

**Kardex Systems (UK) Limited**

**Annual report and financial statements**

**Registered number 960163**

**For the year ended 31 December 2017**

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### **Strategic report**

Kardex Systems (UK) Limited remains the market leader in the UK for the supply and servicing of automated storage and retrieval systems.

The profitable financial results of 2012-2016 continued into 2017. 2017 ended with turnover of £11,744,000, a 9% increase on 2016. Demand for our product remains strong but slow investment decision-making continues. The investment in additional Sales and marketing resources during 2016 and early 2017 produced a very strong finish to the year and leaves us optimistic for the future. We also recruited additional software resource as we continue our drive into more complex solution selling.

Our Service department revenue showed a very promising increase compared to 2016, and we also gained market share as our customers appreciate the heavy investment we continue to make in our Field Service resources. This investment will continue as we further enhance our market leading position.

### **Key Performance Indicators**

The key financial measures the directors consider as important are turnover and gross profit margin and are described in the directors' report.

### **Principal risks and uncertainties**

The principal risks and uncertainties are: the competitive market in which the company operates, the exchange rate and the general UK economic climate. The UK directors regularly discuss ways to mitigate the impact of these factors.

On behalf of the Board

  
Jens Frankhölzel  
Director

  
Rolf Möller  
Director

North Suite  
First Floor  
Stag House  
Old London Road  
Hertford  
Hertfordshire  
SG13 7LA

24. May 2018

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

## **Principal activities**

The principal activity of the company continued to be the marketing, distribution and servicing of industrial storage systems, software and ancillary equipment.

## **Risk Management**

As part of its duty to supervise the Company, the Board of Directors of the parent company, Kardex AG, performs a systematic risk assessment at least once a year. The risk assessment is based on a company-specific risk universe and on information obtained from interviews with division and Group management, including Directors of Kardex Systems (UK) Limited. Risks are recorded according to their likelihood, reputational risk and potential financial impact. This process is supported by a risk matrix that describes and values the substantial risks valid for the Group according to the following categories: external environment, strategy, management and leadership, production, market and sales, information technology and finance and compliance. Measures to mitigate with these risks are also contained in the risk matrix.

## **Business review**

During the year the company continued to benefit from favourable trading conditions and strong market demand for our product. The full year turnover increased promisingly from £10,734,000 to £11,744,000. The Gross Margin decreased slightly, primarily as a result of the GB£ to Euro exchange rate increasing our supply chain costs (our main product suppliers are the parent factories in Germany). The profit before taxation for the year was £756,000 (2016: £827,000). The reduction is largely the result of the exchange rate impact on our supply costs.

## **Going concern**

The directors, having made appropriate enquiries, consider that the company has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements.

## **Dividends**

£300,000 of dividends were paid to Kardex AG (100% shareholder) in respect of the current financial year (2016: £400,000).

## **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were;  
Rolf Mössner  
Jens Fankhänel

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.


In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Independent Auditors**

Pursuant to Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP have been appointed as the auditor in 2014.

On behalf of the board

  
**Jens Fagelman**  
Director

  
**Rolf Mössner**  
Director

North Suite  
First Floor  
Stag House  
Old London Road  
Hertford  
Hertfordshire  
SG13 7LA

24 May 2018

## ***Independent auditors' report to the members of Kardex Systems (UK) Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Kardex Systems (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet at 31 December 2017; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

***Independent auditors' report to the members of Kardex Systems (UK) Limited (continued)***

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

***Responsibilities for the financial statements and the audit***

***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge

24 May 2018

**Profit and loss account**  
*for the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>11,744</b>	<b>10,734</b>
Cost of sales		(7,411)	(6,669)
<b>Gross profit</b>		<b>4,333</b>	<b>4,065</b>
Distribution costs		(1,080)	(839)
Administrative expenses		(2,519)	(2,422)
<b>Operating profit</b>		<b>734</b>	<b>804</b>
Interest receivable and similar income	<b>3</b>	<b>27</b>	<b>28</b>
Interest payable and similar expenses	<b>4</b>	<b>(5)</b>	<b>(5)</b>
<b>Profit before taxation</b>	<b>5</b>	<b>756</b>	<b>827</b>
Tax on profit	<b>6</b>	<b>(162)</b>	<b>(20)</b>
<b>Profit for the financial year</b>		<b>594</b>	<b>807</b>

