

Häfele UK Limited

Annual report and financial statements

for the year ended 31 December 2014

Company registration number : 1486136

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Häfele UK Limited

Annual report and financial statements for the year ended 31 December 2014

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Häfele UK Limited
Company Information

Executive Directors

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

Company secretary

Garry Marlow

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington 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

Registered office

Swift Valley Industrial Estate
Rugby
CV21 1RD

Registered number

1486136

Häfele UK Limited

Registered number: 1486136

Strategic Report for the year ended 31 December 2014

The directors present the Strategic report for the year ended 31 December 2014.

Vision

- delivering value through a commitment to excellence.

Core Values

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

Our philosophy

- together everyone achieves more.

Business Review

- Sales have increased as a result of improved economic conditions and business initiatives taken by Häfele. Particular emphasis has been placed on improvements in customer services providing an easy and enjoyable shopping experience.
- The overall company margin improved during the year as a result of initiatives implemented during 2013, the results of which have been seen during 2014.
- During 2014, 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 2014. See note 13.
- A dividend of £8.7m was paid in the year.
- The position at 31 December 2014 is detailed on page 10.

Future developments

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

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

2014 saw many of the benefits of the 2013 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.

Principle risks and uncertainties

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

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

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

Key Performance Indicators

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

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

	2014	2013	Definition, method of calculation and analysis
Growth in sales (%)	12.1%	8.1%	Year on year growth as a %.
Operating margin (%)	13.4%	10.3%	Ratio of operating profit to sales expressed as a %.
Return on investment (%)	34.4%	22.6%	Operating profit expressed as a % of net assets
Employee retention	84.0%	90.0%	% 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 23 February 2015 and signed by its order.



Garry Marlow
Secretary
23 February 2015

Häfele UK Limited

Registered number: 1486136

Directors' Report for the year ended 31 December 2014

The directors present their annual report and audited financial statement for the year ended 31 December 2014.

Dividends

During the year the directors recommend the payment of an ordinary dividend amounting to £87 per share (2013 - £65), which represents 85.9% of profit after tax.

Future Developments

Future developments are discussed in the Strategic Report.

Financial management risk

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

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

Currency fluctuation risk

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

Credit risk

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

Employee Policies

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

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

Directors

The following persons served as directors during the year and to the date of signing of these financial statements.

G Marlow (Managing Director)

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.

Häfele UK Limited

Registered number: 1486136

Directors' Report for the year ended 31 December 2014

Statement of directors' responsibilities

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

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

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

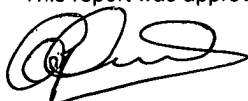
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Disclosure of information to auditors

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have 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 23 February 2015 and signed by its order.



Garry Marlow

Secretary

23 February 2015

Independent auditors' report to the members of Häfele UK Limited

Report on the financial statements

Our Opinion

In our opinion Häfele UK Limited's (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Häfele UK Limited's financial statements comprise:

- the balance sheets as at 31 December 2014;
- the profit and loss account; and
- statement of total recognised gains and losses for the year then ended;
- the Cash Flow Statement for the year; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent auditors' report to the members of Häfele UK Limited

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.

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



David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
25 February 2015

Häfele UK Limited
Profit and Loss Account
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	94,787	84,580
Cost of sales		(59,789)	(55,308)
Gross profit		<u>34,998</u>	<u>29,272</u>
Distribution costs		(5,461)	(4,352)
Administrative expenses		(17,046)	(16,167)
Other operating expenses / income		232	(30)
Operating profit	4	<u>12,723</u>	<u>8,723</u>
Interest receivable and similar income	5	268	246
Interest payable and similar charges	8	(1)	-
Profit on ordinary activities before taxation		<u>12,990</u>	<u>8,969</u>
Tax on profit on ordinary activities	9	(2,864)	(2,243)
Profit for the financial year	18	<u>10,126</u>	<u>6,726</u>

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

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

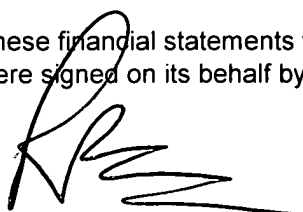
Häfele UK Limited
Statement of total recognised gains and losses
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		10,126	6,726
Actuarial loss (note15)		(3,957)	(260)
Tax on actuarial loss		791	52
Total recognised gains and losses related to the year		<u>6,960</u>	<u>6,518</u>

