

Kärcher (UK) Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 01350233

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COMPANIES HOUSE

Kärcher (UK) Limited

Kärcher (UK) Limited Information

Directors

H O Jenner
S C Keeping
M J Asch
T H Elsner
M R Venner
C May

Company secretary

M R Venner

Registered number

01350233

Registered office

Kärcher House
Beaumont Road
Banbury
Oxfordshire
OX16 1TB

Independent auditors

BDO LLP
Chartered Accountants & Statutory Auditors
Two Snowhill
Birmingham
B4 6GA

Kärcher (UK) Limited

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Kärcher (UK) Limited

Strategic Report For the Year Ended 31 December 2015

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2015.

Business review

As set out on page 8 the company turnover increased in the year to £124,903,000 (2014 - £118,615,000) an increase of 5.3%. The gross profit increased by 8.3% with gross margin percentage increasing to 25.2% (2014 - 24.5%) due to product mix and the stronger pound.

Retail sales continued to grow in 2015 with pressure washers performing particularly well in this category. Seasonality of sales has remained in line with previous years with strong in fill of products in the first quarter of the year. However, the autumn months or last quarter sales have also grown year on year, as indoor cleaning products remain popular during the internet sales and gifting periods of November and December.

Professional product sales also grew in 2015 with increased sales across the category and a particularly strong year in our vehicle wash solutions division. The investment in after sales service and support for customers and professional products has seen an increase of 20% in service revenue. Distribution sales activity continues to grow with a further 4 Centers added in 2015 and brings the total number of Kärcher Centers to 18.

Company administration and distribution costs increased just ahead of company growth by 5.8%. The significant spend for the company in the year was on warehouse and carriage costs, advertising and marketing expenses and personnel costs. The latter accounting for two thirds of the increase in 2015, as headcount investment continues in sales, service and customer service areas. The new auto-enrolment pension regulations are also pushing up company personnel costs.

The average headcount increased by 23 (2014 - 27) and now stands at 287 with the expectation that it should exceed 300 in the coming years.

The company made an operating profit in 2015 of £2,167,000 (2014 - £1,368,000) with profit on ordinary activities after interest and taxation of £1,512,000 (2014 - £1,131,000)

Total assets at the end of 2015 increased by £16,850,000 due to the acquisition of Clean Sweep Hire Limited, and the land purchase and investment for the construction of the new head office building in the UK. Trade receivables also saw a significant increase but this is in line with sales volume for the final quarter of 2015. Stocks remain within company expectations and key performance indicators for the group.

Innovation of our product range will continue to be the focus for the business with new products and cleaning solutions introduced during the coming period.

Closer collaboration with our customers, distribution channels and end users will also be a key focus of the business through advertising, demonstration, product campaigns, social media and the Kärcher centers.

A new head office build has started and due to be completed in the summer of 2016. The project is on schedule and budget. The new premises are close to our existing head office, so we see no risk to continuity and/or customer support. The new building will accommodate the company's expected growth over the coming years and will include a larger academy and workshop, a sales center, vehicle wash facilities and warehousing.

Kärcher (UK) Limited

Strategic report (continued)

Principal risks and uncertainties

The UK economy in 2015 showed slow but further steady recovery. Although GDP growth during the first three quarters of 2015 has been positive, and has been above growth seen in previous years, it has nevertheless been somewhat subdued in comparison to 2014.

Unemployment has also continued to fall and further regulations on labour costs will add to the cost of employment.

The headline rate of inflation has generally been falling since 2011. Core inflation, which excludes some of the more volatile prices of goods and services such as energy, food, alcohol & tobacco, has seen more significant increases in 2015.

It is now anticipated that interest base rates will remain unchanged in the coming year.

The UK weather and water supply can influence purchasing patterns for our pressure washer products, particularly during the spring months of the year but with strong merchandising, advertising and the new 'full control' range our sales should remain in line with growth expectations.

