

COMPANIES HOUSE COPY

Hako Machines Limited

Report and Financial Statements

Year Ended

31 December 2014

Company Number 01414225

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COMPANIES HOUSE

Hako Machines Limited

Report and financial statements for the year ended 31 December 2014

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Directors

N C A Meredith
M F Wolf
J C Millar

Secretary and registered office

J C Millar, Eldon Close, Crick, Northamptonshire, NN6 7UD

Company number

01414225

Auditors

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

Hako Machines Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

Review of business and key performance indicators

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

During the financial year under review trading has shown signs of improvement economic conditions slowly start to improve. Sales were up by 18.9% when compared with the previous year although gross margins declined by 2% as a result of customer's price sensitivity. Economic indicators at the end of year would indicate a continuing positive trading outlook in 2015.

Administrative expenses increased by 11.2% compared with the previous year due mainly to higher staff costs driven by the increase in sales volumes.

The Company has consequently made an operating profit in 2014 of £264,771 compared with an operating profit of £155,886 in the prior year, an improvement of £108,885 (69.8%).

The financial result for the year is a profit of £206,067 compared with a profit of £101,470 in 2013, an improvement of £104,597 (103.1%).

The Directors have prepared a realistic plan for 2015 when taking into consideration the economic climate and available forecasts. Attainment of the plan will result in continued profitability for the company. The company has sufficient financial facilities in place through its sister companies and its banker to meet its obligations during 2015.

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.

Principal risk and uncertainties and financial risk management

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

Hako Machines Limited

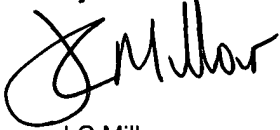
Strategic report for the year ended 31 December 2014 *(continued)*

day to day control procedures.

The company's major creditor is one of the other group companies which has commenced invoicing the company in sterling during 2013. This has eliminated a significant proportion of the company's currency risk.

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.

By order of the board



J C Millar
Secretary

11/2/2015

Hako Machines Limited

Report of the directors for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

The directors do not recommend the payment of a dividend for the year ended 31 December 2014.

Financial instruments

Information regarding financial instruments is set-out within the Strategic Report on pages 1 - 2.

Directors

The directors of the company during the year were:

N C A Meredith
M F Wolf
J C Millar (appointed 30 April 2014)

Directors' responsibilities

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 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.

Hako Machines Limited

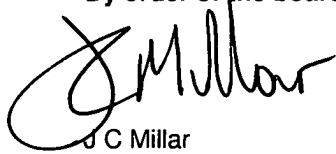
Report of the directors for the year ended 31 December 2014 (*continued*)

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



J C Millar
Secretary

11/2/2015

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 2014 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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 matters prescribed by the Companies Act 2006

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

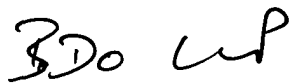
Hako Machines Limited

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.



Stephen Hale (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

10 March 2015

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 2014

	Note	2014 £	2013 £
Turnover	2	11,271,591	9,484,890
Cost of sales		6,389,034	5,177,393
Gross profit		4,882,557	4,307,497
Administrative expenses		4,617,786	4,151,611
Operating profit	3	264,771	155,886
Interest payable and similar charges	6	(58,704)	(54,416)
Profit on ordinary activities before and after taxation for the financial year		206,067	101,470

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 prior year presentation of turnover and cost of sales has been restated (see note 19).

The notes on pages 9 to 17 form part of these financial statements.