Häfele UK Limited
Balance Sheet
as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	10	20,512	19,566
Current assets			
Stocks	11	12,960	11,997
Debtors	12	19,218	18,866
Cash at bank and in hand		2,470	1,808
		<u>34,648</u>	<u>32,671</u>
Creditors: amounts falling due within one year	14	(12,430)	(10,840)
Net current assets		<u>22,218</u>	<u>21,831</u>
Total assets less current liabilities		<u>42,730</u>	<u>41,397</u>
Provisions for liabilities			
Deferred taxation	16	(393)	(382)
Net assets excluding pension deficit		<u>42,337</u>	<u>41,015</u>
Pension deficit	15	(5,402)	(2,340)
Net assets including pensions deficit		<u>36,935</u>	<u>38,675</u>
Capital and reserves			
Called up share capital	17	100	100
Share premium		-	-
Revaluation reserve		-	-
Capital redemption reserve		-	-
Profit and loss account	18	36,835	38,575
Total shareholders' funds	20	<u>36,935</u>	<u>38,675</u>

These financial statements were approved by the board of directors on 23 February 2015 and were signed on its behalf by:



Russell Morris

Director

23 February 2015

Company registration number : 1486136

Häfele UK Limited
Cash Flow Statement
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		12,723	8,723
Depreciation and amortisation		1,674	1,781
Profit on disposal of fixed assts		-	(16)
Increase in stocks		(963)	(847)
Increase in debtors		(352)	(6,561)
Increase in creditors		1,369	1,140
Pension service costs in excess of contributions		127	106
Net cash inflow from operating activities		14,578	4,326
CASH FLOW STATEMENT			
Net cash inflow from operating activities		14,578	4,326
Returns on investments and servicing of finance	21	10	10
Taxation		(2,606)	(2,298)
Capital expenditure	21	(2,620)	(1,022)
		9,362	1,016
Equity dividends paid		(8,700)	(6,500)
		662	(5,484)
Financing	21	-	-
Increase/(decrease) in cash		662	(5,484)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		662	(5,484)
Decrease in debt and lease financing		-	-
Change in net debt	22	662	(5,484)
Cash at bank and in hand at 1 January		1,808	7,292
Cash at bank and in hand at 31 December		2,470	1,808

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

1 Accounting policies

Basis of preparation

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

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

Foreign currencies

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

Leasing and hire purchase commitments

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

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

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

Pensions

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

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

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

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

2 Turnover	2014 £'000	2013 £'000
By activity:		
Distribution of furniture fixings, hardware and accessories	94,787	84,580
By geographical market:		
UK	93,471	83,591
Europe	1,222	904
Rest of world	94	85
	94,787	84,580

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 (31 December 2013 : £ nil).

4 Operating profit	2014 £'000	2013 £'000
This is stated after charging:		
Depreciation of owned fixed assets	1,674	1,781
Profit on the disposal of fixed assets	-	(16)
Operating lease rentals - other than plant and machinery	104	135
Exchange (gains)/losses	(232)	46
Auditors' remuneration for audit services	37	35
Auditors' remuneration for other services	9	8

5 Interest receivable and similar income	2014 £'000	2013 £'000
Bank interest receivable	11	10
Pension finance income (note 15)	257	236
	268	246

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

6 Directors' emoluments	2014 £'000	2013 £'000
Emoluments	915,854	630,488
Highest paid director: Emoluments	643,213	302,527
Number of directors in company pension schemes:	2014 Number	2013 Number
Money purchase schemes	1	1
Defined benefit schemes	2	2
7 Staff costs	2014 £'000	2013 £'000
Wages and salaries	9,311	8,510
Social security costs	1,073	934
Other pension costs	531	448
	10,915	9,892
Monthly average number of employees during the year	Number	Number
Warehouse	145	144
Selling and distribution	202	201
Administration	14	15
	361	360
8 Interest payable and similar charges	2014 £'000	2013 £'000
Other	1	-

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

9 Tax on profit on ordinary activities	2014 £'000	2013 £'000
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	2,815	2,201
Adjustments in respect of previous years	12	39
	<u>2,827</u>	<u>2,240</u>
Deferred tax:		
Origination and reversal of timing differences	11	(107)
Pension Deficit	26	110
	<u>37</u>	<u>3</u>
Tax on profit on ordinary activities	<u>2,864</u>	<u>2,243</u>

Factors affecting tax charge for year

The tax assessed for the year is higher (2013 : higher) than the standard rate of corporation tax in the UK of 21.5%