Business confidence and retailer stability is important to grow partnerships and activity with key customers. The consolidation and sale of some key partners will be closely monitored during the coming months.

Key performance indicators

The company produces regular monthly management information for review and discussion by the directors, various business division managers and employees.

The management review key sales and margin KPI's on a business unit level, product groups, target groups and sales channels. Financial KPI's that are also discussed and reviewed by the management team are company sales performance, gross margin by category & product with overheads constantly compared to previous year and company budgets.

Included in KPI submissions are non financial measures including headcount per cost centre, employee productivity, customer service levels and orders delivered 'on time & in full' (OTIF) through our outsource partner and in-house warehousing and distribution.

Working capital measures are reviewed and set for the coming periods by the operating review team and they include stock range, debtor days, cash collection targets, creditor days and liquidity forecasts.

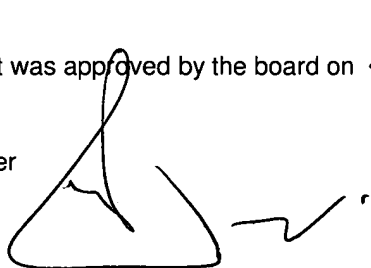
A majority of the financial performance indicators are relevantly assessed on a company and business unit level, therefore not presented in this report. However a key indicator for the measurement of the business is our return on assets (ROA). This is a ratio of our earnings over the 12 month average net assets.

Return on Assets achieved in 2015 was 5.5% (2014 – 3.6%)

At present there are no significant threats to operating costs or outstanding debts of the business, with all business units and company key indicators in line with expectations

This report was approved by the board on 22 March 2016 and signed on its behalf.

M R Venner
Secretary



Kärcher (UK) Limited

Directors' Report For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Results and dividends

The statement of comprehensive income is set out on page 7 and shows the profit for the year.

The directors who served during the year were:

H O Jenner
S C Keeping
D H Grajer (resigned 1 January 2016)
M J Asch
T H Elsner
M R Venner

The following director was appointed subsequent to the balance sheet date:

C May (appointed 1 January 2016)

Management of financial risks

The company's operations and administration are open to currency risks, liquidity risks, credit risks, interest rate risks and returned product risks.

The company has exposure to the Euro currency, which is managed by forward hedged exchange contracts and reviewed regularly with our treasury department at head office. These forward contracts had a fair value of £12,118,000 (2014 - £7,832,000) 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 and dunning process are fully integrated to collect monies due to the company in a timely and orderly manner. Credit insurance on significant debt is in place to further strengthen the protection of our receivable assets.

The company's policy in respect of interest rate risk and liquidity risk is to maintain medium term and short term debt finance from the parent company and readily accessible bank overdraft 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.

Returned products are managed by a dedicated retail collection team, reworked and sold via our outlet website. The company returns rates are regularly reviewed for each product range and appropriate provisions are made.

Kärcher (UK) Limited

Directors' Report For the Year Ended 31 December 2015

Employee involvement

The company creates platforms and encourages regular consultation with employees and management throughout the business. Employees are notified of the business performance and future developments through monthly operating updates, weekly team leader review meetings and company's annual conference. All employees have performance reviews, learning & development plans and self-assessment appraisal meetings at least once a year.

Disabled employees

Full and fair consideration is given to the employment of applicants who are disabled persons, taking account of their disabilities and abilities. Employees who become temporarily or permanently disabled are retained in employment where possible with fair regard to their training needs, role and career development. All employees are fairly and equally provided opportunities for any promotion opportunities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

22 March 2016

and signed on its behalf.



H O Jenner
Director



S C Keeping
Director

Kärcher (UK) Limited

Directors' Responsibilities Statement

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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to 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 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.

Kärcher (UK) Limited

Independent Auditor's report to the members of Karcher (UK) Limited

We have audited the financial statements of Kärcher (UK) Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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 to the members of Karcher (UK) Limited

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.

