

REGISTRAR OF COMPANIES

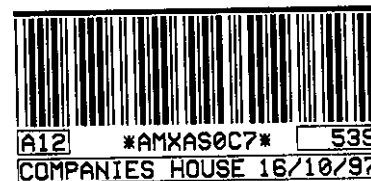
1350233

Karcher (UK) Limited

Report and Financial Statements

Year Ended

31 December 1996



BDO

BDO Stoy Hayward
Chartered Accountants

KARCHER (UK) LIMITED

Annual report and financial statements for the year ended 31 December 1996

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Directors

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Directors

Johannes Kärcher
Roland Kamn
Roland P Deibler
Graham J Jones
David A West

Secretary and registered office

D A West, Karcher House, Beaumont Road, Banbury, Oxfordshire, OX16 7TB

Company number

1350233

Auditors

BDO Stoy Hayward, 7-9 Irwell Terrace, Bacup, Lancashire, OL13 9AJ

Bankers

Bayerische Vereinsbank AG, London Branch
Barclays Bank PLC, Banbury
Banque Nationale de Paris, London Branch

Solicitors

Shoosmiths & Harrison, Banbury, Oxfordshire, OX16 9AB

KARCHER (UK) LIMITED

Report of the directors for the year ended 31 December 1996

The directors present their report together with the audited financial statements for the year ended 31 December 1996.

Results and dividends

The profit and loss account is set out on page 4 and shows the loss for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The company has continued to trade as the UK distributor of Karcher cleaning equipment for industrial, commercial and consumer markets. The company also provides a comprehensive installation and after sales service.

During 1996 the company experienced a moderate decrease in demand in its principal markets. A reduced loss has occurred in 1996 whilst achieving similar margins in markets that continue to remain intensely competitive.

The directors believe that demand will improve in 1997 reflecting positively on company performance.

Market value of land and buildings

The market value of land and buildings is not considered to be materially different from their book value.

Charitable and political contributions

During the year the company made charitable contributions of £1,243 (1995: £1,397).

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

Johannes Kärcher (Chairman)
Roland Kamn
Roland P Deibler
Graham J Jones (Managing)
David A West

None of the directors held a beneficial interest in the shares of the company.

Johannes Kärcher was a shareholder of the ultimate parent company, Alfred Kärcher GmbH & Co KG, and his interests in the share capital of that company are shown in its financial statements.

KARCHER (UK) LIMITED

Report of the directors for the year ended 31 December 1996 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Secretary



Date:

28th February 1997

KARCHER (UK) LIMITED

Report of the auditors

To the shareholders of Karcher (UK) Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

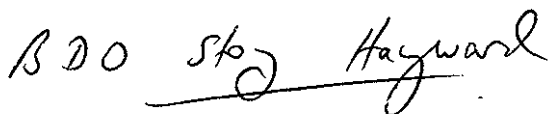
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*

7-9 Irwell Terrace

Bacup

Lancashire

OL13 9AJ

28 February 1997

KARCHER (UK) LIMITED**Profit and loss account for the year ended 31 December 1996**

	Note	1996 £	1995 £
Turnover	2	20,653,132	22,183,491
Cost of sales		(15,714,305)	(16,972,200)
Gross profit		4,938,827	5,211,291
Distribution costs		(3,758,538)	(4,339,559)
Administrative expenses		(1,430,803)	(1,423,612)
Operating loss	5	(250,514)	(551,880)
Interest receivable		11,703	13,631
Interest payable and similar charges	6	(387,512)	(385,083)
Loss on ordinary activities before taxation		(626,323)	(923,332)
Taxation on loss from ordinary activities	7	-	207,575
Retained loss for the year	13	(626,323)	(715,757)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements on shareholders' funds apart from the loss for the year.

The notes on pages 7 to 13 form part of these financial statements.

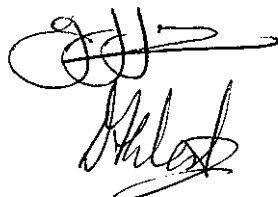
KARCHER (UK) LIMITED

Balance sheet at 31 December 1996

	Note	1996	1995
		£	£
Fixed assets			
Tangible assets	8	1,267,476	1,364,196
Current assets			
Stocks	9	2,762,183	3,253,299
Debtors	10	4,885,180	5,032,635
Cash at bank and in hand		40,090	1,535
		<u>7,687,453</u>	<u>8,287,469</u>
Creditors: amounts falling due within one year	11	<u>7,562,639</u>	<u>7,633,052</u>
Net current assets		<u>124,814</u>	<u>654,417</u>
Net assets		<u>1,392,290</u>	<u>2,018,613</u>
Capital and reserves			
Called up share capital	12	2,320,000	2,320,000
Profit and loss account	13	(927,710)	(301,387)
Equity shareholders' funds	14	<u>1,392,290</u>	<u>2,018,613</u>

The financial statements were approved by the Board on 28/7/97.

