

Kärcher (UK) Limited

Report and Financial Statements

Year Ended

31 December 2012

Company Number 1350233

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Kärcher (UK) Limited

Report and financial statements for the year ended 31 December 2012

Contents

Page:

| | |
|----|--|
| 1 | Report of the directors |
| 5 | Independent auditor's report |
| 7 | Profit and loss account |
| 8 | Balance sheet |
| 9 | Cash flow statement |
| 10 | Notes forming part of the financial statements |

Directors

H O Jenner
S C Keeping
D H Grajer
M J Asch
M R Venner

Secretary and registered office

M R Venner, Karcher House, Beaumont Road, Banbury, Oxfordshire, OX16 1TB

Company number

1350233

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Kärcher (UK) Limited

Report of the directors for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year

Principal activities

The company has continued to trade as the UK distributor of Kärcher cleaning equipment and solutions for the consumer, commercial, industrial and brush wash markets. The company also provides comprehensive installation, after sales service, hire and financing via third parties.

Review of the business

As set out on page 7 the company achieved turnover of £80m in 2012 (2011 £66.5m) a 20% growth in 2012, 21% increase in UK sales and a small decline in intercompany sales to Kärcher Ireland.

Despite a UK economy that stagnated in 2012 and a hosepipe ban that damaged Pressure Washer sales, the success of sales in our Home Cleaning range and particular the Window Vac ensured overall consumer sales growth of 40% in 2012.

A marketing campaign around the Window Vac, with joined up television advertising and excellent trade marketing, coupled with strong distribution, delivered an increase in Home Cleaning product sales. The UK Pressure Washer market saw double digit decline in value and units in the year due to hose pipe bans imposed in large parts of England & Wales. This decline in the market was also seen in our Pressure Washer sales out to retailers and this decline severely affected the profitability of the business, as the water restrictions were put in place just before the peak outdoor sales season, with the business unable to adjust its cost base.

Sales continue to be seasonal especially in Outdoor Cleaning but with the success of Home Cleaning and a second Autumn advertising campaign around the Window Vac, resulted in sales this year staying considerably higher than previous year and record sales months for the business during quarters three and four. The strong advertising and marketing campaigns during the year with the success of our second 'Kärcher Cleans Britain' campaign improved unaided brand awareness in both men and women.

Commercial, Industrial & Brush Wash sales and service were slightly down on the previous year as investment in the UK economy fell and companies were reluctant to spend during the year. Sales through our broad dealer network were slightly up on last year as more and more Kärcher dealers opened dealer owned specialist centers around the country and additional resource put into this sector.

Large contract sales and margin saw a significant decline in the year as capital expenditure was severely restricted and additional focus was put on product pricing in an already very competitive market. The delivery of cleaning products and services to the London 2012 Olympics during July and August did help in this sector, but unfortunately with companies repairing instead of replacing, machine revenue fell but service was up 21%.

Government austerity spending cuts in the Public sector resulted in a 71% decline in our Protection, Watering & Mobile Catering products sales to the Defence and Blue Light sector.

Gross Margins have declined to 23% in the year due to the significant change in sales product mix, cost of material price increases not passed on to customers and additional investment in promotional materials associated with new products launches.

The sterling/euro exchange rate continued to be volatile in the year, but with the debt crisis in countries from southern Europe the sterling/euro exchange rate remained lower than in the previous year. This therefore had a positive effect on the business during 2012, but the start of 2013 has again seen a rise in the rate to levels experienced in 2011.

Overhead costs increased in the year due to rise in payroll, advertising and distribution costs in the year.

Kärcher (UK) Limited

Report of the directors for the year ended 31 December 2012 (*continued*)

Principal activities (*continued*)

Payroll costs continue to be the most significant company expense. The company headcount increased by 16 to an average of 215 employees in the year as a result of additional sales and services heads to meet the market potential and customer demands respectively.

Advertising costs showed a 114% increase or additional £2.5m compared to the previous year. This was invested in television for the Window Vac and PR marketing on the Kärcher brand.

Distribution costs increased by 28% when compared to previous year as a result of logistic outsourcing on Consumer products and increased sales activity during the year.

Administration costs declined in 2012 due to the one off cost as a result of bad debt in 2011 on Focus DIY. Although another large retail customer went into administration in the year, this debt was managed down to a very small amount and had no significant impact on the business in the year.

