

HAFELE U.K. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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HAFELE U.K. LIMITED

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HAFELE U.K. LIMITED

COMPANY INFORMATION

DIRECTORS

M Batchelor
R Morris
S Thierer

REGISTERED NUMBER

01486136

REGISTERED OFFICE

Swift Valley Industrial Estate
Rugby
CV21 1RD

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
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

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present the Strategic Report of Hafele U.K. Limited (the "company") for the year ended 31 December 2015.

VISION

- delivering value through a commitment to excellence.

CORE VALUES

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

OUR PHILOSOPHY

- together everyone achieves more.

BUSINESS REVIEW

- Sales have increased as a result of business initiatives taken by Häfele. Particular emphasis has been placed on improvements in customer services providing an easy and enjoyable shopping experience.
- The overall company margin improved during the year as a result of initiatives implemented during the year and favourable exchange rates. The benefits of the exchange rates are not expected to continue into 2016 with margins expected to return to the 2014 levels.
- During 2015, in order to maximise returns, cash deposits were made via Häfele Germany. This resulted in a lower cash balance being reported as at the 31st December 2015.
- A dividend of £8.7m was paid in the year.
- The position at 31 December 2015 is detailed on page 10.

FUTURE DEVELOPMENTS

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

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

2015 saw many of the benefits of the continued investment in people and infrastructure, resulting in significant growth in both sales and profitability. The company is well positioned to continue take advantage of these developments. The company anticipates continued growth in both sales and profitability.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

KEY PERFORMANCE INDICATORS

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

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

	2015	2014	Definition, method of calculation and analysis
Growth in sales (%)	6.4%	12.1%	Year on year growth as a %
Operating margin (%)	15.36%	13.4%	Ratio of operating profit to sales expressed as a %
Return on investment (%)	37.6%	34.4%	Operating profit expressed as a % of net assets
Employee retention	91.0%	84.0%	% of employees who were employed at the start of the year remaining in employment with the company at the end of the year

This report was approved by the board on

22.09.2016 and signed on its behalf by:



M Batchelor
Director

HAFELE U.K. LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and the audited financial statements of Hafele UK Limited (the "company") for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £11,964,000 (2014: £9,844,000).

The company has paid a dividend of £87 per share totalling £8,700,000 in respect of the financial year ended 31 December 2015 (2014: £87 per share totalling £8,700,000).

DIRECTORS

The directors who served during the entire year and up to the date of signing the financial statements were:

G Marlow (resigned 5 June 2015)
M Batchelor
R Morris
S Thierer

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 options.

Credit risk

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

FUTURE DEVELOPMENTS

Future developments are discussed in the Strategic Report.

EMPLOYEE POLICIES

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

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

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). Under company law the directors must not approve the financial statements unless satisfied that they 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that 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.

HAFELE U.K. LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

INDEPENDENT AUDITORS

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

This report was approved by the board on **22.09.2016** and signed on its behalf.

A handwritten signature in black ink, appearing to read 'M Batchelor', written over a horizontal line.

M Batchelor
Director

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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

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

- the Statement of Financial Position at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



David Teager (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

Date: 27 September 2016

HAFELE U.K. LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

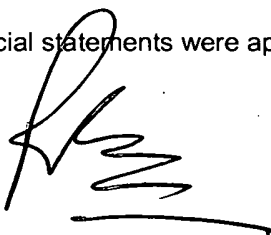
	Note	2015 £000	2014 £000
Revenue	3	100,988	94,787
Cost of sales		(61,821)	(59,789)
Gross profit		39,167	34,998
Distribution costs		(5,595)	(5,461)
Administrative expenses		(18,122)	(17,046)
Other operating income		226	232
Fair value movements		(167)	34
Operating profit		15,509	12,757
Interest receivable and similar income	9	7	268
Interest payable and similar charges	10	(1)	(1)
Other finance (costs)/income		(233)	(395)
Profit on ordinary activities before income tax		15,282	12,629
Income tax on profit ordinary activities	12	(3,318)	(2,785)
Profit for the financial year		11,964	9,844
Other comprehensive income for the year			
Actuarial losses on defined benefit pension scheme		1,060	(3,562)
Movement of deferred tax relating to pension surplus		(191)	712
Other comprehensive income for the year		869	(2,850)
Total comprehensive income for the year		12,833	6,994

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Fixed assets			
Intangible assets	14	175	-
Property, plant and equipment	15	20,619	20,512
		<u>20,794</u>	<u>20,512</u>
Current assets			
Inventory	16	13,829	12,960
Trade and other receivables	17	20,551	20,342
Cash and cash equivalents	18	4,304	2,470
		<u>38,684</u>	<u>35,772</u>
Creditors: Amounts falling due within one year	19	(13,460)	(12,430)
		<u>25,224</u>	<u>23,342</u>
Net current assets		<u>46,018</u>	<u>43,854</u>
Total assets less current liabilities			
Pension liability	24	(4,783)	(6,752)
		<u>41,235</u>	<u>37,102</u>
Net assets		<u>41,235</u>	<u>37,102</u>
Equity			
Called up share capital	23	100	100
Retained earnings		41,135	37,002
		<u>41,235</u>	<u>37,102</u>
Total shareholders' funds		<u>41,235</u>	<u>37,102</u>

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

R Morris
Director



The notes on pages 12 to 31 form part of these financial statements.

