

Company Registration No. 01414225 (England and Wales)

HAKO MACHINES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

HAKO MACHINES LIMITED

COMPANY INFORMATION

Directors	F M Ulbricht M F Schreiber S A Giangolini
Company number	01414225
Registered office	Eldon Close Crick Northamptonshire NN6 7UD
Auditor	Ellacotts Audit Services Limited Vantage House 2700 Kettering Parkway Kettering Venture Park Kettering Northamptonshire NN15 6XR

HAKO MACHINES LIMITED

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HAKO MACHINES LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

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 2021 there has been a slight increase in revenue and profitability has been maintained, this is despite a tumultuous year when the country has been in a national lockdown at times.

The company has made an operating profit in 2021 of £1,062,760 compared with £553,356 in the prior year, an increase of £509,404.

The financial result for the year is a profit after tax of £896,394 compared with £422,862 in the prior year, an increase of £473,532.

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 overdrafts. 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 mitigate impact on the company's performance.

Credit risk is the risk of a 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 had policies that requires 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 a 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 cash flow as part of its day-to-day controls.

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.

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

On behalf of the board

S A Giangolini
Director

29 April 2022

HAKO MACHINES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of selling and servicing industrial and municipal cleaning and sweeping machines.

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

F M Ulbricht
M F Schreiber
S A Giangolini

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

S A Giangolini
Director

29 April 2022

HAKO MACHINES LIMITED

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

Opinion

We have audited the financial statements of Hako Machines Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

HAKO MACHINES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HAKO MACHINES LIMITED

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 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of the audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also performed the following procedures:

- Enquiry of management, those charged with governance and the entity's solicitors (or in-house legal team) around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

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

HAKO MACHINES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HAKO MACHINES LIMITED

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.

David Stevens BA FCA (Senior Statutory Auditor)
For and on behalf of Ellacotts Audit Services Limited

Chartered Accountants & Statutory Auditor

Vantage House
2700 Kettering Parkway
Kettering Venture Park
Kettering
Northamptonshire
NN15 6XR

29 April 2022

HAKO MACHINES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	14,885,110	13,053,363
Cost of sales		(8,392,363)	(7,601,890)
Gross profit		<u>6,492,747</u>	<u>5,451,473</u>
Administrative expenses		(5,448,597)	(5,010,037)
Other operating income		18,610	111,920
Operating profit	4	<u>1,062,760</u>	<u>553,356</u>
Interest receivable and similar income	7	507	-
Interest payable and similar expenses	8	(618)	(13,606)
Profit before taxation		<u>1,062,649</u>	<u>539,750</u>
Tax on profit	9	(166,255)	(116,888)
Profit for the financial year		<u><u>896,394</u></u>	<u><u>422,862</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

HAKO MACHINES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	10		1,771,363		1,827,052
Current assets					
Stocks	11	2,796,956		1,530,901	
Debtors	12	3,404,735		2,790,140	
Cash at bank and in hand		453,769		1,487,712	
		<u>6,655,460</u>		<u>5,808,753</u>	
Creditors: amounts falling due within one year	13	<u>(4,940,243)</u>		<u>(4,879,024)</u>	
Net current assets			1,715,217		929,729
Total assets less current liabilities			<u>3,486,580</u>		<u>2,756,781</u>
Creditors: amounts falling due after more than one year	14		<u>(58,628)</u>		<u>(225,223)</u>
Net assets			<u>3,427,952</u>		<u>2,531,558</u>
Capital and reserves					
Called up share capital	17	2,089,000		2,089,000	
Profit and loss reserves		1,338,952		442,558	
Total equity			<u>3,427,952</u>		<u>2,531,558</u>

The financial statements were approved by the board of directors and authorised for issue on 29 April 2022 and are signed on its behalf by:

S A Giangolini
Director

Company Registration No. 01414225

HAKO MACHINES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	2,089,000	19,696	2,108,696
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	422,862	422,862
Balance at 31 December 2020	2,089,000	442,558	2,531,558
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	896,394	896,394
Balance at 31 December 2021	2,089,000	1,338,952	3,427,952

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Hako Machines Limited is a private company limited by shares incorporated in England and Wales. The registered office is Eldon Close, Crick, Northamptonshire, NN6 7UD.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of L Possehl & Co GmbH, the company's ultimate parent. These consolidated financial statements are available from the L Possehl & Co GmbH website.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	3% on cost
Plant and equipment	16.7%-33% on cost
Motor vehicles	25% on cost
Machines held for hire	20%-50% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In preparing these financial statements, the directors have 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 the asset.

Other key sources of estimation uncertainty:

Stocks

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.

