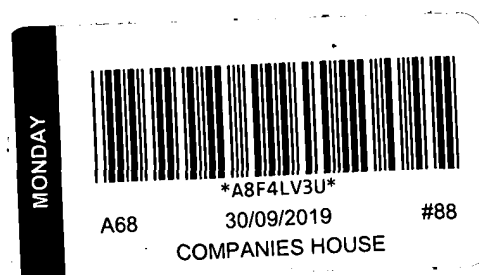


Company Registration No. 01131717 (England and Wales)

**KHS UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



# KHS UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A D MacEwan V G E Borngraeber
<b>Secretary</b>	A J Wheelwright A
<b>Company number</b>	01131717
<b>Registered office</b>	6 Monkspath Business Park Highlands Road Shirley Solihull West Midlands B90 4NY
<b>Auditor</b>	Burgis & Bullock 23-25 Waterloo Place Warwick Street Leamington Spa Warwickshire CV32 5LA

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# KHS UK LIMITED

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# KHS UK LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their annual report and financial statements for the year ended 31 December 2018.

### 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.

### Directors

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

A D MacEwan  
V G E Borngraeber

### Results and dividends

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

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


### Auditor

Burgis & Bullock were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### 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 Alec MacEwan (Sep 29, 2019,  
5:38pm).....

A D MacEwan  
Director

29 Sep 2019

Date: .....

# **KHS UK LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

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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.

# KHS UK LIMITED

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

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### Qualified opinion on financial statements

We have audited the financial statements of KHS UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, 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, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for qualified opinion

As at 31 December 2018, the company had not recognised £189,181 of revenue relating to invoices raised post year end for fulfilled contracts. We consider that the revenue and accrued income have been understated by that amount.

Our testing in respect of the recoverability of trade debtors as at 31 December 2018 was limited by a lack of audit evidence to support the recoverability of amounts totalling approximately £897,212.

Our testing in respect of the existence of consignment stocks as at 31 December 2018 was limited by a lack of audit evidence to support the existence and valuation of amounts totalling £221,300.

The aggregate of the above potential misstatements in combination with other immaterial uncorrected misstatements, is material overall to the financial statements and our report is qualified in this respect. The potential immaterial misstatements are in relation to stock, debtors and creditors and remain uncorrected.

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.

# **KHS UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF KHS UK LIMITED**

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#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of 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.

# KHS UK LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF KHS UK LIMITED

---

#### **Matters on which we are required to report by exception**

In respect solely of the limitation on our work relating to creditors due to group companies, trade debtors and operating leases, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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.

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

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

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



# KHS UK LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF KHS UK LIMITED

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### 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 FCCA (Senior Statutory Auditor)  
for and on behalf of Burgis & Bullock

29<sup>th</sup> September 2019

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 2018

	Notes	2018 £	2017 £
Turnover	3	7,718,129	6,663,091
Cost of sales		(5,000,416)	(5,028,165)
<b>Gross profit</b>		<b>2,717,713</b>	<b>1,634,926</b>
Administrative expenses		(1,321,212)	(1,438,557)
<b>Operating profit</b>	4	<b>1,396,501</b>	<b>196,369</b>
Interest receivable and similar income	8	771	152
Interest payable and similar expenses	9	(16,786)	(14,118)
<b>Profit before taxation</b>		<b>1,380,486</b>	<b>182,403</b>
Tax on profit	10	(280,430)	(32,840)
<b>Profit for the financial year</b>		<b>1,100,056</b>	<b>149,563</b>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# KHS UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2018*

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	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Profit for the year</b>	1,100,056	149,563
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>1,100,056</u>	<u>149,563</u>

# KHS UK LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	11		33,510		14,772
<b>Current assets</b>					
Stocks	12	851,994		589,046	
Debtors	14	4,297,540		2,987,374	
Cash at bank and in hand		783,791		813,267	
		<u>5,933,325</u>		<u>4,389,687</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(3,854,451)</u>		<u>(3,392,131)</u>	
<b>Net current assets</b>			2,078,874		997,556
<b>Total assets less current liabilities</b>			<u>2,112,384</u>		<u>1,012,328</u>
<b>Capital and reserves</b>					
Called up share capital	18	300,000		300,000	
Profit and loss reserves		1,812,384		712,328	
<b>Total equity</b>			<u>2,112,384</u>		<u>1,012,328</u>

The financial statements were approved by the board of directors and authorised for issue on 29.Sep.2019..... and are signed on its behalf by:



Mr Alec MacEwan (Sep 29, 2019, 5:39pm)

A D MacEwan

Director

Company Registration No. 01131717

# KHS UK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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	Share capital	Profit and loss reserves	Total
	£	£	£
<b>Balance at 1 January 2017</b>	300,000	562,765	862,765
<b>Year ended 31 December 2017:</b>			
Profit and total comprehensive income for the year	-	149,563	149,563
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	300,000	712,328	1,012,328
<b>Year ended 31 December 2018:</b>			
Profit and total comprehensive income for the year	-	1,100,056	1,100,056
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	<u>300,000</u>	<u>1,812,384</u>	<u>2,112,384</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 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.

#### 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. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosures exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of IFRS 7 Financial Instruments : Disclosures
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more wholly owned members of the Salzgitter-Ag group.
- the requirements of paragraphs 110, 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- certain comparative information as otherwise required by EU endorsed IFRS
- certain disclosures regarding the company's capital
- the effect of future accounting standards not yet adopted
- the disclosure of the remuneration of key management personnel

#### 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.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 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.

#### 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.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

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	Straight line over the life of the lease
Plant and equipment	25% straight line
Fixtures and fittings	25% 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 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.

#### 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.



# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **1 Accounting policies**

**(Continued)**

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 at bank and in hand**

Cash at bank and in hand 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.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 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.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### ***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.

#### ***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.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### *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.

#### **1.12 Retirement benefits**

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

#### **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 are included in the profit and loss account for the period.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 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.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### 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. During 2019 it was identified that there has been a delay in recovering certain trade debtors that are recognised within the reported balances at 31 December 2018. At the date of approval of the financial statements, circa £897,242 of trade debtors relating to balances recognised in the financial statements had not been recovered. Investigations and action to recover these sums is continuing.

### 3 Turnover and other revenue

	2018	2017
	£	£
<b>Turnover analysed by class of business</b>		
Sales of goods	4,150,294	4,453,407
Rendering of service and maintenance	3,567,835	2,209,684
	<u>7,718,129</u>	<u>6,663,091</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

<b>3</b>	<b>Turnover and other revenue</b>	<b>(Continued)</b>	
		<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	<b>Other significant revenue</b>		
	Interest income	771	152
		<u>          </u>	<u>          </u>
		<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	<b>Turnover analysed by geographical market</b>		
	United Kingdom	6,040,712	4,823,171
	Rest of Europe	1,676,752	1,855,166
	Rest of the world	665	(15,246)
		<u>          </u>	<u>          </u>
		<b>7,718,129</b>	<b>6,663,091</b>
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Operating profit</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Operating profit for the year is stated after charging/(crediting):		
	Exchange losses	13,281	56,483
	Fees payable to the company's auditor for the audit of the company's financial statements	18,250	10,000
	Depreciation of owned tangible fixed assets	18,253	11,603
	Cost of stocks recognised as an expense	2,562,630	2,888,372
	Impairment of stocks recognised or reversed	43,479	(32,212)
	Debtor provisions recognised or reversed	10,016	(36,040)
	Operating lease charges	227,262	222,329
		<u>          </u>	<u>          </u>
Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £13,281 (2017 - £56,483).			
<b>5</b>	<b>Auditor's remuneration</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Fees payable to the company's auditor and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the company	18,250	10,000
		<u>          </u>	<u>          </u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 6 Employees

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

2018 Number	2017 Number
34	34

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,009,486	1,901,707
Social security costs	255,440	251,286
Pension costs	122,975	105,190
	<u>2,387,901</u>	<u>2,258,183</u>

### 7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	118,285	107,594
Company pension contributions to defined contribution schemes	9,242	8,307
	<u>127,527</u>	<u>115,901</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

### 8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	771	152

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 9 Interest payable and similar expenses

	2018	2017
	£	£
Other interest	16,786	14,118
	<u>          </u>	<u>          </u>

### 10 Taxation

	2018	2017
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	264,217	33,076
Adjustments in respect of prior periods	45,131	3,405
	<u>          </u>	<u>          </u>
Total current tax	309,348	36,481
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	396	(3,641)
Changes in tax rates	23	-
Adjustment in respect of prior periods	(29,337)	-
	<u>          </u>	<u>          </u>
Total deferred tax	(28,918)	(3,641)
	<u>          </u>	<u>          </u>
 Total tax charge	 280,430	 32,840
	<u>          </u>	<u>          </u>

The standard rate of corporation tax has changed from the previous period due to changes in government legislation setting the corporation tax main rate at 19%.



# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 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:

	2018 £	2017 £
Profit before taxation	1,380,486	182,403
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	262,292	35,109
Tax effect of expenses that are not deductible in determining taxable profit	2,367	7,484
Adjustments in respect of prior years	15,794	-
Effect of change in corporation tax rate	(23)	-
Permanent capital allowances in excess of depreciation	-	(3,151)
Depreciation on assets not qualifying for tax allowances	-	11,603
Deferred tax adjustments in respect of prior years	-	(18,205)
Taxation charge for the year	280,430	32,840

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Tangible fixed assets

	Improvements to property £	Plant and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2018	149,999	19,211	170,945	340,155
Additions	23,546	-	13,445	36,991
	<u>173,545</u>	<u>19,211</u>	<u>184,390</u>	<u>377,146</u>
At 31 December 2018	173,545	19,211	184,390	377,146
<b>Depreciation and impairment</b>				
At 1 January 2018	149,984	15,024	160,375	325,383
Depreciation charged in the year	5,887	2,090	10,276	18,253
	<u>155,871</u>	<u>17,114</u>	<u>170,651</u>	<u>343,636</u>
At 31 December 2018	155,871	17,114	170,651	343,636
<b>Carrying amount</b>				
At 31 December 2018	<u>17,674</u>	<u>2,097</u>	<u>13,739</u>	<u>33,510</u>
At 31 December 2017	<u>15</u>	<u>4,187</u>	<u>10,570</u>	<u>14,772</u>

### 12 Stocks

	2018 £	2017 £
Raw materials and consumables	<u>851,994</u>	<u>589,046</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Contracts with customers

	2018 £	2017 £
<b>Contracts in progress at the reporting date</b>		
Advances received from customers for contract work included in creditors	1,268,055	309,619
	<u>          </u>	<u>          </u>
Amounts owed from contract customers included in debtors	171,003	138,003
	<u>          </u>	<u>          </u>
<b>Contract revenues recognised</b>		
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	309,619	248,501
	<u>          </u>	<u>          </u>

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.

### 14 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,400,333	2,277,317
Amounts owed by group undertakings	387,067	507,169
Other debtors	-	9,815
Prepayments and accrued income	480,999	192,850
	<u>          </u>	<u>          </u>
	4,268,399	2,987,151
Deferred tax asset (note 16)	29,141	223
	<u>          </u>	<u>          </u>
	<u>4,297,540</u>	<u>2,987,374</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 15 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	131,657	61,963
Amounts owed to group undertakings	1,769,396	2,549,316
Corporation tax	107,862	-
Other taxation and social security	455,883	296,901
Other creditors	91,483	140,533
Accruals and deferred income	1,298,170	343,418
	<u>3,854,451</u>	<u>3,392,131</u>

### 16 Deferred taxation

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

	Assets 2018	Assets 2017
	£	£
<b>Balances:</b>		
Accelerated capital allowances	(1,969)	-
Retirement benefit obligations	5,610	223
Stock provisions	2,648	-
Revenue provisions	22,852	-
	<u>29,141</u>	<u>223</u>
		<b>2018</b>
<b>Movements in the year:</b>		£
Liability/(Asset) at 1 January 2018		(223)
Credit to profit or loss		(28,941)
Effect of change in tax rate - profit or loss		23
		<u>(29,141)</u>
Liability/(Asset) at 31 December 2018		<u>(29,141)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to temporary timing differences.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 17 Retirement benefit schemes

	2018	2017
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	122,975	105,190
	<u>          </u>	<u>          </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.

### 18 Share capital

	2018	2017
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
0 Ordinary of £1 each	300,000	300,000
	<u>          </u>	<u>          </u>

### 19 Financial commitments, guarantees and 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 (2017 - £120,000).

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

### 20 Operating lease commitments

#### Lessee

Operating lease payments represent rentals payable 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 property rentals are fixed for five years and the car rentals are fixed for three years.

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:

	2018	2017
	£	£
Within one year	192,212	182,199
Between two and five years	421,834	460,468
In over five years	200,063	272,813
	<u>          </u>	<u>          </u>
	814,109	915,480
	<u>          </u>	<u>          </u>

# **KHS UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

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### **20 Operating lease commitments**

**(Continued)**

Included within the above disclosures are total lease commitments including elements relating to maintenance requirements amounting to £329,271.

### **21 Ultimate 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>