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	<u>12,990</u>	<u>8,969</u>
Standard rate of corporation tax in the UK	21.50%	23.25%
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	2,793	2,085
Effects of:		
Expenses not deductible for tax purposes	45	37
Accelerated capital allowances	(23)	79
Adjustments to tax charge in respect of previous years	12	39
Current tax charge for year	<u>2,827</u>	<u>2,240</u>

Factors that may affect future tax charges

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

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

10 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2014	16,624	12,906	5,267	34,797
Additions	419	1,766	435	2,620
Disposals	-	-	(354)	(354)
At 31 December 2014	17,043	14,672	5,348	37,063
Depreciation				
At 1 January 2014	3,081	10,137	2,013	15,231
Charge for the year	313	691	670	1,674
On disposals	-	-	(354)	(354)
At 31 December 2014	3,394	10,828	2,329	16,551
Net book value				
At 31 December 2014	13,649	3,844	3,019	20,512
At 31 December 2013	13,543	2,769	3,254	19,566

11 Stocks

	2014 £'000	2013 £'000
Finished goods and goods for resale	12,960	11,997

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

12 Debtors

	2014 £'000	2013 £'000
Trade debtors	14,570	14,203
Amounts owed by group undertakings and undertakings in which the company has a participating interest	4,156	4,067
Other debtors	20	19
Prepayments and accrued income	472	577
	19,218	18,866

13 Cash Deposits

Amounts owed by group undertakings and undertakings in which the company has a participating interest (£4,156,493) included a cash deposit of £3,780,320. The deposit attracted interest of Libor plus 2%. The deposit is repayable on demand.

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

14 Creditors: amounts falling due within one year	2014 £'000	2013 £'000
Trade creditors	5,657	5,055
Amounts owed to group undertakings and undertakings in which the company has a participating interest	1,863	1,707
Corporation tax	1,436	1,215
Other taxation and social security costs	2,404	2,186
Other creditors	168	120
Accruals and deferred income	902	557
	12,430	10,840

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 deficit at 1 January 2014	(2,925)	585	(2,340)
Pension contributions paid	333	(67)	266
Recognised in the profit and loss account:			
Service cost	(460)	92	(368)
Other finance income	257	(51)	206
	(203)	41	(162)
Actuarial loss included in the statement of recognised gains and losses	(3,957)	791	(3,166)
Pension scheme deficit at 31 December 2014	(6,752)	1,350	(5,402)

The total pension contributions paid by the company were:	2014 £'000	2013 £'000
Defined benefit scheme	333	326
Defined contribution scheme	70	16
	403	342

The company expects to contribute £950,000 for the year ending 31 December 2015

Häfele UK Limited
Notes to the Financial Statements
for the year ended 31 December 2014

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

	2014	2013
	%	%
Discount rate	3.60	4.60
Salary increases	3.20	3.50
Pension increases:		
Benefits accrued pre 6 April 1997	2.20	2.40
Benefits accrued post 5 April 1997	3.20	3.50
Rate of revaluation of deferred pensions in excess of GMP	3.20	3.50
Rate of inflation (RPI)	3.20	3.50
Rate of inflation (CPI)	2.20	2.50

Demographic assumptions:

	2014	2013
	£'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	2014 £'000	Long-term rate of return expected at	2013 £'000
	2014		2013	
Diversified growth funds	6.8%	13,181	7.8%	12,140
Bonds	3.6%	1,822	4.4%	1,523
Cash	6.8%	51	7.8%	205
Total fair value of assets		15,054		13,868
Present value of scheme liabilities		(21,806)		(16,793)
Deficit in scheme		(6,752)		(2,925)
Related deferred tax asset/(liability)		1,350		585
Net pensions deficit under FRS 17		(5,402)		(2,340)

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 2014 under the requirements of FRS17 – “Retirement Benefits”:

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	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Amount recognised in the profit and loss account:					
Current service cost	460	432	411	332	300
Amount (debited)/credited to other finance income:					
Expected return on pension scheme assets	(1,038)	(933)	(881)	(925)	(815)
Interest on pension scheme liabilities	781	697	657	692	628
	203	196	187	99	113
Amount recognised in the STRGL:					
Actual return less expected return on pension scheme	(110)	(220)	105	(1,442)	710
Changes in assumptions underlying the present value of the scheme liabilities	(3,847)	(40)	(1,293)	(305)	(563)
	(3,957)	(260)	(1,188)	(1,747)	147
Net cumulative actuarial (losses)/gains recognised in the STRGL	(9,485)	(5,528)	(5,268)	(4,080)	(2,333)
	2014 £'000	2,013 £'000			
Changes in present value of scheme liabilities					
Scheme liabilities at 1 January	16,793	15,653			
Service cost	460	432			
Interest cost	781	697			
Employee contributions	154	148			
Actuarial losses	3,847	40			
Benefits paid	(229)	(177)			
Scheme liabilities at 31 December	21,806	16,793			

