial statements may be obtained from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.

**2.3 REVENUE**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.4 INTANGIBLE ASSETS**

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

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

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

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

**2.5 PROPERTY, PLANT AND EQUIPMENT**

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

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

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

Depreciation is provided on the following basis:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.6 INVENTORIES**

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

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

**2.7 TRADE AND OTHER RECEIVABLES**

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

**2.8 CASH AND CASH EQUIVALENTS**

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.9 FINANCIAL INSTRUMENTS**

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade 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 Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

**2.10 CREDITORS**

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

**2.11 PROVISIONS FOR LIABILITIES**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.12 FOREIGN CURRENCY TRANSLATION**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

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

**2.13 FINANCE COSTS**

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

**2.14 DIVIDENDS**

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

**2.15 LEASED ASSETS**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (Continued)**

**2.16 PENSIONS**

**DEFINED CONTRIBUTION PENSION PLAN**

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

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

**DEFINED BENEFIT PENSION PLAN**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. Payment to defined contribution retirement benefit schemes are charged 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 Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. ACCOUNTING POLICIES (Continued)**

**2.17 INTEREST INCOME**

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

**2.18 CURRENT AND DEFERRED TAXATION**

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

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

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

- 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.

**3. 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 25 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 18 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 17 for the net carrying amount of the stock and associated provision.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. REVENUE**

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

	<b>2018</b> <b>£000</b>	2017 £000
Distribution of furniture fixings, hardware and accessories	<b>111,005</b>	113,796

Analysis of turnover by country of destination:

	<b>2018</b> <b>£000</b>	2017 £000
United Kingdom	<b>109,336</b>	112,271
Rest of Europe	<b>1,516</b>	1,417
Rest of the World	<b>153</b>	108
	<b>111,005</b>	113,796

**5. OTHER OPERATING COSTS**

	<b>2018</b> <b>£000</b>	2017 £000
Exchange losses	<b>(107)</b>	(203)

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2018</b> <b>£000</b>	2017 £000
Depreciation of property, plant and equipment	<b>1,676</b>	1,865
Amortisation of intangible assets	<b>181</b>	191
Operating lease charges	<b>428</b>	479
Inventory recognised as an expense (included within cost of sales)	<b>68,699</b>	72,554
Impairment of inventory	<b>593</b>	782
Impairment of trade debtors	<b>290</b>	352

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**7. AUDITORS' REMUNERATION**

	<b>2018</b> <b>£000</b>	2017 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<b>43</b>	46
<b>Fees payable to the company's auditors in respect of:</b>		
Other services – tax compliance	<b>4</b>	12

**8. EMPLOYEES**

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

	<b>2018</b> <b>£000</b>	2017 £000
Wages and salaries	<b>11,930</b>	11,182
Social security costs	<b>1,350</b>	1,298
Other pension costs	<b>539</b>	372
	<b>13,819</b>	12,852

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

	<b>2018</b> <b>Number</b>	2017 Number
Warehouse	<b>183</b>	181
Selling and distribution	<b>224</b>	217
Administration	<b>9</b>	11
	<b>416</b>	409

**9. RETIREMENT BENEFIT SCHEME**

Defined contribution scheme

	<b>2018</b> <b>£000</b>	2017 £000
Charge to the profit or loss in respect of defined contribution scheme	<b>280</b>	290

A defined contribution scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. DIRECTORS' REMUNERATION**

	<b>2018</b>	2017
	<b>£000</b>	£000
Aggregate directors' emoluments	<b>660</b>	567
Compensation for loss of office	-	78
	<b>660</b>	645

During the year retirement benefits were accruing to 3 directors (2017: 3) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to no directors (2017: nil) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £350,000 (2017: £280,000).

The value of the company's contributions paid to a defined contribution scheme in respect of the highest paid director amounted to £10,000 (2017: £10,000).

One of the directors serving within the year is remunerated through the parent company in Germany. The director considers that the level of their qualifying services provided to this company are inconsequential.