Disappointingly the business result for 2012 is a £2m loss due predominately due to the Hose Pipe ban and lack of capital expenditure in certain market sectors pulling down expected Commercial sales. This year also saw a significant investment in the products, infrastructure, customer services and the Kärcher brand for potential future profitable growth.

Company Stock & Trade debtors at the end of the year reflected the increase in sales in the last quarter with again the mix of sales a big factor, with more and more retail customers demanding 60 days or more payment terms.

Future developments

The UK economic recovery is expected to be very slow and uncertain but with the current business infrastructure in place and broad portfolio of the Kärcher product, the business will continue in strengthening the organisation structure of the business, and continue brand and marketing investment across the business.

As the company sales and employee growth continues opportunities have and continue to be reviewed for the creation of a larger and more functional Head Office for the UK business in and around Banbury.

Principal risks and uncertainties

The UK economy, further public sector cuts and renewed consumer spending concerns this year are our biggest uncertainties for future growth plans in the UK. The threat of a hose pipe ban in 2013 is not likely at this present time but the water irrigation infrastructure in the UK is a big concern medium and long term. Improved water usage awareness and education is needed to better understand the significant water shortage threats in the UK.

Market performances will be closely monitored by the business and regular reviews carried out on product value and innovation, company margins and costs and inventory and debt levels.

The company's euro exposure is reasonably stable at present with 50% of 2013 required purchases hedged at the end of 2012. Additional long term stability will be sought during the coming year for future years, but with BoE reviewing additional quantitative easing and UK losing its triple A credit rating the pound will come under additional pressure from other currencies in the coming months.

At present there are no significant threats to operating costs or outstanding debts of the business, with all key business indicators reviewed and further improved by the directors on a regular basis.

Kärcher (UK) Limited

Report of the directors for the year ended 31 December 2012 (*continued*)

Financial instruments

The main financial risks arising from the company's activities are credit, interest rate and liquidity risks. These are monitored by the board of directors and were not considered significant at the balance sheet date.

The Company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made and monitor all customers' credit worthiness on a regular basis. The credit limit management tools within our software applications are fully integrated and dunning applications have been further refined this year. The additional measures put in place during the year on debt management resulted in year-end debtor days being in line with the change in sales mix in the last few months of the year.

The company's policy in respect of interest rate risk and liquidity risk is to maintain short term debt finance from the parent company and readily accessible bank deposit accounts to ensure the company has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits with the parent company and current accounts that earn interest at a floating rate.

Market value of land and buildings

The directors are of the opinion that the market value of the company's interests in land and buildings significantly exceed the book value.

Directors

The directors of the company during the year were

H O Jenner
S C Keeping
D H Grajer
M J Asch
M R Venner

Kärcher (UK) Limited

Report of the directors for the year ended 31 December 2012 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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. 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.

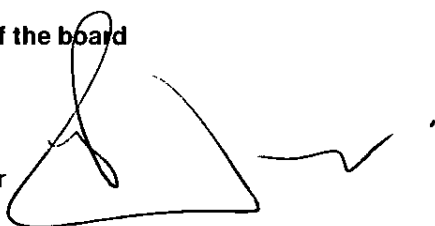
Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP 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

M R Venner



Secretary

26 February 2013

Kärcher (UK) Limited

Independent auditor's report

To the members of Kärcher (UK) Limited

We have audited the financial statements of Kärcher (UK) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

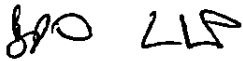
Kärcher (UK) Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

26 February 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Kärcher (UK) Limited

Profit and loss account for the year ended 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|------|----------------|---------------|
| Turnover | 2 | 80,058 | 66,462 |
| Cost of sales | | 61,681 | 49,281 |
| | | <hr/> | <hr/> |
| Gross profit | | 18,377 | 17,181 |
| Distribution costs | | 16,380 | 12,629 |
| Administrative expenses | | 3,950 | 4,445 |
| | | <hr/> | <hr/> |
| Operating (loss)/profit | 3 | (1,953) | 107 |
| Other interest receivable and similar income | 6 | 5 | 1 |
| Interest payable and similar charges | 7 | (151) | (78) |
| | | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities before taxation | | (2,099) | 30 |
| Taxation on (loss)/profit on ordinary activities | 8 | 32 | 165 |
| | | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities after taxation | | (2,067) | 195 |
| | | <hr/> | <hr/> |

