

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

FOR

KERN LIMITED

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KERN LIMITED

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KERN LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTOR:	Mr U Kern
SECRETARY:	George Hay & Company
REGISTERED OFFICE:	83 Cambridge Street London SW1V 4PS
REGISTERED NUMBER:	01727919 (England and Wales)
INDEPENDENT AUDITORS:	Kreston Reeves LLP 9 Donnington Park 85 Birdham Road Chichester West Sussex PO20 7AJ
BANKERS:	National Westminster Bank plc St James's and Piccadilly 208 Piccadilly London W1J 9HE

KERN LIMITED (REGISTERED NUMBER: 01727919)**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021**

	Notes	2021 £	2020 £
ASSETS			
FIXED ASSETS			
Tangible assets	5	21,460	39,909
CURRENT ASSETS			
Stocks	6	450,789	557,441
Debtors	7	461,516	829,140
Cash at bank		<u>103,368</u>	<u>82,950</u>
		<u>1,015,673</u>	<u>1,469,531</u>
		<u>1,037,133</u>	<u>1,509,440</u>
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	8	1,250,000	1,250,000
Retained earnings		<u>(3,774,050)</u>	<u>(3,242,340)</u>
SHAREHOLDERS' FUNDS		(2,524,050)	(1,992,340)
PROVISIONS FOR LIABILITIES	9	108,007	102,864
CREDITORS			
Amounts falling due within one year	10	<u>3,453,176</u>	<u>3,398,916</u>
		<u>3,453,176</u>	<u>3,398,916</u>
		<u>1,037,133</u>	<u>1,509,440</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the director and authorised for issue on March 25, 2022 and were signed by:



Mr U Kern - Director

The notes on pages 3 to 10 form part of these financial statements

KERN LIMITED

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

1. STATUTORY INFORMATION

Kern Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

KERN LIMITED

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

2. ACCOUNTING POLICIES

BASIS OF PREPARING THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has claimed exemption from preparing a cash flow statement under the small entity provisions of Section 1A.

Going concern:

The financial statements have been prepared on the going concern basis as the director has prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the company is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that the continued impact of the pandemic, combined with other supply and business constraints, could have a significant impact on Kern Limited.

It is feasible that these factors may result in the company requiring financial support from its immediate parent, Kern AG. Kern AG and the KERN Group have also been affected by the COVID-19 pandemic, to the extent that it they have taken out COVID-19 loans. Under the terms of these loans the parent is currently unable to provide direct cash support to the company. Kern AG has pledged to continue to provide support through alternative measures for a period of at least 12 months, as required, from the date of signing these financial statements.

Although the company forecasts improvement that would mean it does not require financial assistance, the presence of the factors noted above, is sufficient to indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

However, Kern Group has been investing heavily in diversifying its product portfolio in the area of packaging and logistic solutions. At the same time, traditional inserting is still considered a viable business and continues to consume substantial development resources. Several subsidiaries have undergone successful restructuring programs in recent years, Kern Limited is still undergoing its restructuring phase.

The Group's Board of Directors expects that the restructuring measures and the investments in new developments will succeed in improving financial performance. Kern group net sales have increased by 20% (CHF 16.1m) year on year, with a gross profit increase of 5% (CHF 3.3m) year on year. For these reasons, the Group's Board of Directors is confident that Kern AG and consequently Kern Limited will remain in business for the foreseeable future.

The director is therefore expecting to be able to continue to trade for a period of at least 12 months from the date of approval of the financial statements and has therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

The following principal accounting policies have been applied:

KERN LIMITED

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

2. ACCOUNTING POLICIES - continued

REVENUE

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of discounts, VAT and other sales related taxes.

Sales revenues fall into three different types:

- Bespoke machines; revenue recognised on delivery of machine
- Parts and spares; revenue recognised on delivery of the order
- Service contracts; revenue recognised on a deferred basis over the life of the contract

Where a customer requests to enter a bill and hold arrangement the revenue is only recognised where a formal contract has been entered into and the following conditions are met:

- the product is separately identifiable and belonging to the customer, and
- the product is ready for physical transfer to the customer, and
- the company does not have the ability to use the product or direct it to another customer.