*BDO LLP
3 June 2016*

Thomas Lawton (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Birmingham
United Kingdom

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

Kärcher (UK) Limited

Statement of Comprehensive Income For the Year Ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	3	124,903	118,615
Cost of sales		(93,489)	(89,602)
Gross profit		31,414	29,013
Distribution costs		(24,191)	(22,722)
Administrative expenses		(5,056)	(4,923)
Operating profit	4	2,167	1,368
Interest receivable and similar income		6	6
Interest payable and expenses	8	(317)	(243)
Profit before tax		1,856	1,131
Tax on profit	9	(344)	-
Profit for the year		1,512	1,131
Other comprehensive income for the year			
Taxation in respect of other comprehensive income		616	1,565
Movement in cash flow hedge		(4,286)	(7,832)
Other comprehensive income for the year		(3,670)	(6,267)
Total comprehensive income for the year		(2,158)	(5,136)

Kärcher (UK) Limited
Registered number:01350233

Balance Sheet
As at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Intangible assets	10	438	538
Tangible assets	11	9,279	2,124
Investments	12	2,415	-
		<u>12,132</u>	<u>2,662</u>
Current assets			
Stocks	13	9,065	9,821
Debtors: amounts falling due after more than one year	14	2,459	2,187
Debtors: amounts falling due within one year	14	21,797	14,869
Cash at bank and in hand	15	938	2
		<u>34,259</u>	<u>26,879</u>
Creditors: amounts falling due within one year	16	(15,625)	(19,356)
Net current assets		<u>18,634</u>	<u>7,523</u>
Total assets less current liabilities		<u>30,766</u>	<u>10,185</u>
Creditors: amounts falling due after more than one year	17	(24,401)	(7,832)
Provisions for liabilities			
Other provisions	20	(1,055)	(885)
		<u>(1,055)</u>	<u>(885)</u>
Net assets		<u>5,310</u>	<u>1,468</u>
Capital and reserves			
Called up share capital	22	2,320	2,320
Other reserves		(9,937)	(6,267)
Profit and loss account		12,927	5,415
		<u>5,310</u>	<u>1,468</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

22 March 2016

H O Jenner
Director

S C Keeping
Director

The notes on pages 13 to 34 form part of these financial statements.

Kärcher (UK) Limited

Statement of Changes in Equity As at 31 December 2015

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2015	2,320	(6,267)	5,415	1,468
Comprehensive income for the year				
Profit for the year	-	-	1,512	1,512
Taxation in respect of items of other comprehensive income	-	616	-	616
Net loss on cash flow hedges	-	(4,286)	-	(4,286)
Other comprehensive income for the year	-	(3,670)	-	(3,670)
Total comprehensive income for the year	-	(3,670)	1,512	(2,158)
Contributions by and distributions to owners				
Capital contribution	-	-	6,000	6,000
Total transactions with owners	-	-	6,000	6,000
At 31 December 2015	2,320	(9,937)	12,927	5,310

Kärcher (UK) Limited

Statement of Changes in Equity As at 31 December 2014

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2014	2,320	-	4,284	6,604
Comprehensive income for the year				
Profit for the year	-	-	1,131	1,131
Taxation in respect of items of other comprehensive income	-	1,565	-	1,565
Net loss on cash flow hedges	-	(7,832)	-	(7,832)
Other comprehensive income for the year	-	(6,267)	-	(6,267)
Total comprehensive income for the year	-	(6,267)	1,131	(5,136)
At 31 December 2014	2,320	(6,267)	5,415	1,468

The notes on pages 13 to 34 form part of these financial statements.