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 considering 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 TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	14,870,571	13,041,725
Rest of Europe	14,539	11,638
	<u>14,885,110</u>	<u>13,053,363</u>

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	50,189	8,210
Fees payable to the company's auditor for the audit of the company's financial statements	19,542	42,958
Depreciation of owned tangible fixed assets	595,060	554,038
(Profit)/loss on disposal of tangible fixed assets	(293)	3,206
Operating lease charges	<u>387,779</u>	<u>399,846</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2021	2020
Number	Number
<u>67</u>	<u>69</u>

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	2,783,015	2,513,602
Social security costs	289,677	280,523
Pension costs	<u>86,775</u>	<u>83,225</u>
	<u>3,159,467</u>	<u>2,877,350</u>

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	183,630	170,558
Company pension contributions to defined contribution schemes	8,400	8,400
	<u>192,030</u>	<u>178,958</u>

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	507	-
	<u>507</u>	<u>-</u>

8 Interest payable and similar expenses

	2021 £	2020 £
Other interest	618	13,606
	<u>618</u>	<u>13,606</u>

9 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	166,255	138,125
Adjustments in respect of prior periods	-	190
	<u>166,255</u>	<u>138,315</u>
Deferred tax		
Origination and reversal of timing differences	-	(21,427)
	<u>-</u>	<u>(21,427)</u>
Total tax charge	<u>166,255</u>	<u>116,888</u>

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	1,062,649	539,750
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	201,903	102,553
Tax effect of expenses that are not deductible in determining taxable profit	(35,648)	22,925
Adjustments in respect of prior years	-	190
Deferred tax adjustments in respect of prior years	-	1,820
Change in tax rates	-	(10,600)
Taxation charge for the year	166,255	116,888

10 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Machines held for hire £	Total £
Cost					
At 1 January 2021	1,729,299	922,858	95,577	1,171,202	3,918,936
Additions	144,040	303,759	-	221,190	668,989
Disposals	-	(229,055)	-	(92,088)	(321,143)
At 31 December 2021	1,873,339	997,562	95,577	1,300,304	4,266,782
Depreciation and impairment					
At 1 January 2021	1,091,185	526,425	40,163	434,111	2,091,884
Depreciation charged in the year	73,942	195,003	28,454	297,661	595,060
Eliminated in respect of disposals	-	(109,220)	-	(82,305)	(191,525)
At 31 December 2021	1,165,127	612,208	68,617	649,467	2,495,419
Carrying amount					
At 31 December 2021	708,212	385,354	26,960	650,837	1,771,363
At 31 December 2020	638,114	396,433	55,414	737,091	1,827,052

11 Stocks

	2021 £	2020 £
Finished goods and goods for resale	2,796,956	1,530,901

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Debtors		
	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	3,109,463	2,539,505
Corporation tax recoverable	32,059	-
Amounts owed by group undertakings	866	-
Prepayments and accrued income	148,997	137,285
	<u>3,291,385</u>	<u>2,676,790</u>
	2021	2020
	£	£
Amounts falling due after more than one year:		
Deferred tax asset (note 15)	113,350	113,350
	<u>113,350</u>	<u>113,350</u>
Total debtors	<u>3,404,735</u>	<u>2,790,140</u>
13 Creditors: amounts falling due within one year		
	2021	2020
	£	£
Bank loans and overdrafts	-	8,041
Trade creditors	229,526	337,804
Amounts owed to group undertakings	3,412,716	2,806,425
Corporation tax	-	123,126
Other taxation and social security	326,179	504,643
Other creditors	18,489	16,525
Accruals and deferred income	953,333	1,082,460
	<u>4,940,243</u>	<u>4,879,024</u>
14 Creditors: amounts falling due after more than one year		
	2021	2020
	£	£
Deferred income	36,760	167,183
Other creditors	21,868	57,740
	<u>58,628</u>	<u>225,223</u>

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2021 £	Assets 2020 £
Balances:		
Accelerated capital allowances	110,235	110,235
Short term timing differences	3,115	3,115
	<u>113,350</u>	<u>113,350</u>

There were no deferred tax movements in the year.

16 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	86,775	83,225
	<u>86,775</u>	<u>83,225</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £16,022 (2020 - £16,399) were payable to the fund at the reporting date.

17 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
2,089,000 ordinary shares of £1 each	2,089,000	2,089,000	2,089,000	2,089,000
	<u>2,089,000</u>	<u>2,089,000</u>	<u>2,089,000</u>	<u>2,089,000</u>

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	302,907	323,988
Between two and five years	274,598	350,696
	<u>577,505</u>	<u>674,684</u>

HAKO MACHINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 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.

20 Ultimate controlling party

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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.