

Hako Machines Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 01414225

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Hako Machines Limited

Report and financial statements for the year ended 31 December 2016

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Director

F Ulbricht

Registered office

Eldon Close, Crick, Northamptonshire, NN6 7UD

Company number

01414225

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Hako Machines Limited

Strategic report for the year ended 31 December 2016

Introduction

The director presents his strategic report together with the audited financial statements for the year ended 31 December 2016.

Business review 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 been difficult with a specific downturn in the municipal market as local authorities continued to have budget restraint. Sales were down by 10% when compared with the previous year with gross margins reducing by 1.1%. This reduction in sales is mainly attributable to the downturn in municipal spend. Economic indicators at the year-end would indicate a continuing uncertain outlook for 2017 as Brexit continues.

Administrative expenses increased by 5.0% compared with the previous year largely due to settlement payments to former directors and legal costs partly offset by a reduction in headcount.

The company has made an operating loss in 2016 of £544,256 compared with an operating profit of £315,286 in the prior year, a reduction of £859,542 (273%).

The financial result for the year is a loss of £529,489 compared with a profit of £283,285 in 2015 a reduction of £812,774 (287%).

The directors have prepared a realistic plan for 2017 when taking into consideration the economic climate and available forecasts. This plan will return the company to profitability after the loss seen in 2016. The company has sufficient financial facilities in place through its parent company and its banker to meet its obligations during 2017.

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

Principal risks 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 that include the effects of market changes, credit, liquidity, cashflow, exchange rate and interest 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 arising from the company's operations. Financial liabilities that expose the company to risk consist of trade creditors, and bank overdraft. 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 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 perform ongoing credit evaluations of its customers' financial condition and has policies that require credit checks on potential customers before sales are made.

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 prudent level that ensures there is adequate liquid 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 cashflow as part of its day to day controls.

Hako Machines Limited

Strategic report for the year ended 31 December 2016 (*continued*)

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

This report was approved by the board on

21/6/17

and signed on its behalf.



F Ulbricht
Director

Hako Machines Limited

Report of the director for the year ended 31 December 2016

The director presents his report together with the audited financial statements for the year ended 31 December 2016.

Results and dividends

The statement of income and retained earnings is set out on page 7 and shows the profit for the year.

The director does not recommend the payment of a dividend for the year ended 31 December 2016.

Directors

The directors who served during the year were:

N C A Meredith (resigned 11 May 2016)

J C Millar (resigned 31 March 2016)

M F Wolf (resigned 31 May 2017)

F Ulbricht (appointed 31 May 2017)

Director's responsibilities

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him 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.

Disclosure of information to auditors

The director at the time when this director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Hako Machines Limited

Report of the director for the year ended 31 December 2016 *(continued)*

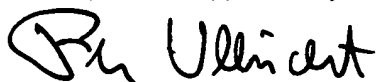
Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

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

This report was approved by the board on 21/6/17 and signed on its behalf.



F Ulbricht
Director

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 2016 which comprise the statement of comprehensive income, the statement of financial position 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 director and the 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 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 2016 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, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Hako Machines Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Date

2 August 2017

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

Hako Machines Limited

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover		10,802,750	12,044,382
Cost of sales		(6,135,032)	(6,716,243)
Gross profit		4,667,718	5,328,139
Distribution costs		(177,477)	(207,389)
Administrative expenses		(5,034,497)	(4,805,464)
Operating (loss)/profit	6	(544,256)	315,286
Interest payable and similar charges	8	(44,742)	(77,476)
(Loss)/profit on ordinary activities before taxation		(588,998)	237,810
Taxation on (loss)/profit from ordinary activities	9	59,509	45,475
Loss/(profit) on ordinary activities after taxation		(529,489)	283,285

There was no comprehensive income in either period other than that shown above.

The notes on pages 10 to 21 form part of these financial statements.

Hako Machines Limited

Statement of financial position at 31 December 2016

Company number 01414225	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	10		1,186,470		1,874,346
Current assets					
Stocks	11	1,306,665		1,517,074	
Debtors:	12				
- amounts falling due within one year		3,127,187		3,743,007	
- amounts falling due after more than one year		104,984		111,453	
Cash at bank and in hand		99,413		179,818	
		<u>4,638,249</u>		<u>5,551,352</u>	
Creditors: amounts falling due within one year	13	<u>(4,416,075)</u>		<u>(5,987,565)</u>	
Net current assets/(liabilities)			222,174		(436,213)
Total assets less current liabilities			<u>1,408,644</u>		<u>1,438,133</u>
Capital and reserves					
Called up share capital	17		2,089,000		1,589,000
Profit and loss account			(680,356)		(150,867)
Shareholders' funds			<u>1,408,644</u>		<u>1,438,133</u>

The financial statements were approved by the Board of Directors and authorised for issue on

21/6/17



F Ulbricht
Director

The notes on pages 10 to 21 form part of these financial statements.

