

# **Kardex Systems (UK) Limited**

**Annual report and financial statements**

**Registered number 00960163**

**For the year ended 31 December 2021**



## **COMPANY INFORMATION**

### **DIRECTORS**

Andreas Nilsson  
Anita Heen  
Karl deSouza

### **REGISTERED OFFICE**

1st Floor Stag House  
Old London Road  
Hertford  
Hertfordshire  
SG13 7LA

### **INDEPENDENT AUDITOR**

RSM UK Audit LLP  
Chartered Accountants  
Third Floor, Priory Place  
New London Rd  
Chelmsford, Essex  
CM2 0PP

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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.

### Business review and key performance indicators

The key financial measures that the directors consider important are turnover and gross profit margin.

During the year the company was impacted by the economic conditions resulting from the Coronavirus pandemic. The full year turnover increased from £11,102k to £11,791k. Many of our traditional manufacturing customers were severely challenged by the pandemic, but strong market demand for our systems and services remained in essential service sectors such as pharmaceuticals, healthcare, food & drink, e-commerce and warehouse & distribution. Gross profit margin improved 1.7% to 41.5% (2020: 39.7%). The profit before taxation for the year was £1,869k (2020: £1,426k).

The outlook for our product and solutions remain extremely favourable, as customers look to optimize their storage capacity, increase productivity and improve picking accuracy, particularly in the e-commerce, warehouse, logistics and distribution space.

Our service revenue remains strong although Coronavirus presented new challenges. Access to many customer locations was limited during the height of the lockdown, but we continued to service essential service suppliers throughout the pandemic.

2021 fully recovered back to the 2019 level and even with the dividend paid to the parent company during the year, the balance sheet remains strong, with year-end cash reserves of £6,209k (2020: £5,569k) and net current assets of £3,056k (£3,379k).

### Principal risks and uncertainties

The principal risks and uncertainties are: the competitive market in which the company operates, the GBP to Euro exchange rate, Global pandemics such as Coronavirus, Political and international trade factors such as the UK withdrawal from the EU, and the general UK economic climate. The UK directors regularly discuss ways to mitigate the impact of these factors.

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, marketing and sales, information technology, finance and compliance. Measures to mitigate these risks are also contained in the risk matrix.

## Strategic report (continued)

### Going concern

The directors have prepared operational budgets and forecasts covering the period through to June 2023 which demonstrate the company's order book, coupled with forecast levels of operating costs and current liquid resources, are sufficient to ensure the company can continue to trade for a minimum of 12 months from the anticipated date of sign off. 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.

The outlook for the automated storage and retrieval market remains strong as manufacturers continue to look to automation for productivity improvements. Even though the Coronavirus pandemic has impacted the UK economy, there remains growth opportunities in certain sectors for our products, such as the Pharmaceuticals, Healthcare, Food & Drink, E-commerce and Warehouse & Distribution sectors. The trade agreement reached between the UK and EU has taken away the Brexit uncertainty, particularly for our multinational customers.

On behalf of the Board



Anita Heen  
Director



Andreas Nilsson  
Director

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

27<sup>th</sup> May 2022

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

### Principal activities

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

### Dividends

£1,800k of dividends were paid to Kardex AG (100% shareholder) in respect of the current financial year (2020: £2,000k).

### Directors

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

Mike Paull (resigned 13 November 2021)  
Anita Heen (appointed 1 October 2021)  
Karl deSouza (appointed 1 October 2021)  
Andreas Nilsson

### Future Developments

UK headline sectoral output is forecast to grow 2.1% year on year in 2022 following 8.5% year on year growth in 2021. Global supply chain constraints and transportation bottlenecks, caused by Brexit, the pandemic, and more recently the Russia-Ukraine conflict, will continue to prolong sector recovery into 2022 and 2023, as production struggles to keep up with buoyant demand.

Overall, industrial production is expected to expand 2.2% in 2022. Our baseline assumes that the military conflict is short-lived and that there are no interruptions to energy flows from Russia. In an alternative baseline where such interruptions come to pass, it shaves about 0.8 percentage points from this year's growth – a smaller hit than for large eurozone economies.

