

COMPANIES HOUSE COPY

Hako Machines Limited

Report and Financial Statements

Year Ended

31 December 2009

Company Number 1414225

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COMPANIES HOUSE

Hako Machines Limited

Report and financial statements for the year ended 31 December 2009

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Director

S J Taylor

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 director for the year ended 31 December 2009

The director presents his report together with the audited financial statements for the year ended 31 December 2009

Results and dividends

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

The director does not recommend the payment of a final dividend for the year ended 31 December 2009

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 seen continued progress in both sales and profitability. Sales have increased by 4% in a difficult market with cost of sales increasing by 9% resulting in a reduction of 3% in gross profit margin. This reduction was as a result of competitive pressure on pricing to customers as well as a reduction in the level of euro currency support from the group company supplying the bulk of the company's product purchases.

Excellent control of administrative expenses by the company's management has resulted in a reduction of costs of 5% against the previous year with an operating profit of £174,810 being achieved compared to £129,256 in the prior year.

Finance costs at £80,029 were 59% lower than 2008 as a result of falling interest rates and working capital improvements.

The financial result for the year is a profit before taxation of £114,041 compared to a loss of £64,626 in 2008. The director has prepared a realistic plan for 2010/2011 when taking into consideration the current economic climate and available forecasts. Attainment of the plan will result in a modest profit for the company. The company has sufficient financial facilities in place through its sister companies and its banker to meet its obligations for the foreseeable future.

The company monitors its internal and external progress by a range of KPI's including profitability, as shown on page 6, 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 companies, the director believes there continues to be good opportunities for the forthcoming years.

Hako Machines Limited

Report of the director for the year ended 31 December 2009 (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 director considers that he is 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 and monitoring 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 committed to providing a fixed rate between Sterling and Euro for part of 2010 that will minimise the company's exchange 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 director feels 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 director of the company during the year were

S J Taylor
A Schless (resigned 14 October 2009)

Hako Machines Limited

Report of the director for the year ended 31 December 2009 (continued)

Director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The director is also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the director to prepare financial statements for each financial year which 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 year. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that show and explain the company's transactions, 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.

He is 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

The current director has taken all the steps that he ought to have taken to make himself 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 director is 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

Date *9th February 2010*

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 2009 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 page 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 director's responsibilities, the director is 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 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

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.

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 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the director's 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 director's 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

Date 10 February 2010

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 2009

	Note	2009 £	2008 £
Turnover	2	13,956,675	13,408,631
Cost of sales		9,253,909	8,505,750
Gross profit		4,702,766	4,902,881
Administrative expenses		4,527,956	4,773,625
Operating profit	3	174,810	129,256
Other interest receivable and similar income		19,260	-
Interest payable and similar charges	6	(80,029)	(193,882)
Profit/(loss) on ordinary activities before and after taxation for the financial year		114,041	(64,626)
Accumulated loss brought forward	15	(98,372)	(33,746)
Retained profit/(Accumulated loss) carried forward		15,669	(98,372)

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 2009

<i>Company number 1414225</i>	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	8		1,085,302		1,099,310
Current assets					
Stocks	9	2,356,614		2,582,520	
Debtors	10	2,707,476		3,639,077	
Cash at bank and in hand		29,400		63,765	
		<u>5,093,490</u>		<u>6,285,362</u>	
Creditors: amounts falling due within one year	11	<u>4,326,581</u>		<u>5,567,659</u>	
Net current assets			<u>766,909</u>		<u>717,703</u>
Total assets less current liabilities			<u>1,852,211</u>		<u>1,817,013</u>
Creditors, amounts falling due after more than one year	12		<u>247,542</u>		<u>326,385</u>
			<u>1,604,669</u>		<u>1,490,628</u>
Capital and reserves					
Called up share capital	14		1,589,000		1,589,000
Profit and loss account	15		15,669		(98,372)
Shareholders' funds	16		<u>1,604,669</u>		<u>1,490,628</u>

The financial statements were approved by the director and authorised for issue on 9 February 2010


S J Taylor
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 2009

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 Director's report on page 2 the Director has considered the principal risks and uncertainties that apply to the business and the funding available externally and from group sources and believes 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 33.3% 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 2009 (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

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

	2009 £	2008 £
This is arrived at after charging		
Depreciation of tangible fixed assets	300,029	323,284
Hire of other assets - operating leases	86,238	91,700
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	17,800	19,860
Hire of motor vehicles	314,551	300,082
	<u> </u>	<u> </u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

4 Employees

Staff costs (including directors) consist of

	2009 £	2008 £
Wages and salaries	2,377,326	2,385,256
Social security costs	256,619	262,114
Other pension costs	42,260	37,702
	<u>2,676,205</u>	<u>2,685,072</u>

The average number of employees (including directors) during the year was 80 (2008 - 78)

5 Director's remuneration

	2009 £	2008 £
Director's emoluments	119,299	113,060
Company contributions to money purchase pension schemes	4,000	4,000
	<u>123,299</u>	<u>117,060</u>

There was 1 director in the company's defined contribution pension scheme during the year (2008 - 1)

6 Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts	31,667	80,739
Bank loan interest	7,678	26,014
Loans from group companies	31,143	63,461
Finance leases and hire purchase contracts	9,541	23,668
	<u>80,029</u>	<u>193,882</u>

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (continued)

7 Taxation on profit/(loss) on ordinary activities

The tax assessed for the year is lower (2008 - higher) than the standard rate of corporation tax in the UK

