

COMPANIES HOUSE COPY

Hako Machines Limited

Report and Financial Statements

Year Ended

31 December 2011

Company Number 1414225



Hako Machines Limited

Report and financial statements for the year ended 31 December 2011

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Directors

N C A Meredith
M F Wolf

Secretary and registered office

M Woollven, Eldon Close, Crick, Northamptonshire, NN6 7SL

Company number

1414225

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Hako Machines Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results and dividends

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

The directors do not recommend the payment of a dividend for the year ended 31 December 2011

Principal activities, review of business and future developments

The company's principal activity is that of selling and servicing industrial and municipal cleaning and sweeping machines

Review of Business

The financial year under review has been difficult as a result of the prevailing economic conditions, although sales have increased by 5% when compared to the previous year. Cost of sales has increased by 10%, partially as a result of stock write offs, with the result that the gross profit margin has fallen by 4%.

Continued control of administrative expenses by the company's management has resulted in costs being just 1.4% higher than the previous year which has lessened the impact of the gross margin reduction. The company has consequently made an operating loss of £283,990 compared with a loss at the operating profit level of £52,780 in the prior year.

Net finance costs at £76,998 were 16% higher than 2010.

The financial result for the year is a loss of £360,998 compared to a loss of £119,278 in 2010. The directors have prepared a realistic plan for 2012 when taking into consideration the current economic climate and available forecasts. Attainment of the plan will result in a return to profitability for the company. The company has sufficient financial facilities in place through its sister companies and its banker to meet its obligations during 2012.

The company monitors its internal and external progress by a range of KPI's including profitability, market share, service level delivery and internal engineer KPI's.

The company continues to maintain its investment in its people and the technology it utilises and, together with new products from its sister company, the directors believe there continues to be good opportunities for the forthcoming years.

Hako Machines Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Financial risk management and Financial instruments

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of market changes, credit, liquidity, cash flow, exchange rate and interest rate risks. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the company to financial risk consist primarily of trade debtors and cash that arise directly from the company's operations. Financial liabilities that expose the company to financial risk consist principally of trade creditors, bank overdraft and loans. The policies set by the board are implemented by the company's finance department.

The company is exposed to market risk as a result of its operations, particularly relating to the demand for its products and services. However, the directors consider that they are close enough to the market to be able to react quickly to changes and hence the impact on the company's performance.

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The company performs ongoing credit evaluation of its customers' financial condition and has implemented policies that require appropriate credit checks on potential customers before sales are made, monitoring of accounts and prompt collection of outstanding balances.

Liquidity risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open committed credit lines from its bankers and group funding opportunities in order to meet its funding requirements and monitors cash flow as part of its day to day control procedures.

The company's major creditor is one of the other group companies and has proposed that it will invoice the company in sterling during 2012. This will eliminate a significant proportion of the company's currency risk. The company also has a currency dealing facility available that will allow currency hedging and provide a degree of certainty for future foreign currency transactions.

The company has borrowings with both fixed and variable interest rates. UK bank borrowings are principally in the form of an overdraft tied to UK base rate whilst the company also borrows funds through its intra-group facility at commercial rates determined by the group's borrowing cost. When considering present interest rates and forecasts, the directors feel that it would not be appropriate to try to fix a greater proportion of their interest as this would involve additional, unjustified cost.

Directors

The directors of the company during the year were

S J Taylor (resigned 11 October 2011)
N C A Meredith (appointed 11 October 2011)
M F Wolf (appointed 11 October 2011)

Hako Machines Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Directors' responsibilities

The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



M Woollven
Secretary

18th January 2012

Hako Machines Limited

Independent auditor's report

To the members of Hako Machines Limited

We have audited the financial statements of Hako Machines Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Hako Machines Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

BDO LLP

Graham Whittaker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

20 January 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Hako Machines Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	11,634,005	11,088,612
Cost of sales		7,636,492	6,920,338
		<u> </u>	<u> </u>
Gross profit		3,997,513	4,168,274
Administrative expenses		4,281,503	4,221,054
		<u> </u>	<u> </u>
Operating loss	3	(283,990)	(52,780)
Other interest receivable and similar income		-	5,118
Interest payable and similar charges	6	(76,998)	(71,616)
		<u> </u>	<u> </u>
Loss on ordinary activities before and after taxation for the financial year		(360,988)	(119,278)
		<u> </u>	<u> </u>

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 8 to 16 form part of these financial statements

