

Hafele UK Limited

Annual report and financial statements

for the year ended 31 December 2012

Company registration number 1486136

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Hafele UK Limited

Annual report and financial statements for the year ended 31 December 2012

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Hafele UK Limited

Company Information

Executive Directors

G Marlow (Managing Director)

M F Smith

M Batchelor

R Morris

S Thierer

Company secretary

Garry Marlow

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Donington Park

Pegasus Business Park

Castle Donington

East Midlands

DE74 2UZ

Bankers

HSBC

15 Church Street

Rugby

Warwickshire

CV21 3PN

Solicitors

Shoosmiths & Harrison

The Lakes

Northampton

Northants

NN4 7SH

Registered office

Swift Valley Industrial Estate

Rugby

CV21 1RD

Registered number

1486136

Hafele UK Limited

Registered number: 1486136

Directors' Report for the year ended 31 December 2012

The directors present their annual report and audited financial statement for the year ended 31 December 2012

Principal activities

The company's principal activity during the year continued to be the distribution of furniture fixings, hardware and accessories

Review of the business

The profit and loss for the year is set out on page 6

The company has continued to invest in people and systems to ensure the best possible customer service. The directors consider this as integral to the continued success of the business.

Future developments

2013 will continue to remain challenging due to the ongoing difficulties in the economic climate. We remain confident that the company's current market position, diverse customer and product base, combined with the core business principles of customer service and efficiency will continue to provide the core strengths required to maintain its successful trading record.

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 and recruitment and retention of suitable employees.

Financial management risk

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

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

Currency fluctuation risk

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

Credit risk

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

Key Performance Indicators

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

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

	2012	2011	Definition, method of calculation and analysis
Growth in sales (%)	1.6%	-1.9%	Year on year growth as a %
Operating margin (%)	11.7%	10.1%	Ratio of operating profit to sales expressed as a %
Return on investment (%)	23.6%	19.0%	Operating profit expressed as a % of net assets
Employee retention	89.0%	83.3%	% of employees who were employed at the start of the year remaining in employment with the company at the end of the year

Hafele UK Limited

Registered number: 1486136

Directors' Report for the year ended 31 December 2012

Dividends

During the year the directors recommend the payment of an ordinary dividend amounting to £87.5 per share (2011 - £50), which represents 126% of profit after tax

Employee Policies

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

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

Directors

The following persons served as directors during the year

G Marlow (Managing Director)
M F Smith
M Batchelor
R Morris
S Thierer

Directors' indemnities

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

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hafele UK Limited

Registered number 1486136

Directors' Report for the year ended 31 December 2012

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that

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

This report was approved by the board on 25 February 2013 and signed by its order



Gary Marlow

Secretary

25 February 2013

Hafele UK Limited
Independent auditors' report
to the members of Hafele UK Limited

We have audited the financial statements of Hafele UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit and cashflows 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



David Teager (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
25 February 2013

Hafele UK Limited
Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	78,263	77,045
Cost of sales		(50,066)	(50,417)
Gross profit		<u>28,197</u>	<u>26,628</u>
Selling & Distribution costs		(3,162)	(2,768)
Administrative expenses		(16,061)	(16,148)
Other operating income / expenses		145	128
Operating profit	4	<u>9,119</u>	<u>7,840</u>
Interest receivable and similar income	5	244	257
Interest payable and similar charges	8	(5)	(24)
Profit on ordinary activities before taxation		<u>9,358</u>	<u>8,073</u>
Tax on profit on ordinary activities	9	(2,394)	(2,163)
Profit for the financial year	18	<u>6,964</u>	<u>5,910</u>

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

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

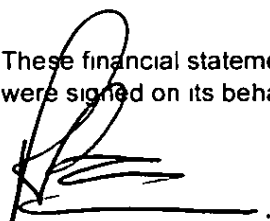
Hafele UK Limited
Statement of total recognised gains and losses
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		6,964	5,910
Actuarial loss (note15)		(1,188)	(1,747)
Tax on actuarial loss		273	437
Total recognised gains and losses related to the year		<u>6,049</u>	<u>4,600</u>

Hafele UK Limited
Balance Sheet
as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	10	20,309	19,755
Current assets			
Stocks	11	11,150	11,298
Debtors	12	12,305	12,440
Cash at bank and in hand		7,292	9,035
		<u>30,747</u>	<u>32,773</u>
Creditors amounts falling due within one year	13	(9,757)	(9,259)
Net current assets		<u>20,990</u>	<u>23,514</u>
Total assets less current liabilities		<u>41,299</u>	<u>43,269</u>
Provisions for liabilities			
Deferred taxation	16	(489)	(598)
Net assets excluding pension deficit		<u>40,810</u>	<u>42,671</u>
Pension deficit	15	(2,153)	(1,313)
Net assets		<u>38,657</u>	<u>41,358</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account	18	38,557	41,258
Total shareholders' funds	20	<u>38,657</u>	<u>41,358</u>