HAFELE U.K. LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2015	100	37,002	37,102
Comprehensive income for the year			
Profit for the financial year	-	11,964	11,964
Actuarial gains on pension scheme	-	869	869
Other comprehensive income for the year	-	869	869
Total comprehensive income for the year	-	12,833	12,833
Contributions by and distributions to owners			
Dividends: Equity capital	-	(8,700)	(8,700)
At 31 December 2015	100	41,135	41,235

FOR THE YEAR ENDED 31 DECEMBER 2014

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2014	100	38,708	38,808
Comprehensive income for the year			
Profit for the financial year	-	9,844	9,844
Actuarial losses on pension scheme	-	(2,850)	(2,850)
Other comprehensive income for the year	-	(2,850)	(2,850)
Total comprehensive income for the year	-	6,994	6,994
Contributions by and distributions to owners			
Dividends: Equity capital	-	(8,700)	(8,700)
Total contributions by and distributions to owners	-	(8,700)	(8,700)
At 31 December 2014	100	37,002	37,102

The notes on pages 12 to 31 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Hafele UK 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.

1.2 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 United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact first-time adoption of FRS 102 is given in note 27.

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 2).

The following principal accounting policies have been applied:

1.3 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

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 requirement to prepare a statement of cash flows. (Section 7 of FRS 102 and para 3.17(d));
- the non-disclosure of key management personnel compensation in total. (FRS 102 para 33.7).

This information is included in the consolidated financial statements of Hafele Holding GmbH.

1.4 CASH FLOW STATEMENT

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Hafele Holding GmbH, includes the company's cash flows in its own consolidated financial statements.

1.5 RELATED PARTY TRANSACTIONS

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.6 REVENUE

Revenue 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.

1.7 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.

1.8 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

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. The estimated useful lives range as follows:

Depreciation is provided on the following bases:

Freehold buildings	-	2%
Plant and machinery	-	10-25%
Fixtures, fittings, tools and equipment	-	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 within 'other operating income' in the statement of comprehensive income.

1.9 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.

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.

1.10 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.

1.11 CASH AND CASH EQUIVALENTS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.12 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 accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

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 finance income as appropriate, unless they are included in a hedging arrangement.

1.13 CREDITORS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.14 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 Income Statement 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 Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

1.15 FINANCE COSTS

Finance costs are charged to the Income Statement 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.

1.16 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.

1.17 LEASED ASSETS

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.18 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 payments obligations.

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

DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

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

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

1.19 INTEREST INCOME

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.20 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 Income Statement 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.

1.21 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, 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 balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

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

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

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

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 24 of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. REVENUE

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

	2015	2014
	£000	£000
Distribution of furniture fixings, hardware and accessories	100,988	94,787

Analysis of revenue by country of destination:

	2015	2014
	£000	£000
United Kingdom	99,563	93,471
Rest of Europe	1,382	1,222
Rest of the world	43	94
	100,988	94,787

4. OTHER OPERATING INCOME

	2015	2014
	£000	£000
Exchange gains	226	232

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2015	2014
	£000	£000
Depreciation of tangible fixed assets	1,901	1,674
Operating lease rentals	104	104
Stocks write off	290	482
Bad debt expense	159	178

6. AUDITORS' REMUNERATION

	2015	2014
	£000	£000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	56	37
	56	37
Fees payable to the Company's auditors in respect of:		
All other services	28	9
	28	9

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. EMPLOYEES

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

	2015	2014
	£000	£000
Wages and salaries	9,920	9,311
Social security costs	1,101	1,073
Other pension costs	714	531
	11,735	10,915

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

	2015	2014
	Number	Number
Warehouse	155	145
Selling and distribution	214	202
Administration	17	14
	386	361

8. DIRECTORS' REMUNERATION

	2015	2014
	£000	£000
Aggregate directors' emoluments	453	1,485
Compensation for loss of office	250	-
	703	1,485

During the year retirement benefits were accruing to 3 directors (2014:2) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 5 directors (2014:6) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £407,000 (2014: £643,000).