**Statement of comprehensive income**  
*for the year ended 31 December 2017*

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Profit for the financial year</b>	<b>594</b>	<b>807</b>
<b>Other comprehensive income</b>		
Re-measurements of net defined benefit pension liability	-	-
Movement on deferred tax relating to pension deficit	-	-
Total other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>594</b>	<b>807</b>

The notes on pages 10 to 22 form part of the financial statements.



**Kardax Systems (UK) Limited**  
**Annual report and financial statements**  
**For the year ended 31 December 2017**

**Balance sheet**  
**at 31 December 2017**

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	<i>10</i>	34	31
<b>Current assets</b>			
Stocks	<i>11</i>	744	986
Debtors	<i>12</i>	2,829	1,611
Cash at bank and in hand		6,191	5,004
		<u>9,764</u>	<u>7,601</u>
Creditors: amounts falling due within one year	<i>13</i>	(5,842)	(3,970)
<b>Net current assets</b>		<u>3,922</u>	<u>3,631</u>
<b>Total assets less current liabilities</b>		<u>3,936</u>	<u>3,662</u>
Post-employment benefits	<i>14</i>	-	-
<b>Net assets</b>		<u>3,936</u>	<u>3,662</u>
<b>Capital and reserves</b>			
Called up share capital	<i>15</i>	828	828
Share premium account		3	3
Capital redemption reserve		10	10
Profit and loss account		3,118	2,821
<b>Total Shareholders' funds</b>		<u>3,936</u>	<u>3,662</u>

The notes on pages 10 to 22 form part of the financial statements. These financial statements were approved by the board of directors on 24 May 2018 and were signed on its behalf by:

  
**Jens Fankhänel**  
*Director*

  
**Rolf Mösner**  
*Director*

The notes of pages 10 to 22 form part of the financial statements.

Company registration number: 960163

**Statement of changes in equity  
for the year ended 31 December 2017**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 January 2016</b>	<b>828</b>	<b>3</b>	<b>10</b>	<b>2,414</b>	<b>3,255</b>
Profit for the financial year	-	-	-	807	807
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	807	807
Dividends Paid (note 15)	-	-	-	(400)	(400)
<b>Balance at 31 December 2016</b>	<b>828</b>	<b>3</b>	<b>10</b>	<b>2,821</b>	<b>3,662</b>
Profit for the financial year	-	-	-	594	594
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	594	594
Dividends Paid (note 15)	-	-	-	(300)	(300)
<b>Balance at 31 December 2017</b>	<b>828</b>	<b>3</b>	<b>10</b>	<b>3,115</b>	<b>3,956</b>

**Notes to the financial statements**  
*(forming part of the financial statements)*

**1 General information**

Kardex Systems (UK) Limited ("the company") supplies and services automated storage and retrieval systems. The company is a private company limited by shares and is incorporated and domiciled in England and Wales (United Kingdom). The address of its registered office is: Stag House Old London Road, Hertford, Hertfordshire, SG13 7LA.

**Statement of Compliance**

The individual financial statements of Kardex Systems (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**1.1 Summary of significant accounting policies**

The principal accounting policies which are considered material in relation to the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

***Basis of preparation***

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed later in this note.

***Exemptions for qualifying entities under FRS102***

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following exemptions, given its results are included in the consolidated financial statements of its parent company, Kardex AG. These financial statements can be obtained from the address given in note 18.

