

Company Registration No. 01131717 (England and Wales)

KHS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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KHS UK LIMITED

COMPANY INFORMATION

Directors

Mr A D MacEwan
V G E Borngraeber

Company number

01131717

Registered office

6 Monkspath Business Park
Highlands Road
Shirley
Solihull
West Midlands
B90 4NY

Auditor

Burgis & Bullock
23-25 Waterloo Place
Warwick Street
Leamington Spa
Warwickshire
CV32 5LA

KHS UK LIMITED

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KHS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of the selling and servicing of machinery and spares for the beverage and food industries.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £300,000. 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:

Mr A D MacEwan
V G E Borngraeber

Auditor

Burgis & Bullock are deemed to be re-appointed as auditor of the company in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

KHS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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



Mr A MacEwan (Jul 21, 2021, 12:32pm)

Mr A D MacEwan

Director

21 Jul 2021

Date:

KHS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KHS UK LIMITED

Opinion

We have audited the financial statements of KHS UK Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit And Loss Account, the Balance Sheet, the Statement of Changes in Equity and 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 FRS 101 *Reduced Disclosure Framework* (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 2020 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 unqualified 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.

KHS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KHS UK LIMITED

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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:

- 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
- the company is not entitled to claim exemption in preparing a strategic report due to it being a member of an ineligible group.

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.

KHS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KHS UK LIMITED

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.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Based on our understanding of the company and industry we identified that the principal risk of non-compliance with laws and regulations related to breaches of Companies Act 2006, UK Tax Legislation and UK Employment Law.

We evaluated management incentive and opportunities for fraudulent manipulations of the financial statements and determined the principal risks are related to fraudulent transactions to meet targets.

Audit procedures performed included:

- Identifying and assessing the design effectiveness of controls in management have in place to prevent and detect fraud.
- Challenging assumptions and judgments made by management in their significant accounting estimates and assessing if these indicate evidence of management bias;
- Reviewing the accounting records for large and unusual journal entries and testing any identified and in particular the rationale for any transactions outside the company's normal course of business
- Reviewing the accounting records for large and unusual bank payments and testing any identified and in particular the rationale for any transactions outside the company's normal course of business
- Testing a sample of debit entries in the profit and loss account to check they are bona-fide costs of the business.
- Testing a sample of bank payments to source documentation

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

KHS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KHS UK LIMITED

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.

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.

W A Hubbard

Wende Hubbard (Jul 21, 2021, 6:22pm)

Wende Hubbard FCCA (Senior Statutory Auditor)

For and on behalf of Burgis & Bullock

21 Jul 2021

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Chartered Accountants

Statutory Auditor

23-25 Waterloo Place
Warwick Street
Leamington Spa
Warwickshire
CV32 5LA

KHS UK LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2020**

		2020	2019
	Notes	£	£
Turnover	3	12,036,264	10,323,237
Cost of sales		(9,230,886)	(7,703,377)
Gross profit		2,805,378	2,619,860
Administrative expenses		(1,881,922)	(1,645,591)
Other operating income		37,001	-
Operating profit	4	960,457	974,269
Interest receivable and similar income	7	923	2,254
Interest payable and similar expenses	8	(10,415)	(16,069)
Profit before taxation		950,965	960,454
Tax on profit	9	(181,739)	(181,852)
Profit and total comprehensive income for the financial year		769,226	778,602

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

KHS UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible fixed assets	11	737,087	700,918
Current assets			
Stocks	12	1,141,729	1,092,504
Debtors	14	5,001,559	4,297,356
Cash at bank and in hand		423,037	507,681
		<u>6,566,325</u>	<u>5,897,541</u>
Creditors: amounts falling due within one year	15	<u>(3,422,699)</u>	<u>(3,236,127)</u>
Net current assets		<u>3,143,626</u>	<u>2,661,414</u>
Total assets less current liabilities		<u>3,880,713</u>	<u>3,362,332</u>
Creditors: amounts falling due after more than one year	15	(489,207)	(471,346)
Provisions for liabilities			
Deferred tax liabilities	18	(31,294)	-
Net assets		<u><u>3,360,212</u></u>	<u><u>2,890,986</u></u>
Capital and reserves			
Called up share capital	20	300,000	300,000
Profit and loss reserves		<u>3,060,212</u>	<u>2,590,986</u>
Total equity		<u><u>3,360,212</u></u>	<u><u>2,890,986</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21 Jul 2021..... and are signed on its behalf by:



Mr A MacEwan (Jul 21, 2021, 12:32pm)

Mr A D MacEwan
Director

Company Registration No. 01131717

KHS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		300,000	1,812,384	2,112,384
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	778,602	778,602
Balance at 31 December 2019		300,000	2,590,986	2,890,986
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	769,226	769,226
Dividends	10	-	(300,000)	(300,000)
Balance at 31 December 2020		300,000	3,060,212	3,360,212

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

KHS UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 6 Monkspath Business Park, Highlands Road, Shirley, Solihull, West Midlands, B90 4NY. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework" ("FRS 101") 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 certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- for financial instruments, investment property and biological assets measured at fair value and within the scope of IFRS 13, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value; and
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Salzgitter Ag. The group accounts of Salzgitter Ag are available to the public and can be obtained as set out in note 23.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern

The directors have at the time of approving the financial statements, 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 measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer. Revenue is shown net of VAT and other sales related taxes.

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.

To determine whether to recognise revenue, the company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from the sale of machines and spares for a fixed fee is recognised when or as the company transfers control (usually upon delivery of the goods) of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer. Often the company requires a deposit to be placed upon order of large machines. This is received in advance of any performance obligations being satisfied and therefore is shown as a contract liability until obligations have been satisfied.

The company provides services relating to the modification or repair of new or existing customer machines. Revenue from these services is recognised on a time basis as the services are provided. The company measures its progress towards complete satisfaction of the performance obligation by comparing actual hours spent to date with the total estimated hours required to install each part. The hours-to-hours basis provides the most faithful depiction of the transfer of services to each customer due to the company's ability to make reliable estimates of the total number of hours required to perform, arising from its significant historical experience in providing these services.

Revenue from commissions is recognised when the amount of revenue can be measured reliably, it is probable that the company will receive the consideration due under the contract and both parties have completed their performance obligations in respect of the contract.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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:

Improvements to property	25/33% straight line
Leasehold land and buildings	Over the life of the lease
Fixtures and fittings	25% straight line
Plant and equipment	25% straight line
Motor vehicles	33% straight line

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 recognised in the profit and loss account.

1.5 Impairment of tangible and intangible assets

At each reporting 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.

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.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Cost is based on the cost of purchase on a first in, first out basis.

1.7 Cash at bank and in hand

Cash and cash equivalents 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 assets

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or 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 of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Equity instruments

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

1.11 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.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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.

1.12 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.

1.13 Retirement benefits

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

1.14 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.15 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.16 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.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Critical accounting estimates and judgements

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Stock provision

Company stock levels are constantly reviewed and should there be an indication of impairment or obsolescence, the inventory is written down to its assessed net realisable value.

Recoverability of debtors and accrued income

Trade receivables are reviewed to ensure amounts are in line with agreed terms. A further assessment is made regarding the financial status of companies. If there is an indication of non-recoverability of debtors or accrued income that is to be billed to customers, then a provision will be made against the balances.

3 Turnover

	2020	2019
	£	£
Turnover analysed by class of business		
Sales of goods	3,625,619	3,429,710
Rendering of service and maintenance	2,476,219	2,879,187
Installation and commissioning	5,934,426	4,014,340
	<u>12,036,264</u>	<u>10,323,237</u>

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover

(Continued)

	2020	2019
	£	£
Other significant revenue		
Interest income	923	2,254
Grants received	37,001	-
	<u>37,001</u>	<u>-</u>
	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	10,793,874	9,814,010
Rest of Europe	1,242,390	509,227
	<u>12,036,264</u>	<u>10,323,237</u>

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	257,466	2,322
Government grants	(37,001)	-
Fees payable to the company's auditor for the audit of the company's financial statements	16,000	16,000
Depreciation of property, plant and equipment	224,803	194,438
(Profit)/loss on disposal of tangible fixed assets	-	119
Cost of inventories recognised as an expense	3,948,752	3,738,408
Write downs of inventories recognised as an expense	26,000	48,550
	<u>3,948,752</u>	<u>3,738,408</u>