	2009 £	2008 £
Profit/(loss) on ordinary activities before tax	114,041	(64,626)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 28%)	31,931	(18,095)
Effect of		
Expenses not deductible for tax purposes	22,475	24,306
Capital allowances for period in (excess)/deficit of depreciation	(112)	78,700
Utilisation of tax losses	(52,382)	(85,135)
Short term timing differences	(1,912)	224
Current tax charge for the year	-	-

The company has unrecognised deferred tax assets of £121,551 (2008 - £182,938) (accelerated capital allowances £68,877 (2008 - £126,018), short term timing differences £nil (2008 - £1,912) and tax losses of £52,674 (2008 - £55,008))

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

8 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Machines held for hire £	Total £
<i>Cost</i>					
At 1 January 2009	1,290,056	971,063	247,180	484,822	2,993,121
Additions	12,045	44,838	28,948	237,779	323,610
Disposals	-	(21,504)	(154,568)	(165,158)	(341,230)
	<u>1,302,101</u>	<u>994,397</u>	<u>121,560</u>	<u>557,443</u>	<u>2,975,501</u>
<i>Depreciation</i>					
At 1 January 2009	585,875	820,847	193,952	293,137	1,893,811
Provided for the year	33,288	74,990	31,565	160,186	300,029
Disposals	-	(21,504)	(142,368)	(139,769)	(303,641)
	<u>619,163</u>	<u>874,333</u>	<u>83,149</u>	<u>313,554</u>	<u>1,890,199</u>
<i>Net book value</i>					
At 31 December 2009	<u>682,938</u>	<u>120,064</u>	<u>38,411</u>	<u>243,889</u>	<u>1,085,302</u>
At 31 December 2008	<u>704,181</u>	<u>150,216</u>	<u>53,228</u>	<u>191,685</u>	<u>1,099,310</u>

Included in freehold land and buildings is land of £201,000 (2008 - £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

	2009 £	2008 £
<i>Net book value</i>		
Motor vehicles	-	11,999
Machines held for hire	<u>112,158</u>	<u>143,950</u>
	<u>112,158</u>	<u>155,949</u>
<i>Depreciation charged</i>		
Motor vehicles	5,000	6,000
Machines held for hire	<u>105,726</u>	<u>128,933</u>
	<u>110,726</u>	<u>134,933</u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

9 Stocks

	2009 £	2008 £
Machines & accessories	1,675,642	1,961,592
Parts for service	680,972	620,928
	<u>2,356,614</u>	<u>2,582,520</u>

10 Debtors

	2009 £	2008 £
Trade debtors	2,316,118	3,382,812
Amounts owed by group undertakings	5,400	52,681
Other debtors	139,019	-
Prepayments and accrued income	246,939	203,584
	<u>2,707,476</u>	<u>3,639,077</u>

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

11 Creditors' amounts falling due within one year

	2009 £	2008 £
Bank loans and overdrafts (secured)	1,993,743	1,522,921
Trade creditors	269,526	406,835
Amounts owed to group undertakings	1,431,953	3,079,677
Taxation and social security	360,269	289,015
Obligations under finance lease and hire purchase contracts	80,886	109,388
Accruals and deferred income	190,204	159,823
	<u>4,326,581</u>	<u>5,567,659</u>

The bank overdraft totalling £1,893,743 and the bank loan of £280,063 of which £180,063 is due in more than one year 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.

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*continued*)

12 Creditors, amounts falling due after more than one year

	2009 £	2008 £
Bank loans (secured)	180,063	288,121
Obligations under finance lease and hire purchase contracts	67,479	38,264
	<u>247,542</u>	<u>326,385</u>

Maturity of debt

	Loans and overdrafts 2009 £	Loans and overdrafts 2008 £	Finance leases 2009 £	Finance leases 2008 £
In one year or less, or on demand	<u>1,993,743</u>	<u>1,522,921</u>	<u>80,886</u>	<u>109,388</u>
In more than one year but not more than two years	100,000	100,000	44,287	38,264
In more than two years but not more than five years	<u>80,063</u>	<u>188,121</u>	<u>23,192</u>	<u>-</u>
	<u>180,063</u>	<u>288,121</u>	<u>67,479</u>	<u>38,264</u>

The bank loan is repayable in equal monthly instalments of £9,845, inclusive of interest charged at 1.0% over the bank's base rate, and subject to term repayment in October 2012

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 £42,260 (2008 - £37,702)

14 Share capital

	2009 £	2008 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>1,589,000</u>	<u>1,589,000</u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

15 Reserves

	Profit and loss account £
At 1 January 2009	(98,372)
Profit for the year	114,041
	<hr/>
At 31 December 2009	15,669
	<hr/>

16 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit/(loss) for the year	114,041	(64,626)
Issue of shares	-	1,236,000
	<hr/>	<hr/>
Net additions to shareholders' funds	114,041	1,171,374
Opening shareholders' funds	1,490,628	319,254
	<hr/>	<hr/>
Closing shareholders' funds	1,604,669	1,490,628
	<hr/>	<hr/>

17 Commitments under operating leases

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

	Land and buildings 2009 £	Other 2009 £	Land and buildings 2008 £	Other 2008 £
Operating leases which expire				
Within one year	-	77,133	70,000	69,094
In two to five years	-	340,691	-	331,248
	<hr/>	<hr/>	<hr/>	<hr/>
	-	417,824	70,000	400,342
	<hr/>	<hr/>	<hr/>	<hr/>

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (continued)

18 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with members of the group headed by L Possehl & Co GmbH on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

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 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