Kärcher (UK) Limited

Statement of Cash Flows For the Year Ended 31 December 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit for the financial year	1,512	1,131
Adjustments for:		
Amortisation of intangible assets	100	89
Depreciation of tangible assets	627	478
Loss on disposal of tangible assets	2	5
Decrease/(increase) in stocks	756	(2,678)
Interest paid	317	243
Interest received	(5)	(6)
Taxation	344	-
Increase in debtors	(6,534)	(420)
Decrease in amounts owed by groups	(393)	(109)
Increase/(decrease) in creditors	504	(204)
Increase in amounts owed to groups	8,221	1,058
Increase/(decrease) in provisions	170	(70)
Net cash generated from operating activities	5,621	(483)
Cash flows from investing activities		
Purchase of tangible fixed assets	(7,785)	(338)
Purchase of fixed asset investments	(1,615)	-
Interest received	5	6
Net cash from investing activities	(9,395)	(332)
Cash flows from financing activities		
Interest paid	(317)	(243)
Capital contribution	6,000	-
Net cash used in financing activities	5,683	(243)
Net increase / (decrease) in cash and cash equivalents	1,909	(1,058)
Cash and cash equivalents at beginning of year	(971)	87
Cash and cash equivalents at the end of year	938	(971)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	938	2
Bank overdrafts	-	(973)
	938	(971)

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 28.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Consolidated financial statements

Under s405 of the Companies Act 2006 the company is exempt from preparing group accounts as the inclusion of its subsidiary undertakings 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.

1.3 Going concern

The financial statements have been prepared on the going concern basis. 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.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.6 Tangible fixed assets

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

Land and assets under construction are not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows.

Depreciation is provided on the following bases:

Freehold property	-	10% straight line
Plant and machinery	-	25% to 33.33% straight line
Motor vehicles	-	25% straight line
Software	-	10% Straight line
Other fixed assets	-	25% Straight line

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.9 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.

1.10 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.

1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Kärcher (UK) Limited's cash management.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.13 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial liabilities

The company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category comprises only out-of-the-money derivatives designated as hedging instruments. They are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income through Other Comprehensive Income to the extent that the hedge is considered effective; any ineffective element is recognised in the Income Statement. Other than these derivative financial instruments, the company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

Financial assets

The company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.15 Hedge accounting

Kärcher (UK) Limited has entered into forward foreign currency contracts to manage its exposure to foreign exchange rate risk in relation to forecast purchases. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in Other Comprehensive Income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the Income Statement for the period.

1.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

1.17 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

1.18 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.19 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.

1.20 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.

1.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies set out above management is required to make certain estimates and judgements concerning the future. These judgements are regularly reviewed and updated as necessary. The estimates and judgements that have the most significant effect on the amounts included in these financial statements are as follows:

a) Useful lives of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly.

b) Useful life of goodwill

Amortisation is charged so as to write down goodwill to its residual value over the estimated useful life as set out in the company's accounting policy. Useful lives are regularly reviewed and should management's assessment of the useful life shorten then amortisation charges in the financial statements would increase and the carrying amount of goodwill would reduce accordingly.

c) Impairment of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Investments are remeasured to market value at each period end and where the market value falls below the carrying value the investment is impaired to reduce the carrying value accordingly.

d) Trade debtors

The company reviews the recoverability of trade debtors and makes allowances for doubtful debts where considered appropriate.

e) Inventory provisions

The company's policy is to fully provide for all items of inventory aged over 12 months and to provide for specific items which are unlikely to be sold at a price greater than cost, such as display and demonstration stock. Inventory levels are constantly reviewed and, should there be an indication of impairment or obsolescence, the inventory is written down to its assessed net realisable value.

f) Financial instruments

Certain financial assets and financial liabilities included within the company financial statements require measurement at fair value.

The market value of financial instruments as at the year end have been considered by management in consultation with the Kärcher group treasury function. Management have assessed estimates provided and consider them to be a reasonable reflection of the fair value of the financial instruments as at the balance sheet date.

g) Warranty and returns provision

Warranty and returns provisions are made in accordance with managements review and consideration of historical costs incurred by the company and sales made under relevant warranty or returns arrangements.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

3. Analysis of turnover

Analysis of turnover by country of destination:

	2015 £000	2014 £000
United Kingdom	123,136	116,845
Rest of Europe	1,767	1,770
	<u>124,903</u>	<u>118,615</u>

Turnover is wholly attributable to the principal activity of the company.