- Under FRS 102 paragraph 1.12(b), the company is exempt from the requirement to prepare a cash flow statement on the basis that it is a qualifying entity and its ultimate parent company, Kardex AG, includes the company's cash flows in its own published consolidated financial statements;
- Under FRS102 paragraph 33.1A, the company is exempt from disclosing transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties);
- Under FRS102 paragraph 33.7, the company is exempt from the disclosure of key management personnel compensation in total.

***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful lives over the following periods:

- |                                  |   |
|----------------------------------|---|
| Leasehold improvements           | - ten years or the unexpired period of the lease if less than ten years |
| Fixtures, fittings and equipment | - three to five years   |

Each asset is depreciated on a straight line basis.

## Notes to the financial statements (continued)

### 1.1 Summary of significant accounting policies (continued)

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Costs include a relevant proportion of overhead expenses.

#### *Taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### *Foreign currencies*

The company's functional and presentational currency is pound sterling.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

#### *Turnover*

Turnover is the total amount receivable by the Company in the ordinary course of business with outside customers for goods supplied and services provided excluding VAT. Revenue is recognised on delivery of goods and services to the customer.

Long term contract revenues are recognised when the outcome of the transaction can be assessed reliably. Revenue is recognised by reference to the stage of completion which is dependent on the nature of the contract, but will generally be based on costs incurred up to the reporting date or achievement of contractual milestones where appropriate.

#### *Leases*

##### *Finance leases*

Assets acquired under finance leases or hire purchase contracts are capitalised and the corresponding liability is included in creditors.

##### *Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

## Notes to the financial statements (continued)

### 1.1 Summary of significant accounting policies (continued)

#### *Pensions*

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. A defined benefit scheme is a pension plan that is not a defined contribution scheme. The assets of the scheme are held separately from those of the company. This scheme is closed to future entrants and also to existing members to make further contributions.

The liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan is a surplus. No net pension assets are recognised when the plan is a surplus as Kardex is not able to recover the surplus either through reduced contributions in the future or through funds from the plan.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with FRS 102 fair value hierarchy. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate on a high quality corporate bond of equivalent term and currency to the liability. The surplus of assets over the defined benefit obligation is recognised only to the extent that the company is able to recover the surplus either through reduced contributions or through refunds from the plan in the future.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as re-measurement of net defined benefit liability.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. This cost is recognised in profit and loss as finance expense.

The company also participates in a group defined contribution pension plan based on stakeholder rules. The assets of the scheme are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

#### **Critical judgements in applying the entity's accounting policies**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *Defined benefit pension scheme*

The company has obligations to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, pension increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet.

## Notes to the financial statements (continued)

### 2 Turnover

All turnover of the company is derived from the company's principal business as described in the Directors' report. An analysis of turnover by geographical market is given below:

	2017 £000	2016 £000
United Kingdom	11,143	10,027
Rest of Europe	601	707
	<u>11,744</u>	<u>10,734</u>

### 3 Other interest receivable and similar income

	2017 £000	2016 £000
Interest income on intercompany loan	27	28
	<u>27</u>	<u>28</u>

### 4 Interest payable and similar expenses

	2017 £000	2016 £000
Other interest	5	5
	<u>5</u>	<u>5</u>

### 5 Profit on ordinary activities before taxation

*Profit on ordinary activities before taxation is stated after charging:*

	2017 £000	2016 £000
Depreciation	25	22
Operating lease charges – plant and machinery	11	22
Operating lease charges - hire of other assets	251	159
(Gain)/loss on foreign exchange	13	49
Pension scheme net charge (see note 14)	-	-
<i>Auditors' remuneration</i>		
Audit of these financial statements	18	12
Other services in relation to taxation	6	7
	<u>283</u>	<u>270</u>

**Notes to the financial statements (continued)**

**6 Tax on profit on ordinary activities**

Analysis of charge in year	2017 £000	2016 £000
<i>UK Corporation Tax</i>		
Current tax on income for the period	142	147
Adjustment in respect of previous years	17	(128)
	<hr/>	<hr/>
Current tax at 19.25% (2016: 20%)	159	19
<i>Deferred taxation</i>		
Origination and reversal of timing differences	3	-
Adjustment in respect of previous years	-	1
Pension scheme timing difference	-	-
	<hr/>	<hr/>
Total deferred tax	3	1
	<hr/>	<hr/>
Tax on profit on ordinary activities	162	20
	<hr/>	<hr/>

The tax assessed for the year is higher (2016: lower) than the standard corporation rate in the UK of 19.25% (2016: 20%).