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

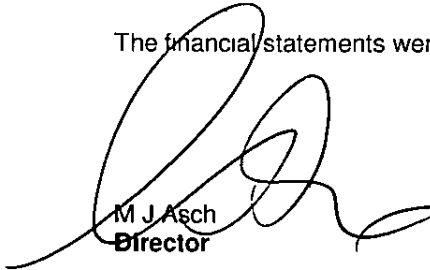
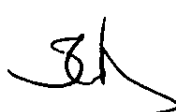
The notes on pages 10 to 24 form part of these financial statements

Kärcher (UK) Limited

Balance sheet at 31 December 2012

| <i>Company number 1350233</i> | Note | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 |
|--|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Intangible assets | 9 | | 510 | | 598 |
| Tangible assets | 10 | | 1,857 | | 1,863 |
| | | | <hr/> | | <hr/> |
| | | | 2,367 | | 2,461 |
| Current assets | | | | | |
| Stocks | 11 | 7,172 | | 6,291 | |
| Debtors | 12 | 13,312 | | 7,704 | |
| Cash at bank and in hand | | 929 | | 114 | |
| | | <hr/> | | <hr/> | |
| | | 21,413 | | 14,109 | |
| Creditors amounts falling due within one year | 13 | 17,370 | | 8,023 | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 4,043 | | 6,086 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 6,410 | | 8,547 |
| Provisions for liabilities | 14 | | 840 | | 910 |
| | | | <hr/> | | <hr/> |
| | | | 5,570 | | 7,637 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 2,320 | | 2,320 |
| Profit and loss account | 17 | | 3,250 | | 5,317 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds | 18 | | 5,570 | | 7,637 |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the board of directors and authorised for issue on 26 February 2013



M J Asch **S C Keeping**
Director **Director**

The notes on pages 10 to 24 form part of these financial statements

Kärcher (UK) Limited

Cashflow statement for the year ended 31 December 2012

| | Note | 2012 £'000 | 2012 £'000 | 2011 £'000 | 2011 £'000 |
|--|------|---------------|---------------|---------------|---------------|
| Net cash inflow/(outflow) from operating activities | 21 | | 1,275 | | (322) |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 5 | | 1 | |
| Interest paid bank | | (4) | | (1) | |
| Interest paid group loans | | (147) | | (77) | |
| | | | | | |
| Net cash outflow from returns on investments and servicing of finance | | | (146) | | (77) |
| Capital expenditure and financial investment | | | | | |
| Payments to acquire tangible fixed assets | | (322) | | (308) | |
| Receipts from sale of tangible fixed assets | | 8 | | 10 | |
| | | | | | |
| Net cash outflow from capital expenditure and financial investment | | | (314) | | (298) |
| Increase in cash | 22 | | 815 | | (697) |

The notes on pages 10 to 24 form part of these financial statements

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2012

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

Consolidated financial statements

Under s405 of the Companies Act 2006 the company is exempt from preparing group accounts as the inclusion of its subsidiary undertaking is not material for the purpose of giving a true and fair view

The results included in these financial statements represent the results of the company only and not the group

Going concern

The financial statements have been prepared on the going concern basis. As detailed in the Directors' Report, the Directors have considered the principal risks and uncertainties that apply to the business and believe that it is appropriate to prepare the accounts on this basis

Goodwill

Goodwill arising on the acquisition of the trade, assets and liabilities of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 10 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates

| | |
|---------------------|-------------------------------|
| Land | - Not depreciated |
| Freehold property | - 10% straight line |
| Plant and machinery | - 25% - 33 1/3% straight line |
| Motor vehicles | - 25% straight line |
| Other fixed assets | - 25% straight line |

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase, net of 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 additional costs to completion and disposal.

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2012 *(continued)*

1 Accounting policies *(continued)*

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme and a number of personal pension plans are charged to the profit and loss account in the period in which they become payable.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date, or at the forward contract rate if settled using forward contracts in place at the balance sheet date. Any differences are taken to the profit and loss account.

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 provision for sales credit notes is treated as an expense in the profit and loss account and is not shown as a reduction to turnover.

Assets held for rental

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.

