Kärcher (UK) Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 01350233

Kärcher (UK) Limited

Report and financial statements
for the year ended 31 December 2018

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Directors

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

Secretary and registered office

M R Venner, Kärcher House, Brookhill Way, Banbury, Oxfordshire, England, OX16 3ED

Company number

01350233

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

The directors present their strategic report together with the consolidated audited financial statements for the year ended 31 December 2018.

Review of the business

As set out on page 9 the group turnover increased in the year to £132,877,000 (2017 - £130,636,000) an increase of 1.7%. The gross profit showed stronger growth with product gross margin percentage increasing to 25.8% (2017 – 23.9%). The main factor in gross margin improvement comes from our Retail product mix with pressure washers and an improved proportion of indoor products during the year. The rental increase growth of 26% (2017 -15.4%) also has had a significantly positive effect on company margins.

Retail sales grew in 2018 with our indoor floor care range performing particularly well during the first half of the year, backed by a successful marketing campaign, with treble digit full year growth versus 2017. Our Window Vacuum saw growth also, especially in the second half of the year as the value of the product beyond cleaning was highlighted in our advertising. Good summer weather helped our outdoor pressure washer sales exceed expectations and improve on 2017 levels.

Professional product sales had a difficult year with the continued decline of businesses confidence in the current uncertain economic and political climate. Conversely, the machine hire division's turnover saw strong double digit growth again this year. Core Professional products, such as the hot and cold high pressure washers and dry vacuums had mixed success, with the former suffering from businesses' reluctance to invest and the later helped by strong growth in our overall floor care product sales. Our floor care solutions machines did see pleasing growth on 2017, helped by new product innovations in the municipal range.

Group overheads of administration and distribution costs continue to increase in line with company sales, distribution, marketing and customer service strategy. The increase reflects our more diverse routes to market, our continued investment in customer service and new product marketing.

The significant spend for the group in the year was on warehousing and carriage, advertising and marketing expenses with further growth on personnel and employment costs. The average consolidated headcount decreased by 4 to 320 (2017 – 324). The group made an operating profit in 2018 of £1,206,000 (2017 - £1,246,000) with profit on ordinary activities after interest and taxation of £510,000 (2017 - £396,000).

Product stock values increased year-on-year by 5.9% (2017 -16%) due to a slowdown in sales in the last quarter and growth in the product range sold in the UK market.

Trade receivables remain within the company's debtor day expectations and key performance indicators for the group. The year-end value of £19,417,000 (2017 - £24,097,000) reflects a slowdown in Quarter 4 sales versus the same period in 2017. Company bad debts in the year at 0.15% (2017 - 0.03%) remain low but remain a key focus of the sales and cash management team.

Consolidated net assets decreased marginally by £151,000 (2017 - £3,496,000) year on year with the majority of the movement due to our 17.3% (2017 - +6.0%) reduction in customer debt, enabling the company to repay £4.7m on our group investment loan.

We aim to protect our core business by using forward contracts to help build more certainty into our future cash flows. The movement in the derivatives created a gain of £137,000 (decrease of £796,000 on 2017's gain).

As a majority of our products sold in the UK are imported from the Euro zone and the continued pressure on Sterling versus the Euro, the management of currency and the associated product cost base requires significant management focus and necessary price adjustment.

The reduction in consumer confidence does impact our business directly. Despite consumer price inflation dropping during 2018, ending the year at 2.1%, average weekly earnings still outpacing inflation and UK employment rates at an all-time high, UK consumers remain cautious to spend and consumer confidence remains low. Additionally, high employment rates and strong earnings have put more pressure on our cost base and our ability to fill employment vacancies.

The wider UK economy post-Brexit remains; a major concern for many import businesses like ours and the uncertainty makes investment and planning more complex. This is exacerbated for the company as we also act as an export supply hub for our sister company in the Irish Republic, therefore importing from the EU and back out according to Irish customers' demands.

In 2018 and continuing into 2019, the business continues to prioritise the preparation for the UK's exit from the European Union and enhancing the strength we have developed over 40 years of trading in the UK. Our preparation will enable us to continue this business success in 2019 and beyond.