These financial statements were approved by the board of directors on 25 February 2013 and were signed on its behalf by



Russell Morris

Director

25 February 2013

Company registration number 1486136

Hafele UK Limited
Cash Flow Statement
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		9,119	7,840
Depreciation and amortisation		1,738	1,619
Loss on disposal of fixed assets		-	(16)
Decrease in stocks		148	802
Decrease in debtors		135	1,907
Increase/(decrease) in creditors		854	(839)
Pension service costs in excess of contributions		81	51
Net cash inflow from operating activities		12,075	11,364

CASH FLOW STATEMENT

Net cash inflow from operating activities		12,075	11,364
Returns on investments and servicing of finance	21	15	-
Taxation		(2,208)	(2,628)
Capital expenditure	21	(2,292)	(1,166)
		7,590	7,570
Equity dividends paid		(8,750)	(5,000)
		(1,160)	2,570
Financing	21	(583)	(1,000)
(Decrease)/increase in cash		(1,743)	1,570

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the period		(1,743)	1,570
Decrease in debt and lease financing		583	1,000
Change in net debt	22	(1,160)	2,570
Net funds at 1 January		8,452	5,882
Net funds at 31 December		7,292	8,452

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

1 Accounting policies

Basis of preparation

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

Turnover

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

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

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

Stocks

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

Deferred taxation

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

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

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

Foreign currencies

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

Leasing and hire purchase commitments

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

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

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

Pensions

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

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

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

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

2 Turnover	2012 £'000	2011 £'000
By activity		
Distribution of furniture fixings, hardware and accessories	78,263	77,045
By geographical market		
UK	77,331	76,203
Europe	851	775
Rest of world	81	67
	78,263	77,045

3 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exemption granted under Financial Reporting Standard Number 8 – "Related Party Disclosures" and not disclosed any transactions with other 100% owned group undertakings. There are no other related party transactions (2011: £nil).

4 Operating profit	2012 £'000	2011 £'000
This is stated after charging		
Depreciation of owned fixed assets	1,738	1,619
Profit on the disposal of fixed assets	-	(16)
Operating lease rentals - other than plant and machinery	135	186
Exchange gains	(145)	(112)
Auditors' remuneration for audit services	35	34
Auditors' remuneration for other services	13	17

5 Interest receivable and similar income	2012 £'000	2011 £'000
Bank interest receivable	20	24
Pension finance income (note 15)	224	233
	244	257

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

6 Directors' emoluments	2012 £'000	2011 £'000
Emoluments	641,355	562,723
Highest paid director Emoluments	307,147	262,363
Highest paid director Accrued retirement benefits from defined benefit pension schemes	667,766	585,917
Number of directors in company pension schemes.	2012 Number	2011 Number
Money purchase schemes	1	1
Defined benefit schemes	2	2
7 Staff costs	2012 £'000	2011 £'000
Wages and salaries	8,496	8,747
Social security costs	883	817
Other pension costs	424	347
	9,803	9,911
Average number of employees during the year	Number	Number
Warehouse	145	146
Selling and distribution	199	201
Administration	11	12
	355	359
8 Interest payable and similar charges	2012 £'000	2011 £'000
Bank loans and overdrafts	5	24

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

9 Tax on profit on ordinary activities	2012 £'000	2011 £'000
Analysis of charge in year		
Current tax		
UK corporation tax on profits of the year	2,417	2,230
Adjustments in respect of previous periods	18	(28)
	<u>2,435</u>	<u>2,202</u>
Deferred tax		
Origination and reversal of timing differences	(109)	(88)
Pension Deficit	68	49
	<u>(41)</u>	<u>(39)</u>
Tax on profit on ordinary activities	2,394	2,163

Factors affecting tax charge for period

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 24.5%

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	9,358	8,073
Standard rate of corporation tax in the UK	24.5%	26.5%
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	2,293	2,139
Effects of		
Expenses not deductible for tax purposes	45	38
Accelerated capital allowances	79	53
Adjustments to tax charge in respect of previous periods	18	(28)
Current tax charge for year	2,435	2,202

Factors that may affect future tax charges

Based on the enacted changes to the main rate of corporation tax at the reporting date current tax has been calculated at a rate of 24.5%, and closing balances on deferred taxes have been measured at 23%

