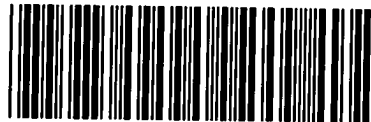


Company registration number 01131717 (England and Wales)

**KHS UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

TUESDAY



\*AC9YUTYQ\*

A05

15/08/2023

#191

COMPANIES HOUSE

# KHS UK LIMITED

## COMPANY INFORMATION

---

**Directors** Mr A Carter (Appointed 1 April 2022)  
V G E Borngraeber

**Company number** 01131717

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

**Auditor** Thomas & Young Limited  
Carleton House  
266-268 Stratford Road  
Shirley  
Solihull  
B90 3AD

---

# **KHS UK LIMITED**

## **CONTENTS**

---

	<b>Page</b>
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Income statement	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 24

---

# KHS UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

The directors present the strategic report for the year ended 31 December 2022.

#### 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.

#### Fair review of the business

The results for the year and the financial position of KHS UK Limited are shown in the annexed financial statements.

KHS UK Limited ("KHS UK") is a wholly owned subsidiary of KHS GmbH and is responsible for the sale, servicing and upgrading of KHS machinery in the UK and Ireland. KHS UK was incorporated in 1973 and the group is regarded as one of the leading suppliers of machinery to the food and beverage industry in the UK and Ireland.

There were no major changes to the Company and Group structure during the year. There have been no significant post balance sheet events.

In 2022 the company returned to more stable trading conditions following challenging years as a result of COVID-19 and Brexit. With the Russian-Ukrainian War and UK economic inflationary pressures being prevalent in 2022, the company continued to face exchange rate volatility and rising operational costs. Despite this, KHS UK remained profitable and turned a profit before taxation of £2.33m (2021: £2.33m) and final dividends of £750K were paid (2021: £450K). The profit and loss reserves of the Company at the year-end were £5.63m (2021: £4.49m).

#### Principle risks and uncertainties

The main risks arising from KHS UK's activities are exchange rate risk and credit risk. The Board of directors' reviews these risks and agreed the following policies for managing each of these risks.

##### Exchange rate risk

KHS UK purchases a substantial amount of parts from KHS GmbH in EUR currency, and contracts with customers in Ireland in Euros, albeit on a much smaller scale. KHS UK also undertakes installation and commissioning projects for KHS GmbH in Euros. A significant movement in the EUR: GBP rate can therefore lead to exchange gains or losses accumulating in the financial results. The company manages this risk by carefully monitoring exchange rate movements and considers hedging and forward contracts when appropriate.

##### Credit risk

A significant proportion of KHS UK's current assets are derived from Trade Receivables, which are inherently subject to credit risk. The risk is concentrated to a limited number of customers at any point in time and includes receivables from the company's parent company KHS GmbH. The company's key account customers are also customers of the group and have excellent credit ratings. Despite this, KHS UK conducts ongoing monitoring of trade receivables, and the use of external credit agency data is used to manage this risk.

# KHS UK LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

### Key performance indicators

We believe that the KPI's defined below provide a rounded view as to how the company is performing against our primary objectives and strategies. These KPI's encompass the important areas of customer service, as well as financial indicators taking into consideration the interests of all our stakeholders.

Turnover for the year was £16.54m (2021: £14.28m) and has increased in line with expectations. This is largely from increased spare parts sales of £3.4m as a result of the impact of Brexit and customs compliance on UK customers of the KHS Group. Despite focused efforts on our installation and commissioning projects, the UK's economic environment has reduced UK companies available capital budgets, as a result of which the installation and commissioning income has reduced by £442k. This has had a similar effect on modifications which reduced by £795K on the prior year.

Gross Margin was 29.25% (2021: 26.35%). During 2022 the company faced operational difficulties with installation and commissioning projects, resulting in unrecoverable overall gross losses amounting to £206K. With the intention of mitigating future risks, the company has now revised the proposal process in the early stages of these projects to include contingencies and protect project profitability. Spares global account agreements and pricing lists were reviewed during 2022 which has contributed to an increase in spares gross margins.

Profit before tax was £2.33m (2021: £2.33m).

