

KI Kitchens Limited

Directors' report and financial statements

Registered number SC151458

30 September 2022

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Directors and advisers

Directors

A R Donaldson CA
M J Donaldson
A Cairns ACMA
S M Stephens
G W Watson

Secretary

N J McMillan

Registered Office

Donaldson House
Saltire Centre
Pentland Park
Glenrothes
KY6 2AG

Directors' report

The directors present their report and the financial statements for the year ended 30 September 2022.

Principal activities

The principal activities of the Company continue to be the supply and installation of fitted home furniture.

Dividends


No dividend was paid during the year (2021: £nil).

Directors

The directors are as noted on page 1.

Going Concern

The directors are required by company law to set out a fair review of the business, its position at the period end, future developments and a description of the risks and uncertainties facing the Company. This is included within the Strategic report and in note 1 to the financial statements.



A R Donaldson CA
Director

Donaldson House
Glenrothes
19 May 2023

Strategic report

Business review and results

The Company and Group has produced another solid set of results for the year to 30 September 2022. The profit before tax was £52,000 (2021: £38,000). At this level of profitability our return on turnover equates to 3.4% (2021: 3.8%). The overall market, while remaining strong, has experienced continued price inflation, albeit we have seen a levelling off in recent months.

The Company's costs remain well controlled with average head count levels remaining steady. We continue to invest in our people throughout the Company and are committed to providing them a safe and healthy environment in which to work.

The Company is well funded and, with the support of the Group, will look to take advantage of all opportunities which may arise in the year ahead as we look to further grow our market share.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business, together with the Group's approach to them, are considered to be:

Risk	Mitigation
Competition – The Company operates in a highly competitive and commoditised marketplace.	The diversity of our product mix, and geographic spread helps to minimise this risk. Having the right leaders who understand our markets is key to managing our competitive position.
Raw materials & Supply Chain Issues - Although pricing has normalised in the final quarter of the financial year we have experienced an unprecedented high-tide mark for our raw material prices. Global demand for our products remains strong.	We continue to trade with key suppliers, with whom we have long standing relationships. This has served the business well in the past and is predicted to do so again in the coming year as we start to see more pricing volatility again in the market.
Credit risk – There is always a potential risk of credit default and the current market conditions have heightened this risk as companies fight to keep the supply chain moving and maintain sufficient liquidity.	The Company maintains strong relationships with each of its key customers where possible and holds credit insurance cover as a prudent measure in case of default. Exposure limits and aged debt positions are monitored closely.

Strategic report (continued)

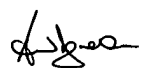
Principal risks and uncertainties (continued)

<p>Cyber Security – Maintaining adequate security against potential cyber-attacks remains a priority for the business.</p>	<p>We have strengthened many of our day-to-day security measures across our infrastructure. We have also further bolstered our Information Technology resource to ensure our networks remain secure.</p>
<p>Safety, Health and Environmental – Breaches of SHE legislation can result in workplace injuries, environmental damage or physical damage to our sites. This could result in financial penalties, reputational damage and delays to operations.</p>	<p>In addition to SHE policies and procedures, we have documented safe systems of work for all tasks completed within the Company. These, in addition to robust competency-based assessments, works council meetings, and hazard alert systems ensure everyone is working and behaving safely.</p>
<p>Recession – The current and future economic position could have an impact across the Group as the construction market slows down following what was exceptional volume growth in the last two years.</p>	<p>As a Company we aim to be diversified in terms of product proposition as well as the markets and customer segments we operate in. We have strong financial governance and controls to ensure we utilise and manage cash, which will help us navigate the potential slower trading periods. The Company is part of a larger and well diversified Group and therefore assistance would be made available to the Company by the Donaldson Group as required.</p>

Whilst we all face into the likelihood of economic instability post pandemic, unpredictable pricing inflation and supply chain constraints, the business is well positioned to navigate these challenges. All our businesses continue to perform well and have strong order books and pipelines well into 2023. Key performance indicators include the monitoring of profitability and the management of working capital. The Directors' assessment of the Company's ability to continue as a going concern is outlined in note 1 of the financial statements.

The Company and Group achieved an exceptional result for the period despite the challenging conditions faced and can boast a strong statement of financial position together with comfortable funding availability. As such, the Directors' consider it is well placed to produce another strong result in the next financial year.

By order of the board


A R Donaldson CA
Director

Donaldson House
Glenrothes
19 May 2023

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report, Strategic 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income statement and other comprehensive income

for the year ended 30 September 2022

		12 Months ended 30 September	9 Months ended 30 September
	Notes	2022 £'000	2021 £'000
Turnover	1	1,538	1,002
Cost of sales		(899)	(656)
Gross profit		<u>639</u>	<u>346</u>
Administrative expenses		(587)	(308)
Operating profit and profit before taxation		<u>52</u>	<u>38</u>
Tax on profit on ordinary activities	4	(10)	(7)
Profit for the financial year		<u><u>42</u></u>	<u><u>31</u></u>

All activities of the company are continuing operations.

There were no items of other comprehensive income in the year or in the previous period.

The notes on pages 11 to 16 form part of these financial statements.