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

10 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2012	15,943	12,604	3,211	31,758
Additions	309	155	1,828	2,292
Disposals	-	-	(104)	(104)
At 31 December 2012	16,252	12,759	4,935	33,946
Depreciation				
At 1 January 2012	2,461	8,440	1,102	12,003
Charge for the year	308	883	547	1,738
On disposals	-	-	(104)	(104)
At 31 December 2012	2,769	9,323	1,545	13,637
Net book value				
At 31 December 2012	13,483	3,436	3,390	20,309
At 31 December 2011	13,482	4,164	2,109	19,755

11 Stocks

	2012 £'000	2011 £'000
Finished goods and goods for resale	11,150	11,298

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

12 Debtors

	2012 £'000	2011 £'000
Trade debtors	11,678	11,684
Amounts owed by group undertakings and undertakings in which the company has a participating interest	228	287
Other debtors	18	18
Prepayments and accrued income	381	451
	12,305	12,440

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

13 Creditors amounts falling due within one year	2012 £'000	2011 £'000
Bank loans and overdrafts	-	583
Trade creditors	4,360	3,756
Amounts owed to group undertakings and undertakings in which the company has a participating interest	1,528	1,225
Corporation tax	1,273	1,046
Other taxes and social security costs	1,772	1,756
Accruals and deferred income	824	893
	9,757	9,259
14 Loans	2012 £'000	2011 £'000
Loans not wholly repayable within five years		
The bank loan is secured against the freehold land and building it was used to acquire and incurs an interest charge of 1.4% above LIBOR. The existing assets of the company do not form part of the loan security.	-	583
Analysis of maturity of debt		
Within one year or on demand	-	583

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

15 Pension

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

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

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

The movement in the pension deficit is as follows	Gross £'000	Tax £'000	Net £'000
Pension scheme surplus at 1 January 2012	(1,750)	437	(1,313)
Change in deferred tax rate		(35)	(35)
Pension contributions paid	330	(76)	254
Recognised in the profit and loss account			
Service cost	(411)	95	(316)
Other finance income	224	(52)	172
	(187)	43	(144)
Actuarial loss included in the statement of recognised gains and losses	(1,188)	273	(915)
Pension scheme deficit at 31 December 2012	(2,795)	642	(2,153)

The total pension contributions paid by the company were	2012 £'000	2011 £'000
Defined benefit scheme	330	281
Defined contribution scheme	15	12
	345	293

The company expects to contribute £330,000 for the year ending 31 December 2012.

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

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

	2012	2011
	%	%
Discount rate	4.40	4.80
Salary increases	3.10	3.20
Pension increases		
Benefits accrued pre 6 April 1997	2.30	2.40
Benefits accrued post 5 April 1997	3.10	3.20
Rate of revaluation of deferred pensions in excess of GMP	2.40	2.50
Rate of inflation (RPI)	3.10	3.20
Rate of inflation (CPI)	2.40	2.50

Demographic assumptions:

	2012	2011
	£'000	£'000
Pre retirement mortality (male/female)	S1PxA yob mc min 1.5% improvement	S1PxA yob mc min 1.5% improvement
Post retirement mortality for non pensioner members (male/female)	S1PxA yob mc min 1.5% improvement	S1PxA yob mc min 1.5% improvement
Post retirement mortality for pensioner members (male/female)	S1PxA yob mc min 1.5% improvement	S1PxA yob mc min 1.5% improvement

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

	Long-term rate of return expected at	2012 £'000	Long-term rate of return expected at	2011 £'000
	2012		2011	
Diversified growth funds	7.7%	11,192	7.7%	5,404
Bonds	4.7%	1,543	4.7%	1,245
Cash	7.7%	123	7.7%	5,302
Total fair value of assets		12,858		11,951
Present value of scheme liabilities		(15,653)		(13,701)
Deficit in scheme		(2,795)		(1,750)
Related deferred tax asset/(liability)		642		437
Net pensions deficit under FRS 17		(2,153)		(1,313)

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

The following amounts have been recognised in the performance statements for the year ended 31 December 2012 under the requirements of FRS17 – “Retirement Benefits”

Hafele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2012

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Amount recognised in the profit and loss account					
Current service cost	411	332	300	221	338
Amount (debited)/credited to other finance income					
Expected return on pension scheme assets	(881)	(925)	(815)	(657)	(791)
Interest on pension scheme liabilities	657	692	628	525	501
	187	99	113	89	48
Amount recognised in the STRGL					
Actual return less expected return on pension scheme	105	(1,442)	710	1,169	(2,872)
Changes in assumptions underlying the present value of the scheme liabilities	(1,293)	(305)	(563)	(2,152)	1,371
	(1,188)	(1,747)	147	(983)	(1,501)
Net cumulative actuarial (losses)/gains recognised in the STRGL					
	(5,268)	(4,080)	(2,333)	(2,480)	(1,497)
Changes in present value of scheme liabilities					
	2012 £'000	2011 £'000			
Scheme liabilities at 1 January	13,701	12,463			
Service cost	411	332			
Interest cost	657	692			
Employee contributions	137	118			
Actuarial losses	1,293	305			
Benefits paid	(546)	(209)			
Scheme liabilities at 31 December	15,653	13,701			