Key non-financial indicators including the monitoring of our employee's health and safety and welfare, of which there were no accidents in the year or reportable health and safety incidents. Welfare of our employee's has continued to improve with the maintained flexibility of home working providing an improved work life balance.

On behalf of the board



Mr A Carter  
Director

Date: 07/08/2023

# KHS UK LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

The directors present their annual report and financial statements for the year ended 31 December 2022.

#### Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £750,000. 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 Carter

(Appointed 1 April 2022)

V G E Borngraeber

A D MacEwan

(Resigned 31 March 2022)

#### Auditor

Thomas & Young Limited 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 A Carter

Director

Date: 07/08/2023

## **KHS UK LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

---

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.

# 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 2022 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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



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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included the following.

- Enquiry of management and those charged with governance around actual and potential litigation and claims.
- Assessing the extent of compliance with the laws and regulations considered to have a material effect on the financial statements or the operations of the company through enquiry and inspection.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for indicators of potential bias.

## KHS UK LIMITED

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

---

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.

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.



**Mark McLean FCA (Senior Statutory Auditor)**  
**For and on behalf of Thomas & Young Limited**

Date: 10/8/23

**Chartered Accountants**  
**Statutory Auditor**

Carleton House  
266-268 Stratford Road  
Shirley  
Solihull  
B90 3AD

# KHS UK LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Revenue	3	16,540,965	14,275,984
Cost of sales		(12,013,375)	(10,514,457)
<b>Gross profit</b>		<b>4,527,590</b>	<b>3,761,527</b>
Administrative expenses		(2,184,424)	(1,419,897)
<b>Operating profit</b>	4	<b>2,343,166</b>	<b>2,341,630</b>
Investment income	7	2,352	83
Finance costs	8	(15,198)	(11,743)
<b>Profit before taxation</b>		<b>2,330,320</b>	<b>2,329,970</b>
Tax on profit	9	(441,588)	(450,729)
<b>Profit and total comprehensive income for the financial year</b>		<b>1,888,732</b>	<b>1,879,241</b>

The income statement has been prepared on the basis that all operations are continuing operations.

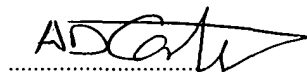
# KHS UK LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Non-current assets</b>					
Property, plant and equipment	11		827,758		632,459
<b>Current assets</b>					
Inventories	12	3,007,051		1,105,372	
Trade and other receivables	14	8,106,319		5,925,269	
Cash and cash equivalents		770,716		695,362	
		11,884,086		7,726,003	
<b>Current liabilities</b>	15	(6,285,269)		(3,135,247)	
<b>Net current assets</b>			5,598,817		4,590,756
<b>Total assets less current liabilities</b>			6,426,575		5,223,215
<b>Non-current liabilities</b>	15		(443,617)		(399,873)
<b>Provisions for liabilities</b>					
Deferred tax liabilities	18		(54,773)		(33,889)
<b>Net assets</b>			5,928,185		4,789,453
<b>Equity</b>					
Called up share capital	20		300,000		300,000
Retained earnings			5,628,185		4,489,453
<b>Total equity</b>			5,928,185		4,789,453

The financial statements were approved by the board of directors and authorised for issue on 07/08/2023 and are signed on its behalf by:



Mr A Carter  
Director

Company registration number 01131717

# KHS UK LIMITED

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Share capital £	Retained earnings £	Total £
<b>Balance at 1 January 2021</b>		300,000	3,060,212	3,360,212
<b>Year ended 31 December 2021:</b>				
Profit and total comprehensive income for the year		-	1,879,241	1,879,241
Transactions with owners in their capacity as owners:				
Dividends	10	-	(450,000)	(450,000)
<b>Balance at 31 December 2021</b>		300,000	4,489,453	4,789,453
<b>Year ended 31 December 2022:</b>				
Profit and total comprehensive income for the year		-	1,888,732	1,888,732
Transactions with owners in their capacity as owners:				
Dividends	10	-	(750,000)	(750,000)
<b>Balance at 31 December 2022</b>		300,000	5,628,185	5,928,185

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 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

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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, except for right of use assets for which the accounting policy is set out below. 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 22.