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	2014	2,013
	£'000	£'000
Changes in present value of scheme assets		
Scheme assets at 1 January	13,868	12,858
Expected return	1,038	933
Actuarial gains	(110)	(220)
Contributions by employer	333	326
Employee contributions	154	148
Benefits paid	(229)	(177)
Scheme assets at 31 December	15,054	13,868
Actual return on scheme assets	928	713

Historical pension scheme

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Scheme assets	15,054	13,868	12,858	11,951	12,278
Present value of scheme liabilities	(21,806)	(16,793)	(15,653)	(13,701)	(12,463)
(Deficit)/surplus in the scheme	(6,752)	(2,925)	(2,795)	(1,750)	(185)
Difference between the actual and expected return of the scheme assets	(110)	(220)	105	(1,442)	710
- <i>Percentage of scheme assets</i>	-0.7%	-1.6%	0.8%	-12.1%	5.8%
Experience gains and losses on scheme liabilities	(493)	9	(120)	709	(292)
- <i>Percentage of the present value of the scheme liabilities</i>	2.3%	-0.1%	0.8%	-5.2%	2.3%
Total amount recognised in the STRGL	(3,957)	(260)	(1,188)	(1,747)	147
- <i>Percentage of the present value of the scheme liabilities</i>	18.1%	1.5%	7.6%	12.8%	-1.2%

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16 Deferred taxation	2014 £'000	2013 £'000
Accelerated capital allowances	393	382
Undiscounted provision for deferred tax	393	382

	2014 £'000	2013 £'000
At 1 January	382	489
Deferred tax charge in profit and loss account	11	(107)
At 31 December	393	382

17 Called up share capital	Nominal value	Number	2014 £'000	2013 £'000
Allotted, called up and fully paid:				
Ordinary shares	£1 each	100,000	100	100

18 Profit and loss account	2014 £'000	2013 £'000
At 1 January 2014	38,575	38,557
Prior year adjustments	-	-
At 1 January 2014	38,575	38,557
Profit for the financial year	10,126	6,726
Dividends	(8,700)	(6,500)
Actuarial gains/(losses) on pension scheme net of tax	(3,166)	(208)
At 31 December 2014	36,835	38,575

19 Dividends

Dividends paid of £87 (2013 : £65) per share.

20 Reconciliation of movements in shareholders' funds	2014 £'000	2013 £'000
At 1 January	38,675	38,657
Profit for the financial year	10,126	6,726
Dividends	(8,700)	(6,500)
Actuarial gains/(losses) on pension scheme net of tax	(3,166)	(208)
At 31 December	36,935	38,675

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21 Gross cash flows

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	11	10
Interest paid	(1)	-
	<u>10</u>	<u>10</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(2,620)	(1,040)
Receipts from sales of tangible fixed assets	-	18
	<u>(2,620)</u>	<u>(1,022)</u>

22 Analysis of changes in net debt

	At 1 Jan 2014 £'000	Cash flows £'000	Non-cash changes £'000	At 31 Dec 2014 £'000
Cash at bank and in hand	1,808	662	-	2,470
Total	<u>1,808</u>	<u>662</u>	<u>-</u>	<u>2,470</u>

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 2014, the fair value of its forward options was an asset of £167,324 (2013 : asset of £133,146). This has not been recognised in the financial statements.

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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 2014 £'000	Land and buildings 2013 £'000	Other 2014 £'000	Other 2013 £'000
Operating leases which expire:				
within one year	40	104	-	-
within two to five years	25	-	-	-
	65	104	-	-

25 Ultimate controlling party

The immediate parent undertaking is Häfele Holding GmbH. According to the register kept by the company, Häfele Holding GmbH has a 100% interest in the equity capital of Häfele UK Limited at 31 December 2014. 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 2014. The consolidated financial statements of Häfele Holding GmbH are available from Häfele GmbH & Co, Postfach 1237, D72192 Nagold, Germany.