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	2012 £'000	2011 £'000
Changes in present value of scheme assets		
Scheme assets at 1 January	11,951	12,278
Expected return	881	925
Actuarial gains	105	(1,442)
Contributions by employer	330	281
Employee contributions	137	118
Benefits paid	(546)	(209)
Scheme assets at 31 December	12,858	11,951
Actual return on scheme assets	986	(517)

Historical pension scheme

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Scheme assets	12,858	11,951	12,278	10,438	8,269
Present value of scheme liabilities	(15,653)	(13,701)	(12,463)	(10,946)	(8,013)
(Deficit)/surplus in the scheme	(2,795)	(1,750)	(185)	(508)	256
Difference between the actual and expected return of the scheme assets	105	(1,442)	710	1,169	(2,872)
- Percentage of scheme assets	0.8%	-12.1%	6.0%	11.0%	-35.0%
Experience gains and losses on scheme liabilities	(120)	709	(292)	7	(597)
- Percentage of the present value of the scheme liabilities	0.8%	-5.2%	-2.0%	0.0%	-7.0%
Total amount recognised in the STRGL	(1,188)	(1,747)	147	(983)	(1,501)
- Percentage of the present value of the scheme liabilities	7.6%	12.8%	1.0%	-9.0%	-19.0%

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16 Deferred taxation			2012	2011
			£'000	£'000
Accelerated capital allowances			489	598
Undiscounted provision for deferred tax			489	598
			2012	2011
			£'000	£'000
At 1 January			598	686
Deferred tax charge in profit and loss account			(109)	(88)
At 31 December			489	598
17 Share capital	Nominal value	Number	2012	2011
			£'000	£'000
Alotted, called up and fully paid				
Ordinary shares	£1 each	100,000	100	100
18 Profit and loss account			2012	2011
			£'000	£'000
At 1 January 2012			41,258	41,658
Profit for the financial year			6,964	5,910
Dividends			(8,750)	(5,000)
Actuarial gains/(losses) on pension scheme net of tax			(915)	(1,310)
At 31 December 2012			38,557	41,258
19 Dividends			2012	2011
			£'000	£'000
Dividends for which the company became liable during the year				
Dividends paid			8,750	5,000
20 Reconciliation of movement in shareholders' funds			2012	2011
			£'000	£'000
At 1 January			41,358	41,758
Profit for the financial year			6,964	5,910
Dividends			(8,750)	(5,000)
Actuarial gains/(losses) on pension scheme net of tax			(915)	(1,310)
At 31 December			38,657	41,358

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21 Gross cash flows

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Interest received	20	24
Interest paid	(5)	(24)
	15	-
Capital expenditure		
Payments to acquire tangible fixed assets	(2,292)	(1,182)
Receipts from sales of tangible fixed assets	-	16
	(2,292)	(1,166)
Financing		
Loan repayments	(583)	(1,000)

22 Analysis of changes in net debt

	At 1 Jan 2012 £'000	Cash flows £'000	Non-cash changes £'000	At 31 Dec 2012 £'000
Cash at bank and in hand	9,035	(1,743)		7,292
Debt due within 1 year	(583)	583		-
Total	8,452	(1,160)	-	7,292

23 Financial commitments

The company's local currency is pounds sterling but it has significant overseas purchases. These purchases are denominated in Euros. As a result, the company is subject to foreign currency exchange risk due to exchange rate movements between pounds sterling and Euros. The company seeks to reduce this risk by entering into forward exchange options. At 31 December 2012, the fair value of its forward options was an asset of £59,510 (2011: asset of £698,000). This has not been recognised in the financial statements.

24 Operating lease commitments

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

	Land and buildings 2012 £'000	Land and buildings 2011 £'000	Other 2012 £'000	Other 2011 £'000
Operating leases which expire				
within one year	54	-	-	-
within two to five years	56	152	-	-

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25 Ultimate controlling party

The immediate parent undertaking is Hafele Holding GmbH. According to the register kept by the company, Hafele Holding GmbH has a 100% interest in the equity capital of Hafele UK Limited at 31 December 2012.

The ultimate parent undertaking and controlling party is Hafele Holding GmbH, a company incorporated in Germany.

Hafele Holding GmbH is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Hafele Holding GmbH are available from Hafele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.