#### 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 Revenue

Revenue 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.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

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

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- 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 the installation of entire lines and single machines is recognised in line with the performance obligations of the contract. Due to new and unpredictable nature of these contracts, revenue is recognised at cost value.

Revenue from commissions is recognised when the amount of revenue can be measure 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 Property, plant and equipment

Property, plant and equipment 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:

Leasehold land and buildings	over the life of the lease
Leasehold improvements	25/33% straight line
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 income statement.

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

##### 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.

##### 1.6 Inventories

Inventories 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 inventories to their present location and condition.

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

##### 1.7 Cash and cash equivalents

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 statement of financial position 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.



# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

##### **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.

##### **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 carried at amortised cost and FVOCI are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

##### **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 2022

---

#### 1 Accounting policies

(Continued)

##### **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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax 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 income statement, 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 inventories or non-current assets.

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

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

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 1 Accounting policies

(Continued)

#### 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 property, plant and equipment, apart from those that meet the definition of investment property.

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 property, plant and equipment. 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 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 2022

### 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 Revenue

	2022 £	2021 £
<b>Revenue analysed by class of business</b>		
Sales of goods	8,220,581	4,945,962
Rendering of service and maintenance	2,591,061	2,357,036
Installation and commissioning	5,729,323	6,972,986
	<u>16,540,965</u>	<u>14,275,984</u>
	2022 £	2021 £
<b>Revenue analysed by geographical market</b>		
United Kingdom	15,703,539	13,733,110
Rest of Europe	837,426	542,874
	<u>16,540,965</u>	<u>14,275,984</u>
	2022 £	2021 £
<b>Other income</b>		
Interest income	<u>2,352</u>	<u>83</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	188,055	(92,370)
Fees payable to the company's auditor for the audit of the company's financial statements	14,400	11,000
Depreciation of property, plant and equipment	257,397	251,139
(Profit)/loss on disposal of property, plant and equipment	-	330
Cost of inventories recognised as an expense	6,553,673	3,948,752

### 5 Employees

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

	2022 Number	2021 Number
Service	30	27
Sales	5	5
Admin	5	4
Total	40	36

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	2,343,529	2,164,596
Social security costs	300,597	273,378
Pension costs	109,741	109,873
	2,753,867	2,547,847

### 6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	127,137	103,179
Company pension contributions to defined contribution schemes	14,475	25,788
Compensation for loss of office	82,478	-
	224,090	128,967

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 7 Investment income

	2022 £	2021 £
<b>Interest income</b>		
Interest on bank deposits	2,352	83

### 8 Finance costs

	2022 £	2021 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on lease liabilities	9,078	3,973
Interest on other loans	6,120	7,770
	15,198	11,743

### 9 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	420,704	427,300
<b>Deferred tax</b>		
Origination and reversal of temporary differences	20,884	23,429
<b>Total tax charge</b>	441,588	450,729

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £	2021 £
Profit before taxation	2,330,320	2,329,970
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	442,761	442,694
Effect of expenses not deductible in determining taxable profit	2,261	2,240
Adjustment in respect of prior years	-	(908)
Effect of change in UK corporation tax rate	5,013	8,134
Other permanent differences	(8,447)	(1,431)
<b>Taxation charge for the year</b>	441,588	450,729

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 10 Dividends

Amounts recognised as distributions:	2022 per share £	2021 per share £	2022 Total £	2021 Total £
<b>Ordinary</b>				
Final dividend paid	2.50	1.50	750,000	450,000

#### 11 Property, plant and equipment

	Leasehold land and buildings £	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 January 2022	542,736	197,814	195,167	142,749	288,974	1,367,440
Additions	101,988	96,013	42,812	41,597	170,286	452,696
Disposals	-	(7,470)	(10,503)	(49,446)	-	(67,419)
At 31 December 2022	644,724	286,357	227,476	134,900	459,260	1,752,717
<b>Accumulated depreciation and impairment</b>						
At 1 January 2022	210,091	172,528	83,598	119,228	149,536	734,981
Charge for the year	81,033	20,482	49,995	18,037	87,850	257,397
Eliminated on disposal	-	(7,470)	(10,503)	(49,446)	-	(67,419)
At 31 December 2022	291,124	185,540	123,090	87,819	237,386	924,959
<b>Carrying amount</b>						
At 31 December 2022	353,600	100,817	104,386	47,081	221,874	827,758
At 31 December 2021	332,645	25,286	111,569	23,521	139,438	632,459