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£000	£000
Bank interest receivable	7	268

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	2014 £000
Other interest payable	1	1

11. OTHER FINANCE COSTS

	2015 £000	2014 £000
Net interest on net defined benefit liability	(233)	(395)

12. INCOME TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £000	2014 £000
Corporation tax		
Current tax on profits for the year	2,908	2,815
Adjustments in respect of previous years	112	12
	<u>3,020</u>	<u>2,827</u>
Total current tax	<u>3,020</u>	<u>2,827</u>
Deferred tax		
Origination and reversal of timing differences	187	(42)
Changes to tax rates	111	-
	<u>298</u>	<u>(42)</u>
Total deferred tax	<u>298</u>	<u>(42)</u>
Taxation on profit on ordinary activities	<u>3,318</u>	<u>2,785</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. INCOME TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015	2014
	£000	£000
Profit on ordinary activities before tax	15,282	12,629
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 21.5%)	3,438	2,715
Effects of:		
Expenses not deductible for tax purposes	(64)	58
Adjustments to tax charge in respect of prior years	56	12
Change in tax rates	(112)	-
Total tax charge for the year	3,318	2,785

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

Consequently, deferred tax has been remeasured and the year end balance calculated using a tax rate of 18%.

13. DIVIDENDS

	2015	2014
	£000	£000
Dividend of £87 per £1 share (2014: £87 per £1 share)	8,700	8,700

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14. INTANGIBLE ASSETS

	Development £000
Cost	
Additions - internal	175
At 31 December 2015	<u>175</u>
Accumulated amortisation	
At 31 December 2015	<u>-</u>
Net book value	
At 31 December 2015	<u>175</u>
At 31 December 2014	<u>-</u>

15. TANGIBLE ASSETS

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 January 2015	17,043	14,672	5,348	37,063
Additions	-	150	1,858	2,008
Disposals	-	(23)	(67)	(90)
At 31 December 2015	<u>17,043</u>	<u>14,799</u>	<u>7,139</u>	<u>38,981</u>
Accumulated depreciation				
At 1 January 2015	3,394	10,828	2,329	16,551
Charge owned for the period	329	787	785	1,901
Disposals	-	(23)	(67)	(90)
At 31 December 2015	<u>3,723</u>	<u>11,592</u>	<u>3,047</u>	<u>18,362</u>
Net book value				
At 31 December 2015	<u>13,320</u>	<u>3,207</u>	<u>4,092</u>	<u>20,619</u>
At 31 December 2014	<u>13,649</u>	<u>3,844</u>	<u>3,019</u>	<u>20,512</u>

HAFELE U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

16. INVENTORIES

	2015	2014
	£000	£000
Finished goods and goods for resale	13,829	12,960

An impairment loss of £105,000 (2014: gain of £222,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

17. TRADE AND OTHER RECEIVABLES

	2015	2014
	£000	£000
Due within one year		
Trade debtors	15,811	14,570
Amounts owed by group undertakings	3,881	4,156
Other debtors	23	20
Prepayments and accrued income	368	472
Deferred taxation	468	957
Financial derivative asset	-	167
	20,551	20,342

18. CASH AND CASH EQUIVALENTS

	2015	2014
	£000	£000
Cash at bank and in hand	4,304	2,470

Amounts owed by group undertakings and undertakings in which the company has a participating interest (£3,880,796) included a cash deposit of £3,500,000. The deposit attracted interest of Libor plus 2%. The deposit is repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£000	£000
Trade creditors	5,596	5,657
Amounts owed to group undertakings	2,890	1,863
Corporation tax	1,563	1,436
Taxation and social security	2,464	2,404
Other creditors	173	168
Accruals and deferred income	774	902
	<u>13,460</u>	<u>12,430</u>

20. FINANCIAL INSTRUMENTS

	2015	2014
	£000	£000
Financial assets		
Financial assets measured at fair value through profit or loss	-	167
Financial assets that are debt instruments measured at amortised cost	<u>19,715</u>	<u>18,746</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(9,431)</u>	<u>(8,590)</u>

Financial assets measured at fair value through profit or loss comprise a financial derivative asset.

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

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

HAFELE U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

21. DEFERRED TAXATION

	Deferred taxation £000
At 1 January 2015	957
Charged to the profit or loss	(489)
AT 31 DECEMBER 2015	468

The deferred tax asset is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	(393)	(393)
Defined benefit pension scheme	861	1,350
	468	957

22. RESERVES

Retained earnings

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

23. CALLED UP SHARE CAPITAL

	2015 £000	2014 £000
ALLOTTED, CALLED UP AND FULLY PAID		
100,000 (2014: 100,000) Ordinary shares of £1 each	100	100

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

24. PENSION COMMITMENTS

Defined contribution: auto-enrolment plan

Hafele 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

Hafele 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

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

Actuarial valuation

The present value of the defined benefit obligation, the related current and past service costs are determined by a qualified actuary. The most recent completed actuarial valuation was carried out at 31st December 2013. As at the valuation date the market value of the assets held by the scheme was £13,868.051, sufficient to cover 83% of the actuarial calculated Technical Provision (being the amount required, on an actuarial calculation, to make provision for the scheme's liabilities).