Hako Machines Limited

Statement of changes in equity for the year ended 31 December 2016

Year ended 31 December 2016

	Share capital £	Profit and loss account £	Total equity £
1 January 2016	1,589,000	(150,867)	1,438,133
Shares issued in the year	500,000	-	500,000
Loss and total comprehensive loss for the year	-	(529,489)	(529,489)
31 December 2016	2,089,000	(680,356)	1,408,644

Year ended 31 December 2015

	Share capital £	Profit and loss account £	Total equity £
1 January 2015	1,589,000	(434,152)	1,154,848
Profit and total comprehensive income for the year	-	283,285	283,285
31 December 2015	1,589,000	(150,867)	1,438,133

The notes on pages 10 to 21 form part of these financial statements.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

Hako Machines Limited is a limited liability company incorporated in England. The registered office is at Eldon Close, Crick, Northamptonshire, NN6 7UD.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of L Possehl & Co GmbH the company's ultimate parent undertaking as at 31 December 2016 and these financial statements may be obtained from L Possehl & Co GmbH website.

Going concern

The financial statements have been prepared under a going concern basis. As detailed in the Strategic report on pages 1-2, the Director has considered the principal risks and uncertainties that apply to the business and funding available externally and from group sources, that have confirmed continued support for at least 12 months from the date of approval of these accounts, and believe it is appropriate to prepare the accounts on this basis.

Revenue

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 the goods are dispatched 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.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method as follows:

Freehold property	-	3% on cost
Leasehold improvements	-	20% on cost
Plant and machinery	-	16.7%-33% on cost
Motor vehicles	-	25% on cost
Machines held for hire	-	20%-50% on cost

Leased assets

Where assets are financed by the 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 the amounts payable to the lessor over the lease term. 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 amount 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 to enter into operating lease agreements are released to the profit and loss account over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties.

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Creditors

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

Foreign currency translation

The company's functional and presentational currency is GBP.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

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

Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

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

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the director has had to make the following judgments:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10)

Tangible fixed assets, other than land, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Stock (see note 11)

At each reporting date, stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

- Trade debtors (note 12)

At each reporting date trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

- Warranty provision

At each reporting date the warranty provision is assessed for adequacy. If there is any evidence that it is not suitable, based on the experience of management based on warranty expenditure and sales in the year, the provision will be adjusted accordingly. The movement is recognised immediately in the income statement.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

3 Analysis of turnover

An analysis of turnover by class of business is not presented as, in the opinion of the directors, it would seriously prejudice the company's interests.

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	10,732,044	11,999,797
Rest of Europe	70,706	44,585
	<u>10,802,750</u>	<u>12,044,382</u>

4 Employees

	2016 £	2015 £
Staff costs consist of:		
Wages and salaries	2,359,413	2,413,262
Social security costs	245,156	252,251
Cost of defined contribution scheme	52,589	57,465
	<u>2,657,158</u>	<u>2,722,978</u>

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

	2016 Number	2015 Number
Staff	<u>67</u>	<u>71</u>

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

5 Directors' remuneration

	2016 £	2015 £
Director's emoluments	329,356	332,181
Company contributions to defined contribution pension schemes	451	1,786
Compensation for loss of office	158,926	-
	<u>488,733</u>	<u>333,967</u>

During the year retirement benefits were accruing to no directors (2015 - none) in respect of defined contribution pension schemes.

The emoluments included above include amounts paid to the highest paid director £200,234 (2015 - £205,911).

No amounts are included above in respect of directors remunerated by fellow group companies, as it is not considered practicable to identify the remuneration attributable for services to the company.

6 Operating profit

	2016 £	2015 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	591,048	593,654
Hire of plant and machinery - operating leases	357,547	317,366
Hire of other assets - operating leases	53,000	52,186
Exchange differences	(6,692)	50,442
	<u></u>	<u></u>

7 Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	20,100	20,162
	<u></u>	<u></u>

8 Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	34,125	36,406
Other loan interest payable	7,366	13,624
Loans from group undertakings	740	13,044
Exchange differences	2,511	14,402
	<u>44,742</u>	<u>77,476</u>

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

9 Taxation on profit from ordinary activities

	2016 £	2015 £
<i>Corporation tax</i>		
Current tax on loss/profits for the year	-	65,978
Adjustment in respect of prior years	(65,978)	-
	<hr/>	<hr/>
Total current tax	(65,978)	65,978
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	6,469	(111,453)
	<hr/>	<hr/>
Total deferred tax	6,469	(111,453)
	<hr/>	<hr/>
Taxation on loss/profit on ordinary activities	(59,509)	(45,475)
	<hr/>	<hr/>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 -higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	(588,998)	237,810
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	(117,800)	48,148
Effects of:		
Expenses not deductible for tax purposes	7,796	7,036
Change in tax rates	17,883	12,426
Adjustment to prior years corporation tax	(65,978)	-
Recognition of deferred tax asset not previously recognised	-	(113,085)
Deferred tax asset on loss for the year not recognised	98,590	-
	<hr/>	<hr/>
Total tax credit for year	(59,509)	(45,475)
	<hr/>	<hr/>

Factors that may affect future tax charges

The July 2015 Budget Announcement stated that the government will legislate to reduce the corporation tax rate to 19% in 2017 and a further announcement at the July 2016 budget stated that the rate will fall to 17% in 2020.