Property, plant and equipment includes right-of-use assets, as follows:

<b>Right-of-use assets</b>	<b>2022 £</b>	<b>2021 £</b>
<b>Net values at the year end</b>		
Property	353,600	332,645
Motor vehicles	221,874	139,438
	<u>575,474</u>	<u>472,083</u>
<b>Total additions in the year</b>	<u>170,286</u>	<u>94,150</u>
<b>Depreciation charge for the year</b>		
Property	81,033	70,031
Motor vehicles	87,850	104,458
	<u>168,883</u>	<u>174,489</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 11 Property, plant and equipment (Continued)

### 12 Inventories

	2022 £	2021 £
Raw materials	3,007,051	1,105,372

### 13 Contracts with customers

Analysis of contract assets	Period end 2022 £	Period start 2021 £
Amounts owed from contract customer included in debtors	3,257,779	1,489,236
Analysis of contract liabilities	2022 £	2021 £
Advances received for contract work included in creditors	1,460,757	658,835

Contract liabilities are included within "Trade and other receivables" 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.

Contract liabilities are included within "Current liabilities" 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.

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 Trade and other receivables

	2022 £	2021 £
Trade receivables	4,687,803	2,632,318
Provision for bad and doubtful debts	(150,000)	(150,000)
	4,537,803	2,482,318
Corporation tax recoverable	118,941	43,380
Amount owed by parent undertaking	120,632	1,781,102
Prepayments and accrued income	3,328,943	1,618,469
	8,106,319	5,925,269



# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 14 Trade and other receivables

(Continued)

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

#### 15 Liabilities

	Notes	Current 2022 £	2021 £	Non-current 2022 £	2021 £
Trade and other payables	16	5,389,692	2,546,332	-	-
Taxation and social security		697,585	424,729	-	-
Lease liabilities	17	197,992	164,186	443,617	399,873
		<u>6,285,269</u>	<u>3,135,247</u>	<u>443,617</u>	<u>399,873</u>

#### 16 Trade and other payables

	2022 £	2021 £
Trade payables	256,955	392,114
Amount owed to parent undertaking	3,200,575	1,129,453
Accruals and deferred income	1,932,162	1,024,765
	<u>5,389,692</u>	<u>2,546,332</u>

#### 17 Lease liabilities

Maturity analysis	2022 £	2021 £
Within one year	197,992	164,185
In two to five years	443,617	399,874
	<u>641,609</u>	<u>564,059</u>

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:

	2022 £	2021 £
Current liabilities	197,992	164,186
Non-current liabilities	443,617	399,873
	<u>641,609</u>	<u>564,059</u>

# KHS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 17 Lease liabilities (Continued)

	2022 £	2021 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	9,078	3,973

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 long 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

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

	ACAs £	Retirement benefit obligations £	Revenue provisions £	Total £
Liability at 1 January 2021	31,294	-	-	31,294
Asset at 1 January 2021	-	(1,479)	(19,355)	(20,834)
<b>Deferred tax movements in prior year</b>				
Charge/(credit) to profit or loss	(7,017)	1,676	19,355	14,014
Effect of change in tax rate - profit or loss	9,882	(467)	-	9,415
Liability at 1 January 2022	34,159	(270)	-	33,889
<b>Deferred tax movements in current year</b>				
Charge/(credit) to profit or loss	20,614	270	-	20,884
Liability at 31 December 2022	54,773	-	-	54,773

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

	2022 £	2021 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	109,741	109,873

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.

## KHS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 20 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid Ordinary of £1 each	300,000	300,000	300,000	300,000

#### 21 Contingent liabilities

The company guarantees to HMRC in respect of deferred duties. At the year end the amounts covered by the guarantees totalled £120,000 (2021 - £120,000).

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

#### 22 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>.