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

2 Turnover

| | 2012 £'000 | 2011 £'000 |
|---------------------------------|---------------|---------------|
| Analysis by geographical market | | |
| United Kingdom | 78,315 | 64,686 |
| Europe | 1,743 | 1,776 |
| | <u>80,058</u> | <u>66,462</u> |

Turnover is wholly attributable to the principal activity of the company

3 Operating (loss)/profit

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| This is arrived at after charging | | |
| Depreciation of tangible fixed assets | 307 | 276 |
| Amortisation of positive goodwill | 88 | 88 |
| Hire of plant and machinery - operating leases | 858 | 626 |
| Hire of other assets - operating leases | - | 105 |
| | <u></u> | <u></u> |

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Fees payable to the company's auditor or an associate of the company's auditor for the auditing of the company's annual accounts | 37 | 37 |
| | <u></u> | <u></u> |

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

4 Employees

Staff costs (including directors) consist of

| | 2012 £'000 | 2011 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 7,607 | 6,922 |
| Social security costs | 857 | 755 |
| Other pension costs | 404 | 278 |
| | <u>8,868</u> | <u>7,955</u> |

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

| | 2012 Number | 2011 Number |
|-------------------------------|----------------|----------------|
| Management and administration | 21 | 21 |
| Sales and marketing | 194 | 178 |
| | <u>215</u> | <u>199</u> |

5 Directors' remuneration

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Directors' emoluments | 338 | 436 |
| Company contributions to money purchase pension schemes | 29 | 26 |
| | <u>367</u> | <u>462</u> |

There was 1 director in the company's defined contribution pension scheme during the year (2011 - 1)

The total amount payable to the highest paid director in respect of emoluments was £214,800 (2011 - £311,000) Company pension contributions of £13,800 (2011 - £14,000) were made to a money purchase scheme on his behalf

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

6 Other interest receivable and similar income

| | 2012 £'000 | 2011 £'000 |
|-------------------------------|---------------|---------------|
| Deposits with group companies | 2 | 1 |
| Other loans | 3 | - |
| | <u>5</u> | <u>1</u> |

7 Interest payable and similar charges

| | 2012 £'000 | 2011 £'000 |
|----------------------------|---------------|---------------|
| Bank loans and overdrafts | 4 | 1 |
| Loans from group companies | 147 | 77 |
| | <u>151</u> | <u>78</u> |

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

8 Taxation on (loss)/profit on ordinary activities

| | 2012 £'000 | 2011 £'000 |
|--|-------------------|-------------------|
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | (64) | (61) |
| Adjustment in respect of previous periods | 11 | (120) |
| Effect of changes in tax rate | 21 | 16 |
| | <u> </u> | <u> </u> |
| Movement in deferred tax provision | (32) | (165) |
| | <u> </u> | <u> </u> |

The tax assessed for the year is higher than/lower than the standard rate of corporation tax in the UK applied to (loss)/profit before tax

| | 2012 £'000 | 2011 £'000 |
|--|-------------------|-------------------|
| (Loss)/profit on ordinary activities before tax | (2,099) | 30 |
| | <u> </u> | <u> </u> |
| (Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%) | (514) | 8 |
| Effect of | | |
| Expenses not deductible for tax purposes | 23 | 44 |
| Depreciation for period in excess of capital allowances | 68 | 65 |
| Utilisation of brought forward losses | - | (117) |
| Current year losses carried forward | 423 | - |
| | <u> </u> | <u> </u> |
| Current tax charge for the year | - | - |
| | <u> </u> | <u> </u> |

Subject to agreement by HM Inspector of Taxes, there are tax losses of £4,518,854 (2011 £4,095,854) available against future trading profits

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

9 Intangible fixed assets

| | Purchased goodwill £'000 |
|--|-----------------------------|
| <i>Cost</i> | |
| At 1 January 2012 and 31 December 2012 | 876 |
| | <hr/> |
| <i>Amortisation</i> | |
| At 1 January 2012 | 278 |
| Provided for the year | 88 |
| | <hr/> |
| At 31 December 2012 | 366 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 December 2012 | 510 |
| | <hr/> |
| At 31 December 2011 | 598 |
| | <hr/> |

The asset is reviewed annually for impairment. The review at 31 December 2012 indicated that no such impairment had arisen.