4. Operating profit

The operating profit is stated after charging:

	2015 £000	2014 £000
Inventory recognised as an expense	74,644	85,262
Hire of plant and machinery - operating leases	703	770
Hire of other assets - operating leases	96	113
Depreciation of tangible fixed assets	627	478
Amortisation of intangible assets, including goodwill	100	89
Fees payable to the Kärcher (UK) Limited's auditor and its associates for the audit of the company's annual accounts	37	37
Defined contribution pension cost	<u>542</u>	<u>493</u>

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

5. Auditors' remuneration

	2015 £000	2014 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	37	37
Fees payable to the company's auditor and its associates in respect of:		
Audit related services	19	-
Tax compliance services	10	18
Tax advisory services	36	7
	<u>65</u>	<u>25</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	10,030	9,230
Social security costs	1,161	1,093
Cost of defined contribution scheme	542	493
	<u>11,733</u>	<u>10,816</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Management and administration	24	24
Sales and marketing	263	240
	<u>287</u>	<u>264</u>

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

7. Directors' remuneration

	2015 £000	2014 £000
Directors' emoluments	488	397
Company contributions to defined contribution pension schemes	37	32
	<u>525</u>	<u>429</u>

During the year retirement benefits were accruing to 2 directors (2014 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £324,000 (2014 - £240,400).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,370 (2014 - £13,800).

8. Interest payable and similar charges

	2015 £000	2014 £000
Bank interest payable	13	2
Loans from group undertakings	304	241
	<u>317</u>	<u>243</u>

9. Taxation

	2015 £000	2014 £000
Total current tax		
Deferred tax		
Origination and reversal of timing differences	416	-
Adjustment in respect of prior periods	(149)	-
Effect of tax rate change on opening balance	77	-
Total deferred tax	<u>344</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>344</u>	<u>-</u>

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	1,856	1,131
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	376	243
Effects of:		
Expenses not deductible for tax purposes	58	80
Capital allowances for year in excess of depreciation	-	10
Utilisation of tax losses	-	(333)
Adjustments to tax charge in respect of prior periods	(149)	-
Effect of tax rate change on opening balance	59	-
Total tax charge for the year	344	-

Factors that may affect future tax charges

Subject to agreement by HM Inspector of taxes, there are tax losses of £438k (2014: £2,149k) available against future trading profits.

A number of changes to the UK corporation tax system were announced in the July 2015 Budget, including that the main rate of corporation tax would reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These tax rate reductions have not been substantively enacted to date and therefore have not been reflected in the financial statements.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

10. Intangible assets

	Purchased goodwill £000
Cost	
At 1 January 2015	<u>1,081</u>
Amortisation	
At 1 January 2015	543
Charge for the year	<u>100</u>
At 31 December 2015	<u>643</u>
Net book value	
At 31 December 2015	<u>438</u>
At 31 December 2014	<u>538</u>

The assets are reviewed annually for impairment. The review at 31 December 2015 indicated that no such impairment had arisen.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

11. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Other fixed assets £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2015	4,266	3,830	614	-	8,710
Additions	2,331	530	17	4,907	7,785
Disposals	-	(8)	(12)	-	(20)
At 31 December 2015	6,597	4,352	619	4,907	16,475
Depreciation					
At 1 January 2015	2,916	3,121	550	-	6,587
Charge owned for the period	42	544	41	-	627
Disposals	-	(8)	(10)	-	(18)
At 31 December 2015	2,958	3,657	581	-	7,196
At 31 December 2015	3,639	695	38	4,907	9,279
At 31 December 2014	1,350	710	64	-	2,124

Included in the net book value of land and buildings is freehold land of £2,331k (2014 - £nil) and freehold property of £1,350k (2014 - £1,350k).

