

**Hako Machines Limited**

Report and Financial Statements

Year Ended

31 December 2018

Company Number 01414225

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# **Hako Machines Limited**

## **Report and financial statements for the year ended 31 December 2018**

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### **Directors**

FM Ulbricht  
MF Schreiber  
S A Giangolini

### **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 2018

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### Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

### Business review, future developments and key performance indicators

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

During 2018 we have made inroads into the outdoor market and have increased sales revenue by 9.9% when compared to the previous year, although this has had a slight detrimental effect on our gross margin reducing by 1.5% due to the reduced margins in this market.

Administrative expenses increased by 2.2% compared with the previous year.

The company has made an operating profit in 2018 of £352,353 compared with £152,989 in the prior year, an increase of £199,354.

The financial result for the year is a profit after tax of £249,189 compared with £133,566 in the prior year, an increase of £115,623.

The directors have prepared a realistic plan for 2019 when taking into consideration the economic climate and available forecasts. The company has sufficient financial facilities in place through its parent company and its banker to meet its obligations during 2019.

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, 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, cash flow, 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 company's finance department implements the policies set by the board.

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 2018 *(continued)*

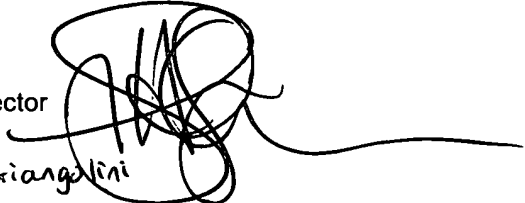
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The company has borrowing with variable interest rates. UK bank borrowings are principally in the form of an overdraft tied to UK base rates while the company also borrows funds through its intra-group facility if necessary at commercial rates determined 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 10/17/19 and signed on its behalf.

Director

S. Giannalini



# Hako Machines Limited

## Directors' report for the year ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

### Results and dividends

The statement of comprehensive income is set out on page 8 and shows the profit for the year.

The directors have not recommended the payment of a dividend for the year ended 31 December 2018.

### Directors

The directors who served during the year were:

F M Ulbricht  
M F Schreiber  
S A Giangolini (appointed 1 January 2018)

### Financial instruments

Information on the principal risks, uncertainties and financial risk management are included in the strategic report.

### Disclosure of information to auditor

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


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

### Post balance sheet events

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

This report was approved by the board on 10/7/19 and signed on its behalf.

Director  
S Giangolini



# **Hako Machines Limited**

## **Directors' responsibilities statement for the year ended 31 December 2018**

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The directors are 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 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

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HAKO MACHINES LIMITED

#### Opinion

We have audited the financial statements of Hako Machines Limited ("the Company") for the year ended 31 December 2018 which comprise statement of comprehensive income, statement of financial position and statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Hako Machines Limited

## Independent auditor's report (*continued*)

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions 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.

### 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 and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.



# Hako Machines Limited

## Independent auditor's report (continued)

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

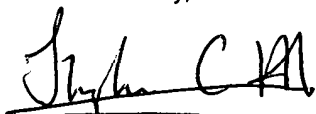
### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.



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

Date: 23 July 2019

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 2018

	Note	2018 £	2017 £
<b>Turnover</b>		<b>14,198,241</b>	12,916,857
Cost of sales		(9,194,921)	(8,175,384)
<b>Gross profit</b>		<b>5,003,320</b>	4,741,473
Distribution costs		(124,607)	(158,538)
Administrative expenses		(4,526,360)	(4,429,946)
<b>Operating profit</b>	6	<b>352,353</b>	152,989
Interest payable and similar charges	8	(7,052)	(19,423)
<b>Profit on ordinary activities before taxation</b>		<b>345,301</b>	133,566
Taxation on loss from ordinary activities	9	(96,112)	-
<b>Profit on ordinary activities after taxation</b>		<b>249,189</b>	133,566

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

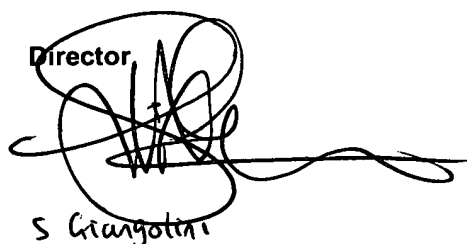
The notes on pages 11 to 22 form part of these financial statements.