5 Employees

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

2020	2019
Number	Number
38	37
<u>38</u>	<u>37</u>

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees (Continued)

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	2,211,053	2,223,839
Social security costs	308,245	275,469
Pension costs	108,345	74,720
	<u>2,627,643</u>	<u>2,574,028</u>

6 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	112,547	112,783
Company pension contributions to defined contribution schemes	26,525	26,624
	<u>139,072</u>	<u>139,407</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

7 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	923	2,254
	<u>923</u>	<u>2,254</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on other loans	3,359	11,183
Interest on other financial liabilities:		
Interest on lease liabilities	7,056	4,886
	<u>10,415</u>	<u>16,069</u>
Total interest expense	<u>10,415</u>	<u>16,069</u>

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	149,607	170,498
Adjustments in respect of prior periods	15,750	(11,866)
Total UK current tax	<u>165,357</u>	<u>158,632</u>
Deferred tax		
Origination and reversal of temporary differences	1,158	11,964
Adjustment in respect of prior periods	15,224	11,256
	<u>16,382</u>	<u>23,220</u>
Total tax charge	<u>181,739</u>	<u>181,852</u>

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2020	2019
	£	£
Profit before taxation	<u>950,965</u>	<u>960,454</u>
Expected tax charge based on a corporation tax rate of 19.00% (2019: 19.00%)	180,683	182,486
Effect of expenses not deductible in determining taxable profit	1,671	1,383
Adjustment in respect of prior years	(1,507)	(610)
Effect of change in UK corporation tax rate	980	(1,407)
Other permanent differences	(88)	-
Taxation charge for the year	<u>181,739</u>	<u>181,852</u>

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Dividends

	2020	2019	2020	2019
Amounts recognised as distributions:	per share	per share	Total	Total
	£	£	£	£
Ordinary				
Dividend paid	1.00	-	300,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Tangible fixed assets

	Improvements to property £	Leasehold land and buildings £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost						
At 31 December 2019	182,492	542,736	133,010	38,568	253,408	1,150,214
Additions	9,730	-	4,802	144,547	103,121	262,200
Disposals	-	-	-	-	(35,409)	(35,409)
At 31 December 2020	192,222	542,736	137,812	183,115	321,120	1,377,005
Accumulated depreciation and impairment						
At 31 December 2019	153,521	70,030	110,175	24,045	91,525	449,296
Charge for the year	15,564	70,030	9,021	16,158	114,030	224,803
Eliminated on disposal	-	-	-	-	(34,181)	(34,181)
At 31 December 2020	169,085	140,060	119,196	40,203	171,374	639,918
Carrying amount						
At 31 December 2020	23,137	402,676	18,616	142,912	149,746	737,087
At 31 December 2019	28,971	472,706	22,835	14,523	161,883	700,918

Tangible fixed assets includes right-of-use assets, as follows:

Right-of-use assets	2020 £	2019 £
Net values		
Property	402,676	472,706
Motor vehicles	149,746	161,883
	552,422	634,589
Additions	103,121	796,144
Depreciation charge for the year		
Property	70,030	70,030
Motor vehicles	114,030	91,525
	184,060	161,555

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Stocks

	2020	2019
	£	£
Raw materials	1,141,729	1,092,504

13 Contracts with customers

	Period end 2020	Period start 2019
	£	£
Analysis of contract assets		
Amounts owed from contract customer included in debtors	729,123	207,002
Analysis of contract liabilities		
	2020	2019
	£	£
Advances received for contract work included in creditors	823,321	336,307

Contract liabilities are included within "Creditors: amounts falling due within one year" on the face of the balance sheet. They arise from deposits paid by customers required to place orders for parts and service contract monies received in advance.

Contract assets are included within "Debtors" on the face of the balance sheet. They arise from the satisfaction of performance obligations within the period in advance of the contract invoices being raised.

The company's contracts are for the delivery of goods and services within the next 12 months, for which the practical expedient in paragraph 121(a) of IFRS 15 applies.