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

10 Tangible fixed assets

| | Freehold land and buildings £'000 | Plant and machinery £'000 | Other fixed assets £'000 | Total £'000 |
|-----------------------|---|---------------------------------|--------------------------------|----------------|
| <i>Cost</i> | | | | |
| At 1 January 2012 | 4,266 | 2,721 | 537 | 7,524 |
| Additions | - | 269 | 53 | 322 |
| Disposals | - | (103) | (31) | (134) |
| | <u>4,266</u> | <u>2,887</u> | <u>559</u> | <u>7,712</u> |
| At 31 December 2012 | | | | |
| <i>Depreciation</i> | | | | |
| At 1 January 2012 | 2,834 | 2,481 | 346 | 5,661 |
| Provided for the year | 40 | 154 | 113 | 307 |
| Disposals | - | (103) | (10) | (113) |
| | <u>2,874</u> | <u>2,532</u> | <u>449</u> | <u>5,855</u> |
| At 31 December 2012 | | | | |
| <i>Net book value</i> | | | | |
| At 31 December 2012 | <u>1,392</u> | <u>355</u> | <u>110</u> | <u>1,857</u> |
| At 31 December 2011 | <u>1,432</u> | <u>240</u> | <u>191</u> | <u>1,863</u> |

11 Stocks

| | 2012 £'000 | 2011 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | <u>7,172</u> | <u>6,291</u> |

There is no material difference between the replacement cost of stocks and the amounts stated above

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

12 Debtors

| | 2012 £'000 | 2011 £'000 |
|---|---------------|--|
| Amounts receivable within one year | | |
| Trade debtors | 12,321 | 6,999 |
| Amounts owed by group undertakings | 135 | 82 |
| Prepayments and accrued income | 282 | 240 |
| Other debtors | 267 | 108 |
| | <u>13,005</u> | <u>7,429</u> |
| Amounts receivable after more than one year | | |
| Deferred taxation | 307 | 275 |
| | <u>13,312</u> | <u>7,704</u> |
| Total debtors | <u>13,312</u> | <u>7,704</u> |
| | | Deferred taxation £'000 |
| At 1 January 2012 | | 275 |
| Adjustments in respect of prior years | | (11) |
| Credit for the year | | 64 |
| Effect of change in tax rate | | (21) |
| | | <u>307</u> |
| At 31 December 2012 | | <u>307</u> |
| <i>Deferred taxation</i> | | |
| | 2012 £'000 | 2011 £'000 |
| The amount of deferred tax provided for is as follows | | |
| Accelerated capital allowances | 276 | 233 |
| Sundry timing differences | 31 | 42 |
| | <u>307</u> | <u>275</u> |

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

13 Creditors: amounts falling due within one year

| | 2012 £'000 | 2011 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 1,203 | 853 |
| Amounts owed to group undertakings | 13,800 | 4,908 |
| Taxation and social security | 1,013 | 1,171 |
| Accruals and deferred income | 1,354 | 1,091 |
| | <u>17,370</u> | <u>8,023</u> |

14 Provisions for liabilities

| | Returns and warranty provision £'000 |
|------------------------------------|---|
| At 1 January 2012 | 910 |
| Charged to profit and loss account | 473 |
| Utilised in year | (543) |
| | <u>840</u> |
| At 31 December 2012 | <u>840</u> |

The provision represents an estimate of the costs to be incurred by the company in respect of returns and warranties on machines sold. It is estimated that the year end provision will be utilised within two years.

15 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £404,000 (2011 - £278,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

16 Share capital

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| <i>Allotted, called up and fully paid</i> | | |
| 2,320,000 ordinary shares of £1 each | <u>2,320</u> | <u>2,320</u> |

17 Reserves

| | Profit and loss account £'000 |
|---------------------|-------------------------------------|
| At 1 January 2012 | 5,317 |
| Loss for the year | <u>(2,067)</u> |
| At 31 December 2012 | <u>3,250</u> |

18 Reconciliation of movements in shareholders' funds

| | 2012 £'000 | 2011 £'000 |
|-----------------------------|---------------|---------------|
| (Loss)/profit for the year | (2,067) | 195 |
| Opening shareholders' funds | <u>7,637</u> | <u>7,442</u> |
| Closing shareholders' funds | <u>5,570</u> | <u>7,637</u> |

19 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

| | Other 2012 £'000 | Other 2011 £'000 |
|-------------------------------|------------------------|------------------------|
| Operating leases which expire | | |
| Within one year | 109 | 122 |
| In two to five years | <u>724</u> | <u>518</u> |
| | <u>833</u> | <u>640</u> |

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

20 Related party disclosures

Related party transactions and balances

During the year the following transactions occurred with Alfred Kärcher GmbH & Co KG, the ultimate parent company, and Kärcher Limited, Kärcher Floorcare Inc, C-tech Industries Inc, and Kärcher Futuretech GmbH, which are fellow subsidiaries. Also stated are the balances which exist with related parties at the year end.