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

12. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
Additions	2,415
At 31 December 2015	<u>2,415</u>
Subsidiary undertakings	

The following were subsidiary undertakings of the Kärcher (UK) Limited:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Clean Sweep Hire Limited	United Kingdom	Ordinary shares	100 %	Trading company
Atlantis International Limited	United Kingdom	Ordinary shares	100 %	Dormant

Under s405 of the Companies Act 2006 Kärcher (UK) Limited 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.

Clean Sweep Hire Limited was acquired on 1 October 2015 (note 23).

13. Stocks

	2015 £000	2014 £000
Finished goods and goods for resale	<u>9,065</u>	<u>9,821</u>

Stock provision recognised as an expense during the year was a credit of £194,000 (2014 - debit of £128,000).

The difference between purchase price or production cost of stocks and their replacement cost is not material

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

14. Debtors

	2015 £000	2014 £000
Due after more than one year		
Deferred tax asset	2,459	2,187
	<u>2,459</u>	<u>2,187</u>
Due within one year		
Trade debtors	20,565	13,872
Amounts owed by group undertakings	597	204
Other debtors	377	610
Prepayments and accrued income	258	183
	<u>21,797</u>	<u>14,869</u>

15. Cash and cash equivalents

	2015 £000	2014 £000
Cash at bank and in hand	938	2
Less: bank overdrafts	-	(973)
	<u>938</u>	<u>(971)</u>

16. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Bank overdrafts	-	973
Group investment loan	3,250	-
Trade creditors	3,695	2,044
Amounts owed to group undertakings	4,171	10,950
Taxation and social security	1,373	3,236
Deferred consideration	267	-
Accruals and deferred income	2,869	2,153
	<u>15,625</u>	<u>19,356</u>

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

17. Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Group investment loan	11,750	-
Deferred consideration	533	-
Financial instruments	12,118	7,832
	<u>24,401</u>	<u>7,832</u>

During the year £15m of intercompany debt was reclassified into a restructured investment loan with all amounts due within 5 years. The loan is repayable by 16 quarterly instalments, with fixed interest of 2.7% per annum.

18. Financial instruments

	2015 £000	2014 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>21,539</u>	<u>14,687</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(26,535)	(16,121)
Derivative financial instruments designed as hedges of foreign currency movements	(12,118)	(7,832)
	<u>(38,653)</u>	<u>(23,953)</u>

Financial assets measured at amortised cost comprise trade and other receivables

Financial Liabilities measured at amortised cost comprise trade and other creditors

Derivative financial instruments designated as hedging instruments comprise forward currency contracts.

Hedge of foreign exchange risk arising on forecast purchases

During 2014 the company entered into a number of forward foreign currency contracts to hedge the potential volatility in future cash flows on forecast purchases arising from movements in Euro exchange rates.

The forward contracts are accounted for as a hedge of foreign exchange risk in accordance with FRS 102 and had a fair value of £12,118,000 (2014 - £7,832,000) at the balance sheet date. The cash flows arising from the forward contracts will continue until their maturity in 2019. The change in fair value in the period was £4,286,000 (2014 - £7,832,000) with the entire charge being recognised in other comprehensive income as the hedge was 100% effective.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

19. Deferred taxation

	Deferred tax £000
At 1 January 2015	2,187
Charged to the profit or loss	(344)
Charged to other comprehensive income	616
At 31 December 2015	2,459

The deferred tax asset is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	116	325
Tax losses carried forward	97	227
Sundry timing differences	65	70
Fair value revaluations of financial instruments	2,181	1,565
	2,459	2,187

20. Provisions

	Warranty and return provision £000
At 1 January 2015	885
Charged to the profit or loss	598
Utilised in year	(428)
At 31 December 2015	1,055

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.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

21. Reserves

The following describes the nature and purpose of each reserve within equity:

Other reserves

Other reserves represent the effective portion of the change in fair value of designated cash flow hedging instruments.