Going forward, the near-term capex outlook is back-loaded towards the end of the year, underpinned by a super-tax deduction on qualifying capital & machinery introduced in the Budget last March. Capital & machinery investment intentions in Q1 rose to their highest level since 1988. Output in the investment-driven precision & optical instruments subsector, which accounts for two-thirds of sector output, should accelerate towards the end of the year, before falling back in early-2023 with the expiry of the tax deduction.

As is the case elsewhere, growth in electronic components & boards is expected to outpace the other sectors in 2022. However, it accounts for less than 10% of the sector total, so the contribution to overall sector growth will be relatively small. Semiconductor shortages will continue to weigh on automotive production throughout 2022. Although we appear to be through the worst of the crisis, the shortage of chips will continue to exert downward pressure on automotive production until at least 2023.

E-commerce spending in the UK has tempered in recent months, but it continues to remain above its pre-Covid trend. As the health situation normalises, we expect non-store sales to tail back gradually. However, the boom in e-commerce means we expect activity in warehousing and postal services to be sustained over the long run.

### Directors' confirmations

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.

**Directors' report (continued)**

**Qualifying third party indemnity provisions**

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

**Independent Auditors**

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be reappointed as auditor in absence of an Annual General Meeting.

On behalf of the board

  
**Anita Heen**  
Director

  
**Andreas Nilsson**  
Director

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

27<sup>th</sup> May 2022

### **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
- 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 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.

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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARDEX SYSTEMS (UK) LIMITED**

### **Opinion**

We have audited the financial statements of Kardex Systems (UK) Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, Balance Sheet, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 2021 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARDEX SYSTEMS (UK) LIMITED (CONT.)**

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

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

### **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 set out on page 8, 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 the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KARDEX SYSTEMS (UK) LIMITED (CONT.)**

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, compliance with the Companies Act 2006 and Tax and Pension compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures, inspecting correspondence with relevant tax and pension authorities and evaluating advice received from external tax advisors and other third party experts. We also examined a sample of direct and indirect tax returns, submissions and settlements to ensure such submissions were made in line with statutory and reporting requirements.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

### **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.

*RSM UK Audit LLP*

NICHOLAS CATTINI (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Third Floor, Priory Place  
New London Road  
Chelmsford, Essex  
CM2 0PP  
27/05/22

**Profit and loss account**  
*for the year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>11,791</b>	<b>11,102</b>
Cost of sales		<b>(6,902)</b>	<b>(6,691)</b>
<b>Gross profit</b>		<b>4,889</b>	<b>4,411</b>
Distribution costs		<b>(1,023)</b>	<b>(976)</b>
Administrative expenses		<b>(2,053)</b>	<b>(2,172)</b>
<b>Operating profit</b>	<b>5</b>	<b>1,813</b>	<b>1,263</b>
Interest receivable and similar income	<b>3</b>	<b>14</b>	<b>46</b>
Interest payable and similar expenses	<b>4</b>	<b>(5)</b>	<b>(4)</b>
Other Operating Income (Furlough Grant)		<b>47</b>	<b>121</b>
<b>Profit before taxation</b>		<b>1,869</b>	<b>1,426</b>
Tax on profit	<b>6</b>	<b>(392)</b>	<b>(241)</b>
<b>Profit for the financial year</b>		<b>1,477</b>	<b>1,185</b>

**Statement of comprehensive income**  
*for the year ended 31 December 2020*

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Profit for the financial year</b>	<b>1,477</b>	<b>1,185</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>1,477</b>	<b>1,185</b>

The notes on pages 15 to 28 form part of the financial statements.