Hako Machines Limited

Balance sheet at 31 December 2014

Company number 01414225	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	8		1,705,116		1,330,766
Current assets					
Stocks	9	1,621,315		1,646,301	
Debtors	10	2,468,399		1,948,182	
Cash at bank and in hand		276,178		76,135	
		<u>4,365,892</u>		<u>3,670,618</u>	
Creditors: amounts falling due within one year	11	<u>4,916,160</u>		<u>4,052,603</u>	
Net current liabilities			<u>(550,268)</u>		<u>(381,985)</u>
Total assets less current liabilities			<u>1,154,848</u>		<u>948,781</u>
Capital and reserves					
Called up share capital	13		1,589,000		1,589,000
Profit and loss account	14		(434,152)		(640,219)
Shareholders' funds	15		<u>1,154,848</u>		<u>948,781</u>

The financial statements were approved by the board of directors and authorised for issue on 11/2/2015


J C Millar
Director

The notes on pages 9 to 17 form part of these financial statements.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2014

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 Strategic report on pages 1 - 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 L Possehl & Co GmbH 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. Revenue in respect of product sales is recognised at the point at which goods are despatched to the customer. Revenue in respect of servicing and short-term hire contracts is recognised on an accruals basis. Rental income received in respect of 'back to back' leasing arrangements with finance providers is recorded net of payments made to the finance provider.

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
Leasehold improvements	- over the term of the lease
Plant and machinery	- 20% to 33% 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.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

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.

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 estimated useful economic life.

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.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

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

	2014 £	2013 £
Analysis by geographical market:		
United Kingdom	11,135,893	9,484,890
Europe	135,698	-
	<hr/>	<hr/>
	11,271,591	9,484,890
	<hr/>	<hr/>

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

The prior year presentation of turnover and cost of sales has been restated (see note 19).

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

3 Operating profit

	2014 £	2013 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	384,902	264,391
Fees payable to the company's auditor for the auditing of the company's annual accounts	19,000	19,000
Hire of plant and machinery - operating leases	304,077	286,697
Hire of other assets - operating leases	43,133	41,724
	<u>747,112</u>	<u>611,812</u>

4 Employees

Staff costs (including directors) consist of:

	2014 £	2013 £
Wages and salaries	2,385,906	2,092,876
Social security costs	250,768	227,390
Other pension costs	46,384	31,854
	<u>2,683,058</u>	<u>2,352,120</u>

The average number of employees (including directors) during the year was 70 (2013 - 68).

5 Directors' remuneration

	2014 £	2013 £
Directors' emoluments	292,459	147,226

There were no directors in the company's defined contribution pension scheme during the year (2013 - none).

The total amount payable to the highest paid director in respect of emoluments was £208,265 (2013 - £147,226). Company pension contributions of £Nil (2013 - £Nil) were made to a money purchase scheme on his behalf.

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

6 Interest payable and similar charges

	2014 £	2013 £
Bank loans and overdrafts	23,138	12,026
Loans from group companies	14,846	27,358
Finance leases and hire purchase contracts	9,263	4,598
Settlement discount	11,457	10,434
	<u>58,704</u>	<u>54,416</u>

7 Taxation on profit on ordinary activities

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK.

	2014 £	2013 £
Profit on ordinary activities before tax	206,067	101,470
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	44,304	23,592
Effect of:		
Expenses not deductible for tax purposes	3,113	12,985
Depreciation for period in excess/(deficit) of capital allowances	2,270	(26,927)
Utilisation of tax losses	(50,578)	(9,650)
Other	891	-
Current tax charge for the year	<u>-</u>	<u>-</u>

The company has unrecognised deferred tax assets of £120,335 (2013 - £172,564) of which £31,077 (2013 - 78,300) relates to tax losses, £85,825 (2013 - £91,833) relates to decelerated capital allowances and £3,433 (2013 - £2,431) relates to short term timing differences.

Factors affecting future tax charges

The UK main corporation tax rate was reduced to 21% from 23%, taking effect from 1 April 2014. A further rate cut to 20% is due to come into effect on 1 April 2015. The reduction to 20% was substantively enacted on 2 July 2013.

This rate change will reduce the company's future current tax charge accordingly.