Hako Machines Limited

Balance sheet at 31 December 2011

<i>Company number 1414225</i>	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	8		1,225,007		1,064,444
Current assets					
Stocks	9	2,085,539		2,420,348	
Debtors	10	1,894,472		2,035,720	
Cash at bank and in hand		18,105		5,308	
		<u>3,998,116</u>		<u>4,461,376</u>	
Creditors amounts falling due within one year	11	<u>3,975,782</u>		<u>3,851,699</u>	
Net current assets			<u>22,334</u>		<u>609,677</u>
Total assets less current liabilities			<u>1,247,341</u>		<u>1,674,121</u>
Creditors amounts falling due after more than one year	12		<u>122,938</u>		<u>188,730</u>
			<u>1,124,403</u>		<u>1,485,391</u>
Capital and reserves					
Called up share capital	14		1,589,000		1,589,000
Profit and loss account	15		(464,597)		(103,609)
Shareholders' funds	16		<u>1,124,403</u>		<u>1,485,391</u>

The financial statements were approved by the board of directors and authorised for issue on 18th Jan 2012


N C A Meredith
Director

The notes on pages 8 to 16 form part of these financial statements

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of preparation

The financial statements have been prepared on the going concern basis. As detailed in the Directors' report on page 2 the Directors have considered the principal risks and uncertainties that apply to the business and the funding available externally and from group sources and believe it is appropriate to prepare the accounts on this basis.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Hako Holding GmbH & Co and the company is included in consolidated financial statements.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 3% on cost
Plant and machinery	- 20% to 25% on cost
Motor vehicles	- 25% on cost
Machines held for hire	- 20% to 50% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a weighted average basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

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

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (*continued*)

1 Accounting policies (*continued*)

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 the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period 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.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

	2011 £	2010 £
Analysis by geographical market		
United Kingdom	11,357,100	10,987,382
Europe	276,905	88,230
Rest of the world	-	13,000
	<u>11,634,005</u>	<u>11,088,612</u>

Turnover is wholly attributable to the principal activity of the company.

3 Operating loss

	2011 £	2010 £
This is arrived at after charging		
Depreciation of tangible fixed assets	264,965	299,423
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	17,800	16,614
Hire of motor vehicles	281,312	298,655
Hire of plant	75,737	163,794
Hire of other assets - operating leases	55,635	65,873
	<u>675,449</u>	<u>844,359</u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

4 Employees

Staff costs (including directors) consist of

	2011 £	2010 £
Wages and salaries	2,123,367	2,179,594
Social security costs	240,592	222,178
Other pension costs	32,217	39,242
	<u>2,396,176</u>	<u>2,441,014</u>

The average number of employees (including directors) during the year was 68 (2010 - 76)

5 Directors' remuneration

	2011 £	2010 £
Directors' emoluments	132,687	111,913
Company contributions to money purchase pension schemes	4,005	4,005
Compensation for loss of office	40,000	-
	<u>176,692</u>	<u>115,918</u>

There was 1 director in the company's defined contribution pension scheme during the year (2010 - 1)

6 Interest payable and similar charges

	2011 £	2010 £
Bank loans and overdrafts	48,133	49,550
Bank loan interest	1,559	3,095
Loans from group companies	1,437	618
Finance leases and hire purchase contracts	15,804	9,871
Settlement discount	10,065	8,482
	<u>76,998</u>	<u>71,616</u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

7 Taxation on loss on ordinary activities

The tax assessed for the year is higher (2010 - higher) than the standard rate of corporation tax in the UK

	2011 £	2010 £
Loss on ordinary activities before tax	(360,988)	(119,278)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010 - 28.0%)	(95,662)	(33,398)
Effect of		
Expenses not deductible for tax purposes	6,730	13,222
Depreciation for period in excess of capital allowances	44,607	51,304
Utilisation of tax losses	-	(31,128)
Losses not utilised	44,325	-
Current tax charge for the year	-	-

The company has unrecognised deferred tax assets of £199,948 (2010 - £139,315)