Directors



The notes on pages 7 to 13 form part of these financial statements.

KARCHER (UK) LIMITED

Cash flow statement for the year ended 31 December 1996

	Note	1996	1995
		£	£
Net cash inflow/(outflow) from operating activities	18	3,414,676	(1,757,381)
Returns on investments and servicing of finance			
Interest received	14,581		10,753
Interest paid	(374,770)		(386,213)
		(360,189)	(375,460)
Taxation			
Corporation tax repaid/(paid)		28,092	(73,163)
Capital expenditure			
Purchase of tangible fixed assets	(353,007)		(395,180)
Sale of tangible fixed assets	99,163		69,162
		(253,844)	(326,018)
Increase/(decrease) in cash	19	2,828,735	(2,532,022)

The notes on pages 7 to 13 form part of these financial statements.

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Conditions of sale

The company guarantees the products it supplies. Provision is made for any costs which are expected to be incurred after the year end, under the terms of those guarantees.

Provisions for sales credit notes

The year end provision for sales credit notes is treated as an expense and not as a reduction in turnover.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, on a straight line basis. It is calculated at the following rates:

Short leasehold property	- 10% per annum or over life of lease
Plant and machinery	- 25% to 33 $\frac{1}{3}$ % per annum
Fixtures, fittings and equipment	- 25% per annum
Motor vehicles	- 25% per annum

Equipment leased to customers

Equipment leased to customers under operating leases is capitalised within tangible fixed assets and is depreciated in accordance with the accounting policy above. Income is accounted for on a straight line basis.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is arrived at by taking purchase costs net of related discounts together with all associated costs attributable to the present condition and location of the stock. Net realisable value is based on estimated selling price less further costs expected to be incurred prior to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (Continued)

1 Accounting policies (Continued)

Foreign currencies

Transactions in foreign currencies are recorded at the prevailing rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date, or at the forward contract rate if settled using forward contracts in place at the balance sheet date. All differences are taken to the profit and loss account.

Pension costs

Pension contributions made by the company to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

2 Turnover	1996 £	1995 £
United Kingdom	20,621,291	22,118,303
Overseas	31,841	65,188
	<u>20,653,132</u>	<u>22,183,491</u>

3 Employees

Staff costs (including directors) consist of:

Wages and salaries	2,308,293	2,310,698
Social security costs	227,649	229,705
Other pension costs	27,100	22,250
	<u>2,563,042</u>	<u>2,562,653</u>

The average number of employees (including directors) during the year was as follows:

	1996 Number	1995 Number
Direct	52	58
Indirect	74	72
	<u>126</u>	<u>130</u>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (Continued)

4	Directors	1996	1995
		£	£
	Directors' emoluments consist of:		
	Remuneration for management services	156,319	159,783
		<u> </u>	<u> </u>
	Emoluments (excluding pension contributions) of:		
	Chairman	-	-
	Highest paid director	92,328	94,302
		<u> </u>	<u> </u>
		Number	Number
	The number of other directors whose emoluments (excluding pension contributions) fell in the following ranges was:		
	£ 0 - £ 5,000	2	2
	£ 50,001 - £ 55,000	1	-
	£ 55,001 - £ 60,000	-	1
		<u> </u>	<u> </u>
5	Operating loss	£	£
	This has been arrived at after charging:		
	Depreciation	339,828	334,751
	Loss on sale of fixed assets	10,736	1,576
	Operating lease rentals		
	- Hire of plant and machinery	20,426	14,420
	- leasehold property	216,750	212,875
	Auditors' remuneration	12,000	13,000
		<u> </u>	<u> </u>
	Amounts payable to BDO Stoy Hayward in respect of non audit services were £9,000 (1995: £9,000).		
6	Interest payable and similar charges	1996	1995
		£	£
	On loans and overdrafts	301,488	385,083
	On balances with group undertakings	86,024	-
		<u> </u>	<u> </u>
		387,512	385,083
		<u> </u>	<u> </u>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (Continued)

7	Taxation on loss from ordinary activities	1996 £	1995 £
	Current year		
	UK corporation tax credit	-	202,646
	Prior years		
	UK corporation tax credit	-	4,929
		<hr/>	<hr/>
		-	207,575
		<hr/>	<hr/>

Tax losses of approximately £650,000 are available for offset against future trading profits of the company.