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Debtors

	2020 £	2019 £
Trade debtors	4,258,501	3,259,171
Provision for bad and doubtful debts	(150,000)	-
	<u>4,108,501</u>	<u>3,259,171</u>
Amount owed by parent undertaking	73,724	666,547
Prepayments and accrued income	798,500	365,716
	<u>4,980,725</u>	<u>4,291,434</u>
Deferred tax asset	20,834	5,922
	<u>5,001,559</u>	<u>4,297,356</u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

15 Creditors

	Notes	Due within one year		Due after one year	
		2020 £	2019 £	2020 £	2019 £
Creditors	16	2,767,793	2,669,781	-	-
Taxation and social security		477,394	404,180	-	-
Lease liabilities	17	177,512	162,166	489,207	471,346
		<u>3,422,699</u>	<u>3,236,127</u>	<u>489,207</u>	<u>471,346</u>

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Creditors

	2020	2019
	£	£
Trade creditors	155,419	24,206
Amount owed to parent undertaking	1,624,759	2,244,876
Accruals and deferred income	971,880	361,307
Other creditors	15,735	39,392
	<u>2,767,793</u>	<u>2,669,781</u>

17 Lease liabilities

	2020	2019
	£	£
Maturity analysis		
Within one year	185,280	162,166
In two to five years	454,292	362,544
In over five years	48,374	121,250
	<u>687,946</u>	<u>645,960</u>
Total undiscounted liabilities	687,946	645,960
Future finance charges and other adjustments	(21,227)	(12,448)
	<u>666,719</u>	<u>633,512</u>
Lease liabilities in the financial statements	666,719	633,512

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	177,512	162,166
Non-current liabilities	489,207	471,346
	<u>666,719</u>	<u>633,512</u>

	2020	2019
	£	£
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	7,056	4,886

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Lease liabilities

(Continued)

The fair value of the company's lease obligations is approximately equal to their carrying amount.

Lease liabilities represent amounts owed by the company for its property and its cars. The property lease is for a term of ten years with an option to break after five years. The car lease terms are negotiated for an average of 3-4 years. The property rentals are fixed for five years and the car rentals are fixed for three years. The liabilities above are secured over the assets to which they relate.

18 Deferred taxation

	2020 £	2019 £
Deferred tax liabilities	31,294	-
Deferred tax assets	(20,834)	(5,922)
	<u>10,460</u>	<u>(5,922)</u>

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £	Retirement benefit obligations £	Stock provisions £	Revenue provisions £	Total £
Deferred tax asset at 1 January 2019	1,969	(5,610)	(2,648)	(22,852)	(29,141)
Deferred tax movements in prior year					
Credit to profit or loss	6,514	5,449	2,648	8,608	23,219
Deferred tax asset at 1 January 2020	8,483	(161)	-	(14,244)	(5,922)
Deferred tax movements in current year					
Credit to profit or loss	21,812	(1,299)	-	(5,111)	15,402
Effect of change in tax rate - profit or loss	999	(19)	-	-	980
Deferred tax liability at 31 December 2020	31,294	-	-	-	31,294
Deferred tax asset at 31 December 2020	-	(1,479)	-	(19,355)	(20,834)

KHS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Deferred taxation

(Continued)

The deferred tax asset set out above is expected to reverse within 12 months and relates to temporary timing differences. The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

19 Retirement benefit schemes

Defined contribution schemes

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.

The total costs charged to income in respect of defined contribution plans is £108,345 (2019 - £74,720).

20 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	300,000	300,000	300,000	300,000

21 Contingent liabilities

The company has guarantees to HMRC in respect of deferred duties. At the year end the amounts covered by the guarantees totalled £120,000 (2019 - £120,000).

The company has given security over all assets to Natwest in the form of a debenture.

22 Capital commitments

	2020	2019
	£	£
At 31 December 2020 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	-	131,300

23 Controlling party

The company's immediate parent undertaking is KHS GmbH, which is incorporated in Germany. In the directors' opinion, the company's ultimate parent company is Salzgitter Ag which is incorporated in Germany. The registered office of Salzgitter Ag is Eisenhüttenstraße 99, 38239 Salzgitter, Germany. Consolidated financial statements can be found on the company's website - <http://salzgitter-ag.com>