**Balance sheet**  
**at 31 December 2021**

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	9	60	91
<b>Current assets</b>			
Stocks	10	1,076	555
Debtors	11	1,971	1,753
Cash at bank and in hand		6,209	5,569
		<u>9,256</u>	<u>7,877</u>
<b>Creditors: amounts falling due within one year</b>	12	<b>(6,260)</b>	<b>(4,589)</b>
<b>Net current assets</b>		<u><b>2,996</b></u>	<u><b>3,288</b></u>
<b>Total assets less current liabilities</b>		<u><b>3,056</b></u>	<u><b>3,379</b></u>
Post-employment benefits	13	-	-
<b>Net assets</b>		<u><u><b>3,056</b></u></u>	<u><u><b>3,379</b></u></u>
<b>Capital and reserves</b>			
Called up share capital	14	828	828
Share premium account	14	3	3
Capital redemption reserve	14	10	10
Profit and loss account	14	2,215	2,538
<b>Total Shareholders' funds</b>		<u><u><b>3,056</b></u></u>	<u><u><b>3,379</b></u></u>

The notes on pages 15 to 28 form part of the financial statements. These financial statements were approved by the board of directors on 27<sup>th</sup> May 2022 and were signed on its behalf by:

  
**Anita Heen**

*Director*

  
**Andreas Nilsson**

*Director*

Company registration number: 00960163

**Statement of changes in equity  
for the year ended 31 December 2021**

	<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 2020</b>	<b>828</b>	<b>3</b>	<b>10</b>	<b>3,353</b>	<b>4,194</b>
Profit for the financial year	-	-	-	1,185	1,185
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	<b>4,538</b>	<b>5,379</b>
Dividends Paid	-	-	-	(2,000)	(2,000)
<b>Balance at 1 January 2021</b>	<b>828</b>	<b>3</b>	<b>10</b>	<b>2,538</b>	<b>3,379</b>
Profit for the financial year	-	-	-	1,477	1,477
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	<b>4,015</b>	<b>4,856</b>
Dividends Paid	-	-	-	(1,800)	(1,800)
<b>Balance at 31 December 2021</b>	<b>828</b>	<b>3</b>	<b>10</b>	<b>2,215</b>	<b>3,056</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: North Suite, First Floor, 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. The financial statements have been presented in sterling and amounts have been rounded to the nearest whole thousand unless otherwise stated.

**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 17.

- 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.

***Going Concern***

The directors, having made appropriate enquiries and prepared operational budgets and cash flow forecasts covering the period to May 2023, consider that the company has adequate resources to continue in the operational business for the foreseeable future, and for a period of at least 12 months from the date of approval of these financial statements, and have therefore continued to adopt the going-concern basis in preparing the financial statements.

The outlook for the automated storage and retrieval market remains strong as manufacturers continue to look to automation for productivity improvements. Even though the Coronavirus pandemic has impacted the UK economy, there remains growth opportunities in certain sectors for our products, such as the Pharmaceuticals, Healthcare, Food & Drink, E-commerce and Warehouse & Distribution sectors.

## 1.1 Summary of significant accounting policies (continued)

### *Going Concern (continued)*

The trade agreement reached between the UK and EU has taken away the Brexit uncertainty, particularly for our multinational customers. Notes to the financial statements (continued)

The company has a strong order book and liquid resources including approximately £6.5m of cash and cash equivalents, as well as no third party debt. For this reason, the directors are satisfied the assessment of going concern is free from any material uncertainty.

### *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.

### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Costs include contract work in progress that represents costs incurred on installations incomplete at the reporting date, as well as a relevant proportion of overhead expenses.

Contract work in progress represents the cost of goods delivered by the company's parent undertaking relating to installation jobs that have not completed at the balance sheet date and are stated at cost.

### *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, with amounts rounded to the nearest £000s unless otherwise stated.

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.



## 1.1 Summary of significant accounting policies (continued)

### *Turnover (continued)*

Service revenue is recognised evenly over the period to which the customer is entitled to receive benefits under the service agreement.

Order and installation revenues are recognised on completion of the installation, when the outcome of the transaction can be assessed reliably and the risk and rewards are transferred. Where cash received exceeds the revenues receivable based on work performed to date, the balance is included as payments on account within creditors.

### *Leases*

#### *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.

### *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 in a surplus position. No net pension assets are recognised when the plan is a surplus as Kardex Systems (UK) Ltd 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.

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

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

**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 main estimates and assumptions are set out below, but these are not considered to be critical, as there is not deemed to be a significant risk of material adjustment within the next financial year.

*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. Further details can be found in note 13.