The UK team, in conjunction with our German parent company, continue to run a portfolio of evolving projects helping to alleviate the macro-economic factors, which directly improved our profitable returns and working capital. These measures will continue in the coming years as we can expect the period of uncertainty to continue. Our marketing, continued innovation of our product range and close collaboration with our customers, will continue to be the focus for the business in 2019. These factors, plus the strategic measures that have been introduced to protect the principles and assets of Kärcher, mean that we are in a good position to continue added value projects and profitable growth for the business.

Principal risks and uncertainties

The macroeconomic effect on the UK economy after the decision to leave the European Union clearly remains uncertain, and as mentioned above, remains a significant focus for the management.

The business anticipates that a slowdown in growth, further reduced consumer confidence, increased administration and logistical burden and also the potential continued depreciation of the pound, to be the key risks to the plans of the management.

With this in mind, deployment of risk mitigating policies such as foreign currency hedging, cash flow planning and, strategic plans to improve working capital and profit generation have already proved a valuable barrier to the financial impacts of the economic changes. We are working closely with our partners in distribution, banking, professional advisory and UK Government authorities to ensure the group is in the best possible position to reduce the impact of Brexit and the escalating costs of employment.

The global group as a whole has a strong customer offering and culture, both of which are the backbone of our long terms plans, which underpin the UK business.

Key Performance Indicators

The group produce regular management information for review and discussion by the directors, business division managers and employees. Management produces key performance indicators specifically on a business unit, value stream and sales channel level. The financial key performance indicators are sales performance, gross margin and product contributions as well as capital and overhead spend. These are evaluated against previous years, forecasts and budgets and then used to adjust strategic planning to ensure the assets and returns of the business are protected.

Included in management information submissions are non-financial measures including headcount per cost centre, employee productivity, cost to serve our customers, product return volumes, health and safety data, customer service levels and orders delivered 'on time & in full' through our outsource partner and in-house warehousing and distribution.

Working capital measures are reviewed and set for the coming periods by the management and they include stock range, debtor days, cash collection targets, creditor days, currency hedging effectiveness and liquidity statistics.

A majority of the financial performance indicators are relevantly assessed on a company and sales channel level, therefore not presented in this report however a key indicator for the measurement of the business is our return on company assets. This is a ratio of our earnings over the 13 month average net assets.

At present there are no significant threats to any operating costs or outstanding debts of the business, with all business units and company key indicators within tolerance levels of management expectations.

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

M R Venner
Secretary

Date 23/09/2019.

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

Results and dividends

The consolidated statement of comprehensive income is set out on page 9 and shows the profit for the year.

Management of financial risks

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

The group has exposure to the Euro currency, this is managed by forward-hedged exchange contracts and reviewed regularly with our treasury department at head office to ensure we have no large exposures or risk to company margin and cost budgets.

The group'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 group'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, reconditioned and sold via our outlet website. The company returns rates are regularly reviewed for each product range and appropriate provisions are made.

Employment of disabled persons

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

Employee involvement

The group 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 the company's annual conference. All employees have performance reviews, learning & development plans and self-assessment appraisal meetings at least twice a year. We have an all-encompassing software package to help manage these functions and align ourselves with the global human resource management processes
In 2017 we performed another group-wide employee survey in conjunction with our Culture Excellence programme, and ran workshops with all our employees; the results of which are now being evaluated. This is being repeated in 2019 to see the progress of the group since 2017 and include new employees.

Research and development

The group had no investment in this area in the year.

Directors

The directors of the company during the year were:

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

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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions, to disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 and signed on its behalf.