Related party transactions

| | Sales to related party £'000 | Fees receivable for provision of other goods and services £'000 | Purchases from related parties £'000 | Fees payable for provision of other goods and services £'000 | Interest paid to related party £'000 |
|--------------------------------|------------------------------------|--|---|---|---|
| 2012 | | | | | |
| Alfred Kärcher GmbH & Co KG | - | - | 58,422 | 598 | 147 |
| Kärcher Limited | 1,743 | 36 | - | - | - |
| Kärcher Floorcare Inc | - | - | 83 | - | - |
| Kärcher Used Equipment GmbH | 55 | - | - | - | - |
| C-tech Industries Inc | - | - | 73 | - | - |
| Kärcher Futuretech GmbH | - | - | 244 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 2011 | | | | | |
| Alfred Kärcher GmbH & Co KG | - | - | 47,251 | 1,097 | 77 |
| Kärcher Limited | 1,778 | 40 | - | - | - |
| Kärcher Floorcare Inc | - | - | 54 | - | - |
| Kärcher Used Equipment GmbH | - | - | - | - | - |
| C-tech Industries Inc | - | - | 170 | - | - |
| Kärcher Futuretech GmbH | - | - | 658 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

20 Related party disclosures (continued)

Balances with related parties

| | Amounts owed by related parties £'000 | Amounts owed to related parties £'000 |
|-----------------------------|---|---|
| 2012 | | |
| Alfred Kärcher GmbH & Co KG | - | 13,764 |
| Kärcher Limited | 80 | - |
| Kärcher Floorcare Inc | - | 1 |
| Kärcher Used Equipment GmbH | 55 | 35 |
| C-Tech Industries Inc | - | - |
| Kärcher Futuretech GmbH | - | - |
| | <hr/> | <hr/> |
| 2011 | | |
| Alfred Kärcher GmbH & Co KG | - | 4,618 |
| Kärcher Limited | 68 | - |
| Kärcher Floorcare Inc | - | 10 |
| Kärcher Used Equipment GmbH | - | - |
| C-Tech Industries Inc | - | 243 |
| Kärcher Futuretech GmbH | - | 7 |
| | <hr/> | <hr/> |

Loans and transactions concerning directors and officers of the company

A director owed to the company £29,648 at the year end date (2011 - £36,800) The maximum amount of the loan in the year was £37,213 Interest is charged at 4% A total of £1,360 interest was charged in the period

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

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

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Operating (loss)/profit | (1,953) | 107 |
| Amortisation of intangible fixed assets | 88 | 88 |
| Depreciation of tangible fixed assets | 307 | 276 |
| Loss/(profit) on sale of tangible fixed assets | 13 | (1) |
| Increase in stocks | (881) | (1,944) |
| Increase in debtors | (5,576) | (1,035) |
| Increase in creditors | 9,347 | 2,412 |
| Decrease in provisions | (70) | (225) |
| | <hr/> | <hr/> |
| Net cash inflow/(outflow) from operating activities | 1,275 | (322) |
| | <hr/> | <hr/> |

22 Reconciliation of net cash flow to movement in net funds

| | 2012 £'000 | 2011 £'000 |
|-----------------------------|---------------|---------------|
| Increase/(decrease) in cash | 815 | (697) |
| Opening net funds | 114 | 811 |
| | <hr/> | <hr/> |
| Closing net funds | 929 | 114 |
| | <hr/> | <hr/> |

23 Analysis of net funds

| | At 1 January 2012 £'000 | Cash flow £'000 | At 31 December 2012 £'000 |
|--------------------------|-------------------------------|--------------------|------------------------------------|
| Cash at bank and in hand | 114 | 815 | 929 |
| | <hr/> | <hr/> | <hr/> |
| Total | 114 | 815 | 929 |
| | <hr/> | <hr/> | <hr/> |

24 Currency commitments

At 31 December 2012 the company was committed under forward contracts to purchase foreign currency amounting to £17,631,891 (2011 - £28,068,991)

Kärcher (UK) Limited

**Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)**

25 Ultimate parent company and parent undertaking of larger group

The company is a wholly owned subsidiary of Kärcher Beteiligungs GmbH , incorporated in Germany

The largest group in which the results of the company are consolidated is that headed by Alfred Kärcher GmbH & Co KG, incorporated in Germany, which the directors regard as being the ultimate parent undertaking