8	Tangible assets	Freehold land £	Short leasehold property £	Vehicles, plant and equipment £	Equipment under contract hire £	Total £
	<i>Cost</i>					
	At 1 January 1996	572,729	135,128	1,516,464	52,146	2,276,467
	Additions	-	18,754	334,253	-	353,007
	Disposals	-	-	(327,295)	-	(327,295)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 December 1996	572,729	153,882	1,523,422	52,146	2,302,179
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<i>Depreciation</i>					
	At 1 January 1996	-	125,000	735,125	52,146	912,271
	Provided for the year	-	6,608	333,220	-	339,828
	Disposals	-	-	(217,396)	-	(217,396)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 December 1996	-	131,608	850,949	52,146	1,034,703
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<i>Net book value</i>					
	At 31 December 1996	572,729	22,274	672,473	-	1,267,476
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 December 1995	572,729	10,128	781,339	-	1,364,196
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Capital commitments				1996 £	1995 £
	Contracted but not provided for				Nil	Nil
					<hr/>	<hr/>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (Continued)

9 Stocks	1996 £	1995 £
Finished goods held for resale	2,762,183	3,253,299
	<u> </u>	<u> </u>
10 Debtors		
Trade debtors	4,546,296	3,755,246
Amounts owed by parent undertaking	-	900,953
Other debtors	10,873	29,893
Corporation tax	202,646	202,646
Advance corporation tax	-	28,092
Prepayments and accrued income	125,365	115,805
	<u> </u>	<u> </u>
	4,885,180	5,032,635
	<u> </u>	<u> </u>
All amounts shown under debtors fall due for payment within one year.		
11 Creditors: amounts falling due within one year		
Bank loans and overdrafts	3,369,121	6,159,301
Amounts owed to parent undertaking	2,881,850	-
Trade creditors	232,710	356,123
Taxation and social security	345,717	484,102
Accruals and deferred income	733,241	633,526
	<u> </u>	<u> </u>
	7,562,639	7,633,052
	<u> </u>	<u> </u>
12 Share capital		
Authorised		
2,350,000 (1995 - 2,350,000) Ordinary shares of £1 each	2,350,000	2,350,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
2,320,000 (1995 - 2,320,000) Ordinary shares of £1 each	2,320,000	2,320,000
	<u> </u>	<u> </u>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (Continued)

13 Reserves

	Profit and loss account £
At 1 January 1996	(301,387)
Retained loss for year	(626,323)
	<hr/>
At 31 December 1996	(927,710)
	<hr/>

14 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Loss for the year	(626,323)	(715,757)
Opening shareholders' funds	2,018,613	2,734,370
	<hr/>	<hr/>
Closing shareholders' funds	1,392,290	2,018,613
	<hr/>	<hr/>

15 Pensions

At 31 December 1996 amounts totalling £27,100 (1995: £22,500) were payable to pension schemes to which the company contributes and are included in accruals and deferred income.

16 Commitments

At 31 December 1996 the company was committed to purchase foreign currency amounting to £19,732,000 under forward contracts.

17 Commitments under operating leases

As at 31 December 1996, the company had annual commitments under non-cancellable operating leases as set out below:

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	2,500	-	-	-
In two to five years	196,750	7,783	216,750	7,783
	<hr/>	<hr/>	<hr/>	<hr/>
	199,250	7,783	216,750	7,783
	<hr/>	<hr/>	<hr/>	<hr/>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (Continued)

18 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	1996 £	1995 £
Operating loss	(250,514)	(551,880)
Depreciation	339,828	334,751
Loss on sale of fixed assets	10,736	1,576
Decrease/(increase) in stocks	491,116	(566,434)
Decrease/(increase) in debtors	103,743	(565,873)
Increase/(decrease) in creditors	2,719,767	(409,521)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	3,414,676	(1,757,381)
	<hr/>	<hr/>

19 Analysis of changes in net debt

	01.01.96 £	Cash flows £	31.12.96 £
Cash at bank and in hand	1,535	38,555	40,090
Bank loans and overdrafts	(6,159,301)	2,790,180	(3,369,121)
	<hr/>	<hr/>	<hr/>
	(6,157,766)	2,828,735	(3,329,031)
	<hr/>	<hr/>	<hr/>

There are no movements in net debt other than the cash flows shown above.

20 Related parties

Throughout the year Karcher (UK) Limited was a wholly owned subsidiary of Kärcher Beteiligungs GmbH, a company registered in Germany. The directors regard Alfred Kärcher GmbH & Co KG, a company registered in Germany as the ultimate parent undertaking.

The following amounts were payable to/(receivable from) Alfred Kärcher GmbH & Co KG, in respect of the year ended 31 December 1996:

	£
Purchase of goods for resale	14,349,940
Provision of other goods and services	57,622
Interest payable	86,024
Interest receivable	(9,477)
	<hr/>

All transactions were conducted on an arms length basis and on normal commercial terms.

At 31 December 1996 the amount due to Alfred Kärcher GmbH & Co KG was £2,881,850.