**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:

	2021 £000	2020 £000
United Kingdom	10,486	10,794
Rest of Europe	1,305	298
Rest of World	-	10
	<u>11,791</u>	<u>11,102</u>

**3 Interest receivable and similar income**

	2021 £000	2020 £000
Interest income on intercompany loan	14	46
	<u>14</u>	<u>46</u>

**4 Interest payable and similar expenses**

	2021 £000	2020 £000
Other interest	5	4
	<u>5</u>	<u>4</u>

**5 Profit before taxation**

*Profit before taxation is stated after charging / (crediting):*

	2021 £000	2020 £000
Depreciation	46	48
Operating lease charges – plant and machinery	9	12
Operating lease charges - hire of other assets	204	199
Profit / (loss) on foreign exchange	(9)	16
<i>Auditors' remuneration</i>		
Audit of these financial statements	27	25
	<u>27</u>	<u>25</u>

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

**6 Tax on profit on ordinary activities**

Analysis of charge in year	2021 £000	2020 £000
<i>UK Corporation Tax</i>		
Current tax on income for the period	360	269
Adjustment in respect of previous years	35	(31)
	<hr/>	<hr/>
Current tax at 19% (2020: 19%)	395	238
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(6)	2
Adjustments in respect of prior periods	3	1
	<hr/>	<hr/>
Total deferred tax	(3)	3
	<hr/>	<hr/>
Total tax expense	392	241
	<hr/>	<hr/>

The tax assessed for the year is higher (2020: lower) than the standard corporation rate in the UK of 19% (2020: 19%).

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

	2021 £000	2020 £000
Profit before taxation	1,869	1,426
	<hr/>	<hr/>
Current tax at 19% (2020: 19%)	355	271
<i>Effects of:</i>		
Tax Rate differences	1	1
Expenses not deductible for tax purposes	1	-
Adjustments in respect of previous years	35	(31)
	<hr/>	<hr/>
Total tax charge	392	241
	<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>2021</b>	<b>2020</b>
Sales and services	56	59
Administrative and management	12	10
	<u>68</u>	<u>69</u>

The aggregate payroll costs of these persons were as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	3,010	2,818
Social security costs	445	339
Other pension costs	138	135
	<u>3,593</u>	<u>3,292</u>

### 8 Remuneration of directors

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	143	130
Company contributions to money purchase pension schemes	15	10
	<u>158</u>	<u>140</u>

The remuneration of the directors is partially borne by other group companies for which a recharge is made.

	<b>Number</b>	
	<b>2021</b>	<b>2020</b>
Number of directors who are:		
Members of money purchase pension schemes	4	3

Notes to the financial statements (continued)

9 Tangible assets

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£000	£000	£000
<i>Cost</i>			
At 1 January 2021	111	337	448
Additions	-	15	15
<b>At 31 December 2021</b>	<b>111</b>	<b>352</b>	<b>463</b>
<i>Accumulated depreciation</i>			
At 1 January 2021	77	280	357
Charge for the year	11	35	46
<b>At 31 December 2021</b>	<b>88</b>	<b>315</b>	<b>403</b>
<i>Net book value</i>			
<b>At 31 December 2021</b>	<b>23</b>	<b>37</b>	<b>60</b>
At 31 December 2020	34	57	91

10 Stocks

	2021 £000	2020 £000
Finished goods and goods for resale	179	147
Contract work in progress	897	408
	<b>1,076</b>	<b>555</b>

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

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

**11 Debtors**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	1,535	1,095
Amounts owed by group undertakings	129	76
Other debtors	81	404
Prepayments and accrued income	226	178
	<u>1,971</u>	<u>1,753</u>

Amounts owed by group undertakings are interest-free, unsecured and repayable on demand.

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	165	186
Payments on account	2,204	1,067
Amounts owed to group undertakings	375	302
Other taxation and social security	883	400
Corporation tax	36	181
Accruals and deferred income	2,597	2,453
	<u>6,260</u>	<u>4,589</u>

Amounts owed to group undertakings are interest-free, unsecured and repayable on demand.

## Notes to the financial statements (continued)

### 13 Post-employment benefits

#### Defined Contribution Scheme

The company operates a defined contribution scheme for employees. The contributions during the year amounted to £138,435 (2020: £135,017).