**11. INTEREST RECEIVABLE AND SIMILAR EXPENSES**

	<b>2018</b>	2017
	<b>£000</b>	£000
Bank interest receivable	<b>1</b>	1

**12. INTEREST PAYABLE AND SIMILAR INCOME**

	<b>2018</b>	2017
	<b>£000</b>	£000
Defined benefit pension scheme finance cost (note 26)	<b>146</b>	275
Other interest payable	<b>6</b>	4
	<b>152</b>	279

**HÄFELE U.K. LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018****13. INCOME TAX EXPENSE**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>2,618</b>	2,829
Adjustments in respect of prior years	<b>(34)</b>	(144)
<b>Total current tax</b>	<b>2,584</b>	2,685
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>80</b>	-
Changes to tax rates	<b>(8)</b>	-
Adjustments in respect of prior years	<b>29</b>	38
<b>Total deferred tax</b>	<b>101</b>	38
<b>Income tax expense</b>	<b>2,685</b>	2,723

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. The timing of the reversal of the Company's deferred tax items has been considered, and accordingly at 31 December 2018 deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled.

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Profit before taxation	<b>13,833</b>	13,882
Profit before income tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	<b>2,628</b>	2,672
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>70</b>	157
Adjustments to tax charge in respect of prior years	<b>(5)</b>	(106)
Changes in tax rates	<b>(8)</b>	-
<b>Total tax charge for the year</b>	<b>2,685</b>	2,723

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Reductions to the UK corporation tax rate were included in the Finance Act (No.2) 2015 which reduced the main rate to 19% from 1 April 2017. A further reduction in the UK corporation tax rate was included in the Finance Act 2016, to reduce the rate to 17% from 1 April 2020. These changes have been substantively enacted at the balance sheet date and their impact has been included in these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. TAX INCLUDED IN OTHER COMPREHENSIVE INCOME**

	<b>2018</b> <b>£000</b>	2017 £000
Deferred tax on defined benefit pension scheme	<b>26</b>	(669)
<b>Total tax credit/(charge) in other comprehensive income</b>	<b>26</b>	(669)

**15. DIVIDENDS**

	<b>2018</b> <b>£000</b>	2017 £000
Dividend of £121.30 per £1 share (2017: £110 per £1 share)	<b>12,130</b>	11,000

**16. INTANGIBLE ASSETS**

	<b>Software</b> <b>£000</b>
<b>Cost</b>	
At 1 January 2018	1,842
Additions	137
At 31 December 2018	1,979
<b>Accumulated amortisation</b>	
At 1 January 2018	1,118
Charge for the year	181
At 31 December 2018	1,299
<b>Net book value</b>	
<b>At 31 December 2018</b>	<b>680</b>
At 31 December 2017	724

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**17. PROPERTY, PLANT AND EQUIPMENT**

	<b>Freehold &amp; leasehold property £000</b>	<b>Plant and machinery £000</b>	<b>Fixtures and fittings £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 January 2018	17,135	15,111	6,407	38,653
Additions	6	194	806	1,006
Disposals	-	-	(27)	(27)
At 31 December 2018	17,141	15,305	7,186	39,632
<b>Accumulated depreciation</b>				
At 1 January 2018	4,323	12,966	2,788	20,077
Charge for the year	334	496	846	1,676
Disposals	-	-	(27)	(27)
At 31 December 2018	4,657	13,462	3,607	21,726
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>12,484</b>	<b>1,843</b>	<b>3,579</b>	<b>17,906</b>
At 31 December 2017	12,812	2,145	3,619	18,576

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. INVENTORIES**

	<b>2018</b>	2017
	<b>£000</b>	£000
Finished goods and goods for resale	<b>16,268</b>	<b>17,609</b>

Inventories are stated after provisions for impairment of £2,149,000 (2017: £1,908,000).

**19. TRADE AND OTHER RECEIVABLES**

	<b>2018</b>	2017
	<b>£000</b>	£000
Trade debtors	<b>14,786</b>	<b>17,650</b>
Amounts owed by group undertakings	<b>4,303</b>	<b>374</b>
Other debtors	<b>18</b>	<b>19</b>
Deferred taxation (note 23)	<b>782</b>	<b>857</b>
Derivative financial instruments	<b>595</b>	<b>-</b>
Prepayments and accrued income	<b>357</b>	<b>446</b>
	<b>20,841</b>	<b>19,346</b>

Trade debtors are stated after provisions for impairment of £470,000 (2017: £335,000).