Hako Machines Limited

Note forming part of the financial statements
for the year ended 31 December 2014 *(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 2014	1,311,334	7,961	1,430,431	203,635	981,452	3,934,813
Additions	25,186	-	429,495	32,502	576,117	1,063,300
Disposals	-	-	(1,255)	-	-	(1,255)
Transfers to trading stocks	-	-	(265,527)	-	(156,240)	(421,767)
	<u>1,336,520</u>	<u>7,961</u>	<u>1,593,144</u>	<u>236,137</u>	<u>1,401,329</u>	<u>4,575,091</u>
At 31 December 2014						
<i>Depreciation</i>						
At 1 January 2014	756,535	4,592	1,065,598	129,827	647,495	2,604,047
Provided for the year	39,877	1,592	82,695	33,642	209,127	366,933
Disposals	-	-	(1,020)	-	-	(1,020)
Transfers to trading stocks	-	-	(32,015)	-	(67,970)	(99,985)
	<u>796,412</u>	<u>6,184</u>	<u>1,115,258</u>	<u>163,469</u>	<u>788,652</u>	<u>2,869,975</u>
At 31 December 2014						
<i>Net book value</i>						
At 31 December 2014	<u>540,108</u>	<u>1,777</u>	<u>477,886</u>	<u>72,668</u>	<u>612,677</u>	<u>1,705,116</u>
At 31 December 2013	<u>554,799</u>	<u>3,369</u>	<u>364,833</u>	<u>73,808</u>	<u>333,957</u>	<u>1,330,766</u>

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

8 Tangible fixed assets (continued)

Included in freehold land and buildings is land of £201,000 (2013 - £201,000) which is not depreciated.

The net book value of tangible fixed assets includes an amount of £Nil (2013 - £120,248) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £Nil (2013 - £55,580).

9 Stocks

	2014 £	2013 £
Machines & accessories	1,149,874	1,239,733
Parts for service	471,441	406,568
	<u>1,621,315</u>	<u>1,646,301</u>

10 Debtors

	2014 £	2013 £
Trade debtors	2,290,313	1,809,979
Amounts owed by group undertakings	1,215	1,215
Prepayments and accrued income	176,871	136,988
	<u>2,468,399</u>	<u>1,948,182</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 2014 (*continued*)

11 Creditors: amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts (secured)	1,703,826	892,545
Trade creditors	312,266	199,571
Amounts owed to group undertakings	2,063,455	2,197,247
Taxation and social security	360,204	304,182
Obligations under finance lease and hire purchase contracts	-	28,565
Accruals and deferred income	476,409	430,493
	<u>4,916,160</u>	<u>4,052,603</u>

The bank overdraft totalling £1,703,826 (2013 - £892,545) is secured against the freehold land and buildings.

Finance leases and hire purchase contracts are secured against the assets to which they relate.

12 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 £46,384 (2013 - £31,854).

13 Share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
1,589,000 Ordinary shares of £1 each	<u>1,589,000</u>	<u>1,589,000</u>

14 Reserves

	Profit and loss account £
At 1 January 2014	(640,219)
Profit for the year	206,067
	<u>(434,152)</u>
At 31 December 2014	

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

15 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the year	206,067	101,470
Opening shareholders' funds	948,781	847,311
Closing shareholders' funds	1,154,848	948,781

16 Commitments under operating leases

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

	Land and buildings 2014 £	Other 2014 £	Land and buildings 2013 £	Other 2013 £
Operating leases which expire:				
Within one year	-	23,841	-	35,471
In two to five years	40,500	192,550	40,500	193,133
	40,500	216,391	40,500	228,604

17 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.

18 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.

The largest and smallest group in which the results of the company are consolidated is that headed by L Possehl & Co GmbH, incorporated in Germany. The consolidated accounts of this company are available to the public and may be obtained from the L Possehl & Co GmbH website. No other group accounts include the results of the company.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2014 *(continued)*

19 Prior year adjustment

Prior year turnover and cost of sales have been restated to treat payments made in respect of 'back to back' leasing arrangements with finance providers as a debit to revenue, rather than cost of sales. It is considered that this accounting treatment more appropriately reflects the in substance of the transactions whereby the company is, in effect, acting as an agent of the finance provider.

The impact of the adjustment is to reduce prior year revenue and cost of sales by £636,414 resulting in no impact to gross profit or net profit, or the balance sheet.