# Hako Machines Limited

## Statement of financial position at 31 December 2018

<b>Company number 01414225</b>	<b>Note</b>	<b>2018 £</b>	<b>2018 £</b>	<b>2017 £</b>	<b>2017 £</b>
<b>Fixed assets</b>					
Tangible assets	10		1,313,868		1,356,281
<b>Current assets</b>					
Stocks	11	1,063,074		1,498,221	
Debtors:					
- amounts falling due within one year	12	2,952,434		3,463,282	
- amounts falling due after more than one year		97,327		104,984	
Cash at bank and in hand		881,145		1,084,712	
		<u>4,993,980</u>		<u>6,151,199</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(4,516,449)</u>		<u>(5,965,270)</u>	
<b>Net current assets</b>			<u>477,531</u>		<u>185,929</u>
<b>Total assets less current liabilities</b>			<u>1,791,399</u>		<u>1,542,210</u>
<b>Capital and reserves</b>					
Called up share capital	17		2,089,000		2,089,000
Profit and loss account			(297,601)		(546,790)
<b>Shareholders' funds</b>			<u>1,791,399</u>		<u>1,542,210</u>

The financial statements were approved by the board of directors and authorised for issue on 10/1/19

Director  
  
S. Giangotini

The notes on pages 11 to 22 form part of these financial statements.

# Hako Machines Limited

## Statement of changes in equity for the year ended 31 December 2018

### Year ended 31 December 2018

	Share capital £	Profit and loss account £	Total equity £
1 January 2018	2,089,000	(546,790)	1,542,210
Profit and total comprehensive income for the year	-	249,189	249,189
	<hr/>	<hr/>	<hr/>
<b>31 December 2018</b>	<b>2,089,000</b>	<b>(297,601)</b>	<b>1,791,399</b>
	<hr/>	<hr/>	<hr/>

### Year ended 31 December 2017

	Share capital £	Profit and loss account £	Total equity £
1 January 2017	2,089,000	(680,356)	1,408,644
Profit and total comprehensive income for the year	-	133,566	133,566
	<hr/>	<hr/>	<hr/>
<b>31 December 2017</b>	<b>2,089,000</b>	<b>(546,790)</b>	<b>1,542,210</b>
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The notes on pages 11 to 22 form part of these financial statements.

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018

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### 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 judgement 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 2018 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 directors have 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 company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

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.

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 1 Accounting policies (continued)

#### *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.

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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.

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

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### 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 the 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 statement of comprehensive income.

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.

#### *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.

#### *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.

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 *(continued)*

### 1 Accounting policies *(continued)*

#### *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.

#### *Finance costs*

Finance costs are charged to the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income, 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 2018 *(continued)*

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### 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 judgements:

- 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 statement of comprehensive income.

- 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 statement of comprehensive income.

- 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 accrual for this provision will be adjusted accordingly. The movement is recognised immediately in the statement of comprehensive income.

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (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:

	2018 £	2017 £
United Kingdom	14,073,049	12,883,077
Rest of Europe	125,192	33,780
	<u>14,198,241</u>	<u>12,916,857</u>

### 4 Employees

	2018 £	2017 £
Staff costs consist of:		
Wages and salaries	2,302,833	2,255,824
Social security costs	290,866	255,920
Cost of defined contribution scheme	65,956	51,267
	<u>2,659,655</u>	<u>2,563,011</u>

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

	2018 Number	2017 Number
Staff	<u>65</u>	<u>61</u>

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 5 Directors' remuneration

	2018 £	2017 £
Director's emoluments	169,916	-
Company contributions to defined contribution pension schemes	6,867	-
Compensation for loss of office	-	-
	<u>176,783</u>	<u>-</u>

During the year retirement benefits were accruing to one director (2017 - none) in respect of defined contribution pension schemes.

No payments were made to directors in the previous year as they were being paid by the holding company, Hako Holding GmbH.

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

	2018 £	2017 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	411,067	417,718
Hire of plant and machinery - operating leases	367,413	350,427
Hire of other assets - operating leases	17,045	53,000
Exchange losses	9,726	35,639
	<u>411,067</u>	<u>417,718</u>

### 7 Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	21,700	20,500
	<u>21,700</u>	<u>20,500</u>

### 8 Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	5,767	17,856
Loans from group undertakings	-	61
Exchange differences	1,285	1,506
	<u>7,052</u>	<u>19,423</u>

# Hako Machines Limited

## Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

### 9 Taxation on profit from ordinary activities

	2018 £	2017 £
<i>Corporation tax</i>		
Current tax on profit for the year	86,000	-
Adjustment in respect of prior years	2,455	-
	<hr/>	<hr/>
Total current tax	88,455	-
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(4,998)	-
Adjustment to prior years	12,655	-
	<hr/>	<hr/>
Total deferred tax	7,657	-
	<hr/>	<hr/>
Taxation on loss on ordinary activities	96,112	-
	<hr/>	<hr/>

#### *Factors affecting tax charge for the year*

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	345,301	133,566
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	65,607	25,711
Effects of:		
Expenses not deductible for tax purposes	14,809	30,686
Change in tax rates	586	(6,295)
Adjustment to prior years corporation tax	2,455	-
Deferred tax asset movement on profit for the year not recognised	-	(50,102)
Adjustment to prior years deferred tax	12,655	-
	<hr/>	<hr/>
Total tax charge for year	96,112	-
	<hr/>	<hr/>

#### *Factors that may affect future tax charges*

A corporation tax rate reduction to 19% came into effect on 1 April 2017. On 16 March 2016, the Chancellor announced that the UK main corporation tax rate would be cut further to 17% in 2020. These rate changes will reduce future tax charges accordingly.