Profit and loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

22. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
2,320,000 ordinary shares of £1 each	2,320	2,320

23. Business combinations

On 1 October 2015 the group acquired 100% of Clean Sweep Hire Limited for £2,415,685 paid by cash of £1,615,865 and deferred consideration of £800,000.

24. Pension commitments

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 £542,000 (2014 - £493,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

25. Related party transactions

The company is a wholly owned subsidiary of Alfred Kärcher GmbH & Co KG and has taken advantage of the exemption conferred by FRS102 'Related party disclosures' not to disclose transactions with Alfred Kärcher GmbH & Co KG or other wholly owned subsidiaries within the group.

Loans and transactions concerning directors and officers of the company

Simon Keeping, a director of the company, owed £40,363 at the year end date (2014 - £48,323). The maximum amount of the loan in the year was £48,323. Interest is charged at 4%. A total of £1,640 interest was charged in the period.

Mark Venner, a director of the company, owed £9,501 at the year end date (2014 - £14,708). The maximum amount of the loan in the year was £14,708. Interest is charged at 4%. A total of £494 interest was charged in the period.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £596,702 (2014 - £715,381), pension contributions of £51,057 (2014 - £64,426) were also made on their behalf.

26. Commitments under operating leases

At 31 December 2015 Kärcher (UK) Limited had total future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Not later than 1 year	941	958
Later than 1 year and not later than 5 years	1,225	1,554
Later than 5 years	469	604
Total	2,635	3,116

27. Ultimate parent company and parent undertaking of a larger group

The directors regard Kärcher Beteiligungs GmbH, a company incorporated in Germany, as the the immediate parent company and Alfred Kärcher GmbH & co KG, a company incorporated in Germany, as the ultimate parent company and controlling party.

The largest and smallest group in which the results of the company are consolidated is that headed by Alfred Kärcher GmbH & co KG, incorporated in Germany.

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

28. First time adoption of FRS 102

		As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 102 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Note							
Fixed assets		2,895	-	2,895	2,661	-	2,661
Current assets		22,193	-	22,193	25,315	1,565	26,880
Creditors: amounts falling due within one year		(17,529)	-	(17,529)	(19,356)	-	(19,356)
Net current assets		4,664	-	4,664	5,959	1,565	7,524
Total assets less current liabilities		7,559	-	7,559	8,620	1,565	10,185
Creditors: amounts falling due after more than one year		-	-	-	-	(7,832)	(7,832)
Provisions for liabilities		(955)	-	(955)	(885)	-	(885)
Net assets		6,604	-	6,604	7,735	(6,267)	1,468
Capital and reserves		6,604	-	6,604	7,735	(6,267)	1,468

Kärcher (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2015

28. First time adoption of FRS 102 (continued)

	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Note			
Turnover	118,615	-	118,615
Cost of sales	(89,602)	-	(89,602)
	29,013	-	29,013
Distribution expenses	(22,722)	-	(22,722)
Administrative expenses	(4,923)	-	(4,923)
Operating profit	1,368	-	1,368
Interest receivable and similar income	6	-	6
Interest payable and similar charges	(243)	-	(243)
Profit on ordinary activities after taxation and for the financial year	1,131	-	1,131

Explanation of changes to previously reported profit and equity:

- 1 The company has recognised its forward currency contracts at fair value and designated them as hedging instruments. This resulted in no impact at the date of transition and a liability of £7,832k at 31 December 2014. The movement in fair value is considered to be effective and has therefore been recognised through other comprehensive.
- 2 Deferred tax of £1,565k has been recognised on the fair value movements associated with the recognition of the company's forward currency contracts with any changes recorded through other comprehensive income.