#### Defined Benefit Scheme

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 2021 for FRS 102 purposes.

The Company made payments of £0 (2020: £0) including £0 (2020: £0) accrued payments from the prior year.

The main assumptions used by the actuary were:

	2021 %	2020 %
Rate of increase in pensions in payment	3.2	2.7
Discount rate	1.8	1.2
Inflation assumption RPI	3.7	3.2
Inflation assumption CPI	3.2	2.7

The mortality assumptions used were as follows:

	2021 Years	2020 Years
Longevity at age 65 for current pensioners		
- Male	23.3	23.4
- Female	25.3	25.3
Longevity at age 65 for future pensioners		
- Male	24.6	24.7
- Female	26.8	26.8

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)

### 13 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:

	2021	2020
	£000	£000
Diversified Growth Funds	-	-
LDI Funds	-	-
Diversified Credit Funds	-	-
Cash and net current assets	348	349
Annuities	9,702	10,362
	<hr/>	<hr/>
Total market value of assets	10,050	10,711
	<hr/>	<hr/>
Present value of scheme liabilities	9,702	(10,362)
	<hr/>	<hr/>
Pension surplus	348	349
	<hr/>	<hr/>
Limit on recognising surplus	348	349

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

	2021	2020
	£000	£000
At 1 January	10,362	9,037
Interest cost	122	169
Actuarial gains/(losses)	(425)	1,492
Benefits paid	(357)	(336)
	<hr/>	<hr/>
At 31 December	9,702	10,362

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

	2021	2020
	£000	£000
At 1 January	10,711	11,567
Interest income	122	169
Return on plan assets excluding interest income	(348)	(521)
Contributions by employer	0	0
Administration Fee	(78)	(168)
Benefits paid	(357)	(336)
	<hr/>	<hr/>
At 31 December	10,050	10,711

## Notes to the financial statements (continued)

### 13 Post-employment benefits (continued)

The return on plan assets was:

	2021 £000	2020 £000
Interest income	122	169
Return on plan assets excluding interest income	(348)	(521)
	<hr/>	<hr/>
Total return on plan assets	(226)	(352)
	<hr/>	<hr/>

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

	2021 £000	2020 £000
Current service cost	-	-
Curtailment	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Analysis of amounts included in other finance costs:

	2021 £000	2020 £000
Interest income	122	169
Interest cost	(122)	(169)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

### 14 Share Capital & Reserves

Called up share capital	2021 £000	2020 £000
<b>Allotted, called up and fully paid:</b>		
828,000 (2020: 828,000) ordinary shares of £1 each	828	828
	<hr/>	<hr/>

Dividends of £1,800,000 (2020: £2,000,000) were paid in the year amounting to 217 pence per share (2020: 242 pence per share).

## Notes to the financial statements (continued)

### 14 Share capital & Reserves (continued)

#### Reserves

Reserves of the Company represent the following:

#### *Share Premium*

Consideration received for shares issued above their nominal value net of transaction costs.

#### *Capital Redemption Reserve*

The nominal value of shares repurchased and still held at the end of the reporting period.

#### *Profit and loss account*

Cumulative profit and loss net of distributions to owners.

### 15 Deferred taxation

The elements of deferred taxation are as follows:

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
At start of year	(9)	(6)
Charge to profit and loss account for the year	3	(3)
	<hr/>	<hr/>
At end of year	(6)	(9)
	<hr/>	<hr/>
	<b>Recognised</b> <b>2021</b> <b>£000</b>	<b>Recognised</b> <b>2020</b> <b>£000</b>
Difference between accumulated depreciation and capital allowances	(6)	(9)
	<hr/>	<hr/>
Deferred tax asset	(6)	(9)
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 16 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:

	2021		2020	
	£000	£000	£000	£000
	Land & Buildings	Other	Land & Buildings	Other
Amounts payable:				
Not later than one year	90	117	132	135
Later than one year and not later than five years	0	112	90	178
	<u>90</u>	<u>229</u>	<u>222</u>	<u>312</u>

### 17 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).