H O Jenner
Director

Date: 20/9/2019

S C Keeping
Director

Date: 23/9/2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KÄRCHER (UK) LIMITED

Opinion

We have audited the financial statements of Kärcher (UK) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the report of the directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Date: 30/09/2019

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

Kärcher (UK) Limited

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	3	**132,877**	130,636
Cost of sales		**(98,633)**	(99,399)
Gross profit		**34,244**	31,237
Distribution costs		**(25,542)**	(24,030)
Administrative expenses		**(7,496)**	(5,961)
Operating profit	4	**1,206**	1,246
Interest receivable and similar income		**5**	3
Interest payable and expenses	8	**(269)**	(379)
Profit before tax		**942**	870
Tax on profit	9	**(432)**	(474)
Profit for the year		**510**	396
Other comprehensive income for the year			
Movement in cash flow hedge		**(638)**	3,735
Taxation in respect of other comprehensive income		**(23)**	(635)
Other comprehensive income for the year		**(661)**	3,100
Total comprehensive income for the year		**(151)**	3,496

All amounts relate to ordinary activities.

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Consolidated balance sheet
at 31 December 2018

Company number 01350233	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	10		**1,387**		1,793
Tangible assets	11		**12,068**		12,438
			13,455		14,231
Current assets					
Stocks	13	**9,300**		8,785	
Debtors	14	**19,417**		24,097	
Cash at bank and in hand	15	**69**		160	
		28,786		33,042	
Creditors: amounts falling due within one year	16	**(21,869)**		(21,188)	
Net current assets			**6,917**		11,854
Total assets less current liabilities			**20,372**		26,085
Creditors: amounts falling due after more than one year	17		**(886)**		(6,115)
Provisions for liabilities					
Deferred taxation	19	**(436)**		(529)	
Other provisions	20	**(1,450)**		(1,690)	
			(1,886)		(2,219)
Net assets			**17,600**		17,751
Capital and reserves					
Called up share capital	22		**2,320**		2,320
Other reserves			**113**		774
Profit and loss account			**15,167**		14,657
			17,600		17,751

The financial statements were approved by the Board of Directors and authorised for issue on

H O Jenner
Director

20/9/2019

S C Keeping
Director

23/9/2019

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2018	2,320	774	14,657	17,751
Comprehensive income for the year				
Profit for the year	-	-	510	510
Net movement on cash flow hedges	-	(638)	-	(638)
Taxation in respect of items of other comprehensive income	-	(23)	-	(23)
Other comprehensive income for the year	-	(661)	-	(661)
Total comprehensive income for the year	-	(661)	510	(151)
At 31 December 2018	2,320	113	15,167	17,600

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2017	2,320	(2,326)	14,261	14,255
Comprehensive income for the year				
Profit for the year	-	-	396	396
Net gain on cash flow hedges	-	3,735	-	3,735
Taxation in respect of items of other comprehensive income	-	(635)	-	(635)
Other comprehensive income for the year	-	3,100	-	3,100
Total comprehensive income for the year	-	3,100	-	3,100
At 31 December 2017	2,320	774	14,657	17,751

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Consolidated statement of cash flows
for the year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	510	396
Adjustments for:		
Amortisation of intangible assets	406	422
Depreciation of tangible assets	1,777	1,833
(Profit) on disposal of tangible assets	(3)	(27)
Interest paid	269	379
Interest received	(5)	(3)
Taxation charge	432	474
Decrease / (increase) in stocks	(515)	1,688
Decrease / (Increase) in debtors including group balances	4,042	(2,173)
(Decrease) in creditors including group balances	352	(3,802)
Decrease / (Increase) in provisions	(240)	540
Taxation paid	(589)	(249)
Net cash generated from operating activities	6,436	(522)
Cash flows from investing activities		
Sale of tangible fixed assets	3	73
Purchase of tangible fixed assets	(1,407)	(217)
Interest received	5	3
Net cash used in investing activities	(1,399)	(141)
Cash flows from financing activities		
Interest paid	(269)	(379)
Increase in intercompany loans	-	2,636
Repayment of intercompany loan	(4,721)	-
Finance leases proceeds / (repaid)	700	(650)
Payment of deferred consideration of fixed asset investment	(351)	(326)
Net cash (used in) by financing activities	(4,641)	1,281
Net increase in cash and cash equivalents	396	618
Cash and cash equivalents at beginning of year	(437)	(1,055)
Cash and cash equivalents at the end of year	(41)	