# Hako Machines Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (*continued*)

## 10 Tangible assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Machines held for hire £	Total £
<i>Cost</i>					
At 1 January 2018	1,368,016	879,035	63,115	531,110	2,841,276
Additions	173,949	443,662	4,584	33,012	655,207
Disposals	-	(5,784)	(3,284)	(4,264)	(13,332)
Transfers to trading stock	-	(266,417)	-	(361,630)	(628,047)
<b>At 31 December 2018</b>	<b>1,541,965</b>	<b>1,050,496</b>	<b>64,415</b>	<b>198,228</b>	<b>2,855,104</b>
<i>Depreciation</i>					
At 1 January 2018	913,307	236,456	42,033	293,199	1,484,995
Charge for the year	62,969	246,666	12,201	89,231	411,067
Disposals	-	(3,878)	(3,284)	(1,895)	(9,057)
Transfers to trading stock	-	(76,248)	-	(269,521)	(345,769)
<b>At 31 December 2018</b>	<b>976,276</b>	<b>402,996</b>	<b>50,950</b>	<b>111,014</b>	<b>1,541,236</b>
<i>Net book value</i>					
<b>At 31 December 2018</b>	<b>565,689</b>	<b>647,500</b>	<b>13,465</b>	<b>87,214</b>	<b>1,313,868</b>
<b>At 31 December 2017</b>	<b>454,709</b>	<b>642,579</b>	<b>21,082</b>	<b>237,911</b>	<b>1,356,281</b>

Included in freehold land and buildings is land of £201,000 (2017 - £201,000) which is not depreciated.

# Hako Machines Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 11 Stocks

	2018 £	2017 £
Machines and accessories	788,160	1,147,308
Parts for service	274,914	350,913
	<u>1,063,074</u>	<u>1,498,221</u>

Stock recognised in cost of sales during the year as an expense was £8,942,796 (2017 - £7,947,630).

An impairment provision of £301,330 (2017 – £107,466) is held against slow-moving and obsolete stock.

## 12 Debtors

	2018 £	2017 £
<b>Due within one year</b>		
Trade debtors	2,816,470	3,323,761
Other debtors	-	-
Prepayments and accrued income	135,964	139,521
	<u>2,952,434</u>	<u>3,463,282</u>
<b>Due after more than one year</b>		
Deferred tax asset	97,327	104,984

The impairment loss recognised in the income statement for the period in respect of bad and doubtful trade debtors was £Nil (2017 - £6,895).

## 13 Creditors: amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	325,150	401,324
Trade creditors	290,750	237,295
Amounts owed to group undertakings	2,802,151	4,358,812
Taxation and social security	289,893	396,719
Corporation tax	86,000	-
Accruals and deferred income	722,505	571,120
	<u>4,516,449</u>	<u>5,965,270</u>

# Hako Machines Limited

Notes forming part of the financial statements  
for the year ended 31 December 2018 (continued)

## 14 Financial instruments

	2018 £	2017 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	3,697,615	4,408,473
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	3,988,817	5,568,550

Financial assets measured at amortised cost comprise cash and trade debtors.

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

## 15 Deferred taxation asset

	£
At 1 January 2018	(104,984)
Charged to profit and loss	7,657
At 31 December 2018	(97,327)

The deferred tax asset comprises:

	2018 £	2017 £
The amount of deferred tax provided for is as follows:		
Decelerated capital allowances	(95,432)	(89,853)
Short term timing differences	(1,895)	(3,081)
Trade losses carried forward	-	(12,050)
	(97,327)	(104,984)

## 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 £65,956 (2017 - £51,267). Contributions totalling £11,144 (2017 - £18,126) 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 2018 (continued)

### 17 Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
2,089,000 ordinary shares of £1 each	2,089,000	2,089,000

### 18 Reserves

#### Share capital

Represents the nominal value of the share capital paid up.

#### Profit and loss account

Includes all current and prior period retained profits and losses.

### 19 Commitments under operating leases

As at 31 December 2018, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2018 £	Other 2018 £	Land and buildings 2017 £	Other 2017 £
Not later than 1 year	25,000	243,462	12,500	293,313
Later than 1 year and not later than 5 years	27,000	365,993	50,000	255,167
	<u>52,000</u>	<u>609,455</u>	<u>62,500</u>	<u>548,480</u>

### 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 wholly owned subsidiary of Hako GmbH, incorporated in Germany. The ultimate parent company is L Possehl & Co GmbH, incorporated in Germany.

The largest and smallest group in which the results of the company are consolidated is that headed by L Possehl & Co GmbH. 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.