Hako Machines Limited

Note forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

8 Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Machines held for hire £	Total £
<i>Cost</i>						
At 1 January 2011	1,302,101	-	1,015,935	117,479	651,427	3,086,942
Additions	-	7,961	63,764	32,975	350,871	455,571
Disposals	-	-	(12,684)	(19,884)	(188,193)	(220,761)
At 31 December 2011	1,302,101	7,961	1,067,015	130,570	814,105	3,321,752
<i>Depreciation</i>						
At 1 January 2011	652,530	-	942,582	54,575	372,811	2,022,498
Provided for the year	33,367	1,408	46,550	28,679	154,961	264,965
Disposals	-	-	(12,684)	(19,884)	(158,150)	(190,718)
At 31 December 2011	685,897	1,408	976,448	63,370	369,622	2,096,745
<i>Net book value</i>						
At 31 December 2011	616,204	6,553	90,567	67,200	444,483	1,225,007
At 31 December 2010	649,571	-	73,353	62,904	278,616	1,064,444

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (*continued*)

8 Tangible fixed assets (*continued*)

Included in freehold land and buildings is land of £201,000 (2010 - £201,000) which is not depreciated

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows

	2011 £	2010 £
<i>Net book value</i>		
Machines held for hire	255,851	220,944
	<u> </u>	<u> </u>
<i>Depreciation charged</i>		
Machines held for hire	61,876	65,159
	<u> </u>	<u> </u>

9 Stocks

	2011 £	2010 £
Machines & accessories	1,585,325	1,777,849
Parts for service	500,214	642,499
	<u> </u>	<u> </u>
	2,085,539	2,420,348
	<u> </u>	<u> </u>

10 Debtors

	2011 £	2010 £
Trade debtors	1,691,825	1,860,022
Amounts owed by group undertakings	75	13,859
Prepayments and accrued income	202,572	161,839
	<u> </u>	<u> </u>
	1,894,472	2,035,720
	<u> </u>	<u> </u>

All amounts shown under debtors fall due for payment within one year

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

11 Creditors: amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts (secured)	2,050,546	1,672,262
Trade creditors	355,805	314,605
Amounts owed to group undertakings	866,216	1,245,254
Taxation and social security	306,031	374,993
Obligations under finance lease and hire purchase contracts	117,403	90,068
Accruals and deferred income	279,781	154,517
	<u>3,975,782</u>	<u>3,851,699</u>

The bank overdraft totalling £1,994,799 and the bank loan of £55,747 are secured by a guarantee from Hako Werke GmbH and Hako Holdings GmbH limited to £3,250,000. In addition the bank loan is secured over the freehold property at Eldon Way, Crick, Northampton limited to the sum of £500,000.

12 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Bank loans (secured)	-	68,564
Obligations under finance lease and hire purchase contracts	122,938	120,166
	<u>122,938</u>	<u>188,730</u>

Maturity of debt

	Loans and overdrafts 2011 £	Loans and overdrafts 2010 £	Finance leases 2011 £	Finance leases 2010 £
In one year or less, or on demand	<u>2,050,546</u>	<u>1,672,262</u>	<u>117,403</u>	<u>90,068</u>
In more than one year but not more than two years	-	68,564	94,373	72,823
In more than two years but not more than five years	-	-	28,565	47,343
	<u>-</u>	<u>68,564</u>	<u>122,938</u>	<u>120,166</u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

13 Pensions

The company operates a defined contribution pension scheme for the benefit of executive directors and other employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £32,217 (2010 - £39,242).

14 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,589,000	1,589,000

15 Reserves

	Profit and loss account £
At 1 January 2011	(103,609)
Loss for the year	(360,988)
	<hr/>
At 31 December 2011	(464,597)

16 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the year	(360,988)	(119,278)
Opening shareholders' funds	1,485,391	1,604,669
	<hr/>	<hr/>
Closing shareholders' funds	1,124,403	1,485,391

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

17 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2011 £	Other 2011 £	Land and buildings 2010 £	Other 2010 £
Operating leases which expire				
Within one year	-	20,373	-	131,208
In two to five years	40,500	209,497	-	194,473
	<u>40,500</u>	<u>229,870</u>	<u>-</u>	<u>325,681</u>

18 Related party disclosures

The company is a wholly owned subsidiary of L Possehl & Co GmbH and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with L Possehl & Co GmbH or other wholly owned subsidiaries within the group

19 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of L Possehl & Co GmbH which is the ultimate parent company incorporated in Germany, by virtue of its 100% shareholding in Hako Holding GmbH & Co. Hako-Werke International GmbH, incorporated in Germany is the company's immediate parent undertaking and Hako Holding GmbH & Co, incorporated in Germany, is the company's intermediate parent undertaking