***Factors affecting the tax charge for the current year***

	2017 £000	2016 £000
Profit before taxation	756	827
	<hr/>	<hr/>
Current tax at 19.25% (2016: 20%)	146	165
<i>Effects of:</i>		
Income not taxable for tax purposes	(1)	(18)
Expenses not deductible for tax purposes	1	-
Re-measurement of deferred tax – changes in UK Tax rate	(1)	2
Adjustments in respect of previous years	17	(129)
	<hr/>	<hr/>
Total tax charge	162	20
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 7 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2017</b>	<b>2016</b>
Sales and services	57	52
Administrative and management	7	7
	<hr/>	<hr/>
	<b>64</b>	<b>59</b>
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	2,661	2,317
Social security costs	337	287
Other pension costs	69	62
	<hr/>	<hr/>
	<b>3,067</b>	<b>2,666</b>
	<hr/>	<hr/>

### 8 Remuneration of directors

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	-	-
Company contributions to money purchase pension schemes	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The remuneration of the directors for their services is borne by other group companies for which no recharge is made.

	<b>Number</b>	
	<b>2017</b>	<b>2016</b>
Number of directors who are:		
Members of money purchase pension schemes	-	-
	<hr/>	<hr/>



Notes to the financial statements (continued)

10 Tangible assets

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2017	58	201	259
Additions	-	28	28
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>58</b>	<b>229</b>	<b>287</b>
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 January 2017	46	182	228
Charge for the year	10	15	25
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	<b>56</b>	<b>197</b>	<b>253</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>2</b>	<b>32</b>	<b>34</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2016	12	19	31
	<hr/>	<hr/>	<hr/>

11 Stocks

	2017 £000	2016 £000
Finished goods and goods for resale	744	986
	<hr/>	<hr/>

The replacement value of stock does not materially differ from the carrying values.

**Notes to the financial statements (continued)**

**12 Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>2,544</b>	1,374
Amounts owed by group undertakings	<b>39</b>	60
Other debtors	<b>128</b>	101
Deferred tax asset (see note 16)	<b>10</b>	13
Prepayments and accrued income	<b>108</b>	63
	<hr/>	<hr/>
	<b>2,829</b>	1,611
	<hr/>	<hr/>

**13 Creditors: Amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>318</b>	122
Payments on Account	<b>1,588</b>	511
Amounts owed to group undertakings	<b>476</b>	390
Other taxation and social security	<b>909</b>	642
Corporation Tax	<b>55</b>	80
Accruals and deferred income	<b>2,496</b>	2,225
	<hr/>	<hr/>
	<b>5,842</b>	3,970
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 14 Post-employment benefits

The company operates a defined contribution scheme for employees. The contributions during the year amounted to £69,000 (2016 : £62,000) In addition, the company operates a pension scheme closed to new members providing benefits based on final pensionable pay. The assets of the scheme are held in separately administered funds.

Pension contributions are determined with the advice of an independent qualified actuary, First Actuarial Services Limited, on the basis of triennial valuations using the projected unit credit method. A full actuarial valuation was carried out at 30 June 2015 and updated to 31 December 2017 for FRS 102 purposes.

The Company made payments of £400,000 (2016: £400,000) including £7,000 (2016: £22,000) accrued payments from the prior year.