Statement of financial position
as at 30 September 2022

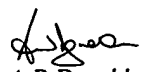
	Notes	2022 £'000	2021 £'000
Current assets			
Inventories	5	48	60
Debtors	6	644	346
Cash at bank and in hand		1	114
		<u>693</u>	<u>520</u>
Creditors: amounts falling due within one year	7	(380)	(249)
		<u>313</u>	<u>271</u>
Net current assets		313	271
Total assets less current liabilities		313	271
Capital and reserves			
Called up share capital	8	1	1
Retained earnings		312	270
		<u>313</u>	<u>271</u>
Shareholders' funds		313	271

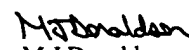
For the year ended 30 September 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The Members have not required the company to obtain an audit of its accounts in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

These financial statements were approved by the board of directors on 19 May 2023 and were signed on its behalf by:


A R Donaldson CA
Director


M J Donaldson
Director

Statement of changes in equity

for the year ended 30 September 2022

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2020	1	239	240
Profit for the period and other comprehensive income for the period	-	31	31
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2021	1	270	271
Profit the year and other comprehensive income for the year	-	42	42
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2022	1	312	313
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements and have remained unchanged from the previous year.

Basis of preparation

The Company's financial statements are prepared under the historical cost convention and in accordance with FRS102. There were no material departures from that standard.

As the Company is a wholly owned subsidiary of James Donaldson Group Limited, and subsequently a qualifying entity under FRS102, the company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions with entities which form part of the Group (or investees of the group qualifying as related parties). The consolidated financial statements of James Donaldson Group Limited, within which this company is included, can be obtained from the address given in note 10.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS102) and has applied the exemptions available under FRS102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period.
- Cash Flow Statement and related notes.
- Key Management Personnel compensation.

Going concern

The Directors have prepared these financial statements on a going concern basis.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period.

KI Kitchens Limited is dependent upon its immediate parent company, James Donaldson Group Limited, which holds the external banking facilities. The parent company has indicated its intention to continue to make available such funds as are needed by the Company.

In determining whether the accounts can be prepared on a going concern basis, the directors considered the Company's and the Group's business activities together with factors likely to affect its future development, performance and financial position, including cash flows, liquidity and borrowing facilities and uncertainties relating to its business activities.

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. The directors have prepared these financial statements on a going concern basis.

1 Accounting policies (continued)

Revenue recognition

Turnover represents the amounts (excluding value added tax and net of trade discounts) derived from the provision of goods and services to customers during the period. Turnover is recognised when goods are supplied or delivered and the risk of ownership has passed to the customer, and when the amount receivable is fixed or determinable. Revenue from the provision of services is recognised in the period in which the services are provided.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the income statement using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currencies accounting policy). Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Inventories

Inventories are stated at the lower of actual cost and estimated selling price less costs to sell. In determining the cost of raw materials and other stocks including timber, purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is expected tax payable or receivable on the income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on the liability method to take account of all timing differences between the treatment of items for taxation and accounting purposes. Deferred tax is provided at the rate of tax that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pensions

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to profit or loss in the period to which they relate.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the statement of financial position date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

1 Accounting policies (*continued*)

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

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

2 Critical accounting 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 accounting 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.

There are no estimates or assumptions which are deemed to have a significant risk of causing a material adjustment to these financial statements.

3 Staff costs and directors' emoluments

The average number of employees during the period analysed by category was:

	Number of employees	
	2022	2021
Administration	7	7
	<u>7</u>	<u>7</u>
	<u><u>7</u></u>	<u><u>7</u></u>

The aggregate payroll costs of these persons were as follows:

	12 Months ended	9 Months ended
	30 September 2022	30 September 2021
	£'000	£'000
Wages and salaries	299	169
Pension costs	23	6
	<u>322</u>	<u>175</u>
	<u><u>322</u></u>	<u><u>175</u></u>

The emoluments of the directors dealt with in the accounts amount to £ *nil* (2021: £*nil*). No retirement benefits are accruing under the group's defined contribution pension scheme to any directors (2021: *None*)

4 Tax on profit on ordinary activities

Analysis of charge for the year

	12 Months ended	9 Months ended
	30 September 2022	30 September 2021
	£'000	£'000
<i>Corporation tax</i>		
UK corporation tax	10	7
	<u>10</u>	<u>7</u>
Tax on profit on ordinary activities	<u><u>10</u></u>	<u><u>7</u></u>

4 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the year

The current tax charge in the year is equal to (2021: equal) the standard rate of corporation tax in the UK 19% (2021: 19%). The differences are explained below:

	12 Months ended 30 September 2022 £'000	9 Months ended 30 September 2021 £'000
Profit on ordinary activities before tax	52	38
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	10	7
Tax charge for the year	10	7

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and a reduction to 17% was due to be effective 1 April 2020. Subsequently a decision was made to maintain the corporation tax rate at 19%. The Finance Act 2021 was 'substantively enacted' on 24 May 2021. This increased the main rate of corporation tax applicable to 25% from 1 April 2023, replacing the 20% rate previously effective from that date. The closing deferred tax assets and liabilities have been calculated in accordance with relevant tax rates.

5 Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	35	35
Work in progress	12	25
Finished goods	1	-
	48	60

6 Debtors

	2022 £'000	2021 £'000
Trade debtors	116	45
Amounts owed by group undertakings	489	277
Prepayments and accrued income	39	24
	644	346

7 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Amounts due to group undertakings	-	7
Corporation tax	10	-
Accruals and deferred income	370	242
	<u>380</u>	<u>249</u>

8 Share Capital

	2022	2021
	£'000	£'000
<i>Allotted, called up and fully paid</i> 1,000 Ordinary shares of £1	<u>1</u>	<u>1</u>

9 Pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £23,367 (2021: £6,094).

10 Ultimate parent company

The ultimate parent company is James Donaldson Group Limited which is incorporated in Great Britain and registered in Scotland. The registered address of James Donaldson Group Limited is the same as this company's registered address.

The accounts of this company are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.