Funding and estimated contributions

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

Reconciliation of present value of plan liabilities:

	2015	2014
	£000	£000
At the beginning of the year	(21,806)	(16,793)
Current service cost	(624)	(460)
Interest cost	(794)	(781)
Actuarial gains/losses	1,375	(3,847)
Employee contributions	(150)	(154)
Benefits paid	237	229
Benefit changes	(1,044)	-
Gain/loss on settlement or curtailment	1,675	-
At the end of the year	<u>(21,131)</u>	<u>(21,806)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

24. PENSION COMMITMENTS (continued)

Reconciliation of present value of plan assets:

	2015 £000	2014 £000
At the beginning of the year	15,054	13,868
Interest cost	561	1,038
Actuarial gains/losses	(315)	(110)
Contributions	1,135	333
Benefits paid	(237)	(229)
Employee contributions	150	154
At the end of the year	16,348	15,054

Composition of plan assets:

	2015 £000	2014 £000
Diversified growth funds	14,324	13,181
Bonds	1,807	1,822
Cash	217	51
Total plan assets	16,348	15,054

	2015 £000	2014 £000
Fair value of plan assets	16,348	15,054
Present value of plan liabilities	(21,131)	(21,806)
Net pension scheme liability	(4,783)	(6,752)

The amounts recognised in profit or loss are as follows:

	2015 £000	2014 £000
Current service cost	624	460
Interest on obligation	(233)	(395)
Total	(857)	(855)
Actual return on scheme assets	246	(358)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

24. PENSION COMMITMENTS (continued)

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

	2015	2014
Discount rate at 31 March	3.90 %	3.60 %
Future salary increases	3.30 %	3.20 %
Future pension increases:		
Benefits accrued pre 6 April 1987	2.30 %	2.20 %
Benefits accrued post 5 April 1987	3.30 %	3.20 %
Rate of revaluation of deferred pensions in excess of GMP	3.30 %	3.20 %
Rate of Inflation (RPI)	3.30 %	3.20 %
Rate of Inflation (CPI)	2.30 %	2.20 %

25. COMMITMENTS UNDER OPERATING LEASES - O/S

At 31 December, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Not later than 1 year	-	1
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
Total	-	1

26. 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 2015. 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 2015. The consolidated financial statements of Hafele Holding GmbH are available from Hafele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.

HAFELE U.K. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

27. FIRST TIME ADOPTION OF FRS 102

	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 102 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Note						
Fixed assets	19,566	-	19,566	20,512	-	20,512
Current assets	32,671	336	33,007	34,648	1,124	35,772
Creditors: amounts falling due within one year	(10,840)	-	(10,840)	(12,430)	-	(12,430)
Net current assets	21,831	336	22,167	22,218	1,124	23,342
Total assets less current liabilities	41,397	336	41,733	42,730	1,124	43,854
Provisions for liabilities	(2,722)	(203)	(2,925)	(5,795)	(957)	(6,752)
Net assets	38,675	133	38,808	36,935	167	37,102
Capital and reserves	38,675	133	38,808	36,935	167	37,102

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

27. FIRST TIME ADOPTION OF FRS 102 (continued)

	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Note			
Turnover	94,787	-	94,787
Cost of sales	(59,789)	-	(59,789)
	34,998	-	34,998
Distribution expenses	(5,461)	-	(5,461)
Administrative expenses	(17,046)	-	(17,046)
Other operating income	232	-	232
Fair value movements	-	34	34
Operating profit	12,723	34	12,757
Interest receivable and similar income	268	-	268
Interest payable and similar charges	(1)	-	(1)
Other finance income	-	(395)	(395)
Taxation	(2,864)	79	(2,785)
Profit on ordinary activities after taxation and for the financial year	10,126	(282)	9,844

Explanation of changes to previously reported profit and equity:

Balance Sheet:

- 2014 opening balance sheet has been adjusted to recognise the fair value of derivatives of £133,000 at the start of the period.
- 2014 opening balance sheet has been adjusted to reclassify £585,000 of deferred tax asset on pensions within current assets, where previously this was reported net of the pension deficit.
- 2014 closing balance sheet has been adjusted to recognise the fair value of derivatives of £167,000 at the end of the period.
- 2014 closing balance sheet has been adjusted to reclassify £1,350,000 of deferred tax asset on pensions within current assets, where previously this was reported net of the pension deficit.

Profit or loss:

- Recognises the movement in the fair value of financial derivatives of £34,000 which result in a credit to profits.
- FRS102 pension adjustment in respect to £395,000 of interest being reclassified to the profit and loss.
- The tax impact of the above note 2 pension reclassification equates to £79,000 to match the interest representation.