TANGIBLE FIXED ASSETS

Tangible fixed assets under the historical cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Leasehold improvements - straight line over period of lease
Plant and machinery - straight line over 3-5 years

The residual values of tangible fixed assets, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised on the disposal date.

KERN LIMITED

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

2. ACCOUNTING POLICIES - continued

STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is calculated on a weighted average basis.

Work in progress and finished goods include labour and attributable overheads.

At each reporting date stocks are assessed for impairment. If stock is impaired the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

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 statement of financial position 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.

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, 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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

TAXATION

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The company's functional and presentational currency is GBP.

PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

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.

PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made they are charged to the provision carried in the Statement of Financial Position.

OTHER INCOME

Rental income from the sub-lease of a building is recognised as other operating income on a straight-line basis over the term of the sub-lease.

KERN LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****3. EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 25 (2020 - 25).

4. AUDITORS' REMUNERATION

	2021	2020
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>14,000</u>	<u>17,750</u>

5. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Totals £
COST			
At 1 January 2021 and 31 December 2021	<u>379,056</u>	<u>580,191</u>	<u>959,247</u>
DEPRECIATION			
At 1 January 2021	345,846	573,492	919,338
Charge for year	<u>15,146</u>	<u>3,303</u>	<u>18,449</u>
At 31 December 2021	<u>360,992</u>	<u>576,795</u>	<u>937,787</u>
NET BOOK VALUE			
At 31 December 2021	<u>18,064</u>	<u>3,396</u>	<u>21,460</u>
At 31 December 2020	<u>33,210</u>	<u>6,699</u>	<u>39,909</u>

6. STOCKS

	2021	2020
	£	£
Raw materials and consumables	205,636	285,094
Work-in-progress	59,517	161,909
Finished goods	<u>185,636</u>	<u>110,438</u>
	<u>450,789</u>	<u>557,441</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade debtors	190,697	546,949
Other debtors	101,780	98,911
Prepayments and accrued income	<u>169,039</u>	<u>183,280</u>
	<u>461,516</u>	<u>829,140</u>

KERN LIMITED

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

8. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2021	2020
Number:	Class:		£	£
1,250,000	Ordinary	£1	<u>1,250,000</u>	<u>1,250,000</u>

9. PROVISIONS FOR LIABILITIES

	2021	2020
	£	£
Dilapidations	<u>108,007</u>	<u>102,864</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade creditors	249,245	296,034
Amounts owed to group undertakings	2,242,241	1,904,630
Social security and other taxes	117,695	183,721
Other creditors	39,082	36,916
Accruals and deferred income	<u>804,913</u>	<u>977,615</u>
	<u>3,453,176</u>	<u>3,398,916</u>

11. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021	2020
	£	£
Within one year	200,949	207,423
Between one and five years	<u>75,559</u>	<u>272,845</u>
	<u>276,508</u>	<u>480,268</u>

KERN LIMITED

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

12. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

We draw attention to note 2 in the financial statements, which explains that the company may require further funds to finance its activities going forward, and that there is uncertainty that the wider group and the company's parent, KERN AG, will be able to provide funding as necessary. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed on 25 March 2022 by Simon Webber BA (Hons), DChA, FCA (Senior Statutory Auditor) for and on behalf of Kreston Reeves LLP

13. PENSION COMMITMENTS

The company operates a defined benefit contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £85,899 (2020: £76,022). Contributions totalling £8,125 (2020: £7,106) were payable to the fund at the reporting date and are included in creditors.

14. RELATED PARTY DISCLOSURES

The company has taken advantage of exemptions under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

15. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Kern AG, which is itself a subsidiary of Kern Holding AG. Both entities are incorporated in Switzerland.

The ultimate controlling party of Kern Holding AG is Mr U Kern.

The largest group in which the results of the company are consolidated is that headed by Kern Holding AG. The smallest group in which they are consolidated is that headed by Kern AG.