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

## HÄFELE U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 20. CASH AND CASH EQUIVALENTS

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>355</b>	3,624

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>6,041</b>	7,820
Amounts owed to group undertakings	<b>3,249</b>	3,195
Corporation tax	<b>1,139</b>	1,043
Other taxation and social security	<b>3,049</b>	2,858
Other creditors	<b>146</b>	180
Derivative financial instruments	-	493
Accruals and deferred income	<b>1,303</b>	1,482
	<b>14,927</b>	17,071

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

#### 22. FINANCIAL INSTRUMENTS

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>19,089</b>	<b>18,024</b>
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(10,739)</b>	<b>(12,677)</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**23. DEFERRED TAXATION**

	<b>2018</b> <b>£000</b>	2017 £000
At 1 January 2018	857	1,564
Charged to the profit or loss	(101)	(38)
(Charged)/credited to other comprehensive income	26	(669)
<b>At 31 December 2018</b>	<b>782</b>	<b>857</b>

The deferred tax asset is made up as follows:

	<b>2018</b> <b>£000</b>	2017 £000
Accelerated capital allowances	(137)	(166)
Defined benefit pension scheme	919	1,023
	<b>782</b>	<b>857</b>

The deferred tax asset above has been recognised as the company can demonstrate a reasonable expectation of sufficient profits to utilise the timing differences in the future.

**24. RETAINED EARNINGS**

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

**25. CALLED UP SHARE CAPITAL**

	<b>2018</b> <b>£000</b>	2017 £000
Allotted, called up and fully paid		
100,000 (2017: 100,000) Ordinary shares of £1 each	100	100

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**26. PENSION COMMITMENTS**

The Company operates a Defined Benefit Pension Scheme.

**Defined contribution: auto-enrolment plan**

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

**Defined contribution: other plan**

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

**Defined benefit plan**

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

**Actuarial valuation**

The present value of the defined benefit obligation, the related current and past service costs are determined by a qualified actuary. The most recent completed actuarial valuation was carried out at 31st December 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).

**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 deficit recovery payments will be reviewed on a three-yearly basis in line with the scheme triannual valuation.

<b>Pension liability</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Fair value of plan assets	<b>13,470</b>	18,376
Present value of plan liabilities	<b>(18,878)</b>	(24,392)
Net pension scheme liability	<b>(5,408)</b>	(6,016)

The pension scheme has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**26. PENSION COMMITMENTS (CONTINUED)**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of present value of plan liabilities:</b>		
At the beginning of the year	<b>24,392</b>	27,270
Interest cost	<b>557</b>	728
Past service cost	<b>113</b>	-
Actuarial (gains)/losses	<b>(1,049)</b>	(2,968)
Benefits paid	<b>(5,135)</b>	(638)
<b>At the end of the year</b>	<b>18,878</b>	24,392
<b>Reconciliation of present value of plan assets:</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At the beginning of the year	<b>18,376</b>	16,574
Interest income	<b>411</b>	453
Actuarial (losses)/gains	<b>(1,202)</b>	967
Contributions	<b>1,020</b>	1,020
Benefits paid	<b>(5,135)</b>	(638)
<b>At the end of the year</b>	<b>13,470</b>	18,376
<b>Composition of plan assets:</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Diversified growth funds	<b>9,929</b>	16,010
Bonds	<b>3,397</b>	2,247
Cash	<b>144</b>	119
<b>Total plan assets</b>	<b>13,470</b>	18,376
<b>Amounts recognised in profit or loss:</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net interest cost	<b>146</b>	275
<b>Total recognised in profit or loss</b>	<b>146</b>	275
<b>Amounts recognised in other comprehensive income:</b>		
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Actuarial gains and losses	<b>(122)</b>	3,935
<b>Total recognised in other comprehensive income</b>	<b>(122)</b>	3,935
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Actual return on scheme assets	<b>791</b>	1,420

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**26. PENSION COMMITMENTS (Continued)**

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

	2018	2017
Discount rate	2.95%	2.65%
Future pension increases:		
- Pension increase (RPI or 5% pa if less)	3.45%	3.25%
- Pension increase (RPI or 2.5% pa if less)	2.35%	2.25%
Rate of Inflation (RPI)	3.45%	3.25%
Rate of Inflation (CPI)	2.45%	2.25%

**27. OPERATING LEASE COMMITMENTS**

**Lessee**

At the reporting date, the company had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows;

	2018	2017
	£000	£000
Within one year	310	342
Between one and five years	298	529
	<b>608</b>	<b>871</b>

**28. RELATED PARTY TRANSACTIONS**

All transactions with related parties are with 100% owned companies and therefore exemption has been taken from disclosing such transactions.

**29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Häfele Holding GmbH. According to the register kept by the company, Häfele Holding GmbH has a 100% interest in the equity capital of Häfele U.K. Limited at 31 December 2018. 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 2018. The consolidated financial statements of Häfele Holding GmbH are available from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.