Hako Machines Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

10 Tangible assets

	Freehold land and buildings £	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Machines held for hire £	Total £
<i>Cost or valuation</i>						
At 1 January						
2016	1,343,025	7,961	1,742,550	232,350	1,888,888	5,214,774
Additions	6,956	-	171,223	10,019	87,725	275,923
Disposals	-	-	-	(9,480)	-	(9,480)
Transfers to trading stock	-	-	(308,063)	-	(312,986)	(621,049)
At 31 December 2016	1,349,981	7,961	1,605,710	232,889	1,663,627	4,860,168
<i>Depreciation</i>						
At 1 January						
2016	839,463	7,777	1,216,781	173,525	1,102,882	3,340,428
Charge for the year	41,443	184	126,906	31,555	390,960	591,048
Disposals	-	-	-	(9,480)	-	(9,480)
Transfers to trading stock	-	-	(54,375)	-	(193,923)	(248,298)
At 31 December 2016	880,906	7,961	1,289,312	195,600	1,299,919	3,673,698
<i>Net book value</i>						
At 31 December 2016	469,075	-	316,398	37,289	363,708	1,186,470
At 31 December 2015	503,562	184	525,769	58,825	786,006	1,874,346

Included in freehold land and buildings is land of £201,000 (2015 - £201,000) which is not depreciated.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

11 Stocks

	2016 £	2015 £
Machines and accessories	806,748	1,026,435
Parts for service	499,917	490,639
	<u>1,306,665</u>	<u>1,517,074</u>

Stock recognised in cost of sales during the year as an expense was £5,877,418 (2015 - £6,475,663).

An impairment provision charge of £26,752 (2015 – release of £21,122) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

12 Debtors

	2016 £	2015 £
Due within one year		
Trade debtors	2,917,613	3,450,874
Amounts owed to group undertakings	3,271	4,672
Other debtors	51,452	-
Prepayments and accrued income	154,851	287,461
	<u>3,127,187</u>	<u>3,743,007</u>
Due after more than one year		
Deferred tax asset	104,984	111,453

The impairment loss recognised in the income statement for the period in respect of bad and doubtful trade debtors was £76,913 (2015 - £3,693).

13 Creditors: amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	1,368,429	-
Trade creditors	159,743	252,744
Amounts owed to group undertakings	2,265,158	4,821,992
Corporation tax	-	65,978
Taxation and social security	332,989	432,441
Accruals and deferred income	289,756	414,410
	<u>4,416,075</u>	<u>5,987,585</u>

In the prior year, a short term group loan of £1,850,000 was provided by Hako GmbH which was repaid on the 8 January 2016.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

14 Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>3,020,297</u>	<u>3,635,364</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,012,791</u>	<u>5,489,146</u>

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

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

15 Deferred taxation asset

	£
At 1 January 2016	(111,453)
Charged to profit and loss	6,469
At 31 December 2016	<u>(104,984)</u>

The deferred tax asset comprises:

	2016 £	2015 £
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	(99,443)	(109,896)
Short term timing differences	(1,471)	(1,557)
Trade losses c/f	(4,070)	-
	<u>(104,984)</u>	<u>(111,453)</u>

The company also has an unrecognised deferred tax asset of £33,654 relating to losses carried forward for which there is insufficient probability of reversal.

16 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £52,589 (2015 - £57,465). Contributions totalling £7,246 (2015 - £8,650) were payable to the fund at the reporting date.

Hako Machines Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

17 Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
2,089,000 (2015 – 1,589,000) ordinary shares of £1 each	2,089,000	1,589,000

During the year, 500,000 ordinary shares of £1 each were issued at par

18 Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

19 Commitments under operating leases

As at 31 December 2016, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2016 £	Other 2016 £	Land and buildings 2015 £	Other 2015 £
Not later than 1 year	53,000	9,875	53,000	243,482
Later than 1 year and not later than 5 years	218,171	230,204	47,250	199,754
	271,171	240,079	100,250	443,236

20 Related party transactions

The company is a wholly owned subsidiary of L Possehl & Co GmbH and has taken advantage of the exemption conferred by FRS 102 section 33 'Related party disclosures' not to disclose transactions with L Possehl & Co GmbH or other wholly owned subsidiaries within the group.

21 Ultimate parent company

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.