The main assumptions used by the actuary were:

	2017 %	2016 %
Rate of increase in pensions in payment	2.3	2.4
Discount rate	2.3	2.5
Inflation assumption RPI	3.4	3.5
Inflation assumption CPI	2.4	2.5

The mortality assumptions used were as follows:

	2017 Years	2016 Years
Longevity at age 65 for current pensioners		
- Male	23.8	24.0
- Female	25.6	26.0
Longevity at age 65 for future pensioners		
- Male	25.2	25.7
- Female	27.1	27.9

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

## Notes to the financial statements (continued)

### 14 Post-employment benefits (continued)

#### *Scheme assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long years and thus inherently uncertain, were:

	2017 Value £000	2016 Value £000
Diversified Growth Funds	7,947	7,441
LDI Funds	3,139	2,920
Gilts	-	-
Cash and net current assets	21	86
 Total market value of assets	 11,107	 10,447
 Present value of scheme liabilities	 (9,405)	 (9,494)
 Pension surplus	 1,702	 953
Limit on recognising surplus	(1,702)	(953)
	-	-

#### *Movements in present value of defined benefit obligation*

	2017 £000	2016 £000
At 1 January 2017	9,494	7,926
Interest cost	233	287
Actuarial (gains)/losses	67	1,646
Benefits paid	(389)	(365)
 At 31 December 2017	 9,405	 9,494

#### *Movements in fair value of plan assets*

	2017 £000	2016 £000
At 1 January 2017	10,447	8,505
Interest income	233	287
Return on plan assets excluding interest income	468	1,669
Contributions by employer	400	400
Administration Fee	(52)	(49)
Benefits paid	(389)	(365)
 At 31 December 2017	 11,107	 10,447

## Notes to the financial statements (continued)

### 14 Post-employment benefits (continued)

The return on plan assets was:

	2017 £000	2016 £000
Interest income	233	287
Return on plan assets excluding interest income	468	1,669
	<hr/>	<hr/>
Total return on plan assets	701	1,956
	<hr/>	<hr/>

Analysis of other pension costs charged in arriving at operating profit:

	2017 £000	2016 £000
Current service cost	-	-
Curtailment	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Analysis of amounts included in other finance costs:

	2017 £000	2016 £000
Interest income	233	287
Interest cost	(233)	(287)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

### 15 Called up Share capital

Called up share capital	2017 £000	2016 £000
<b>Allotted, called up and fully paid:</b>		
828,000 (2016: 828,000) ordinary shares of £1 each	828	828
	<hr/>	<hr/>

Dividends of £300,000 (2016 : £400,000) were paid in the year amounting to 36.2 pence per share (2016: 48.3 pence per share).

## Notes to the financial statements (continued)

### 16 Deferred taxation

The elements of deferred taxation are as follows:

	2017 £000	2016 £000
At start of year – asset	13	14
Credit/(charge) to profit and loss account for the year	(3)	(1)
Credit/(charge) to other comprehensive income	-	-
	<u>          </u>	<u>          </u>
At end of year – asset	10	13
	<u>          </u>	<u>          </u>

	Recognised 2017 £000	Unrecognised 2017 £000	Recognised 2016 £000	Unrecognised 2016 £000
Difference between accumulated depreciation and capital allowances	10	-	13	-
Short term timing differences	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Deferred tax asset (see note 12)	10	-	13	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 17 Commitments

The company had no capital commitments at either the current or preceding year end.

At 31 December, the company had the following minimum lease payments under non-cancellable operating leases for each of the following years:

	2017		2016	
	£000 Land & Buildings	£000 Other	£000 Land & Buildings	£000 Other
Leases Expiring:				
Later than one year and not later than five years	124	336	52	331
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	124	336	52	331
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Notes to the financial statements (continued)**

**18 Ultimate parent undertaking and controlling party**

Within the meaning of the Companies Act 2006, Kardex AG, a company incorporated in Switzerland, is the company's ultimate parent company and controlling party, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Kardex AG owns 100% of the issued share capital of Kardex Systems (UK) Limited. Copies of the Kardex AG financial statements are available from the investor relations section of the Kardex AG web site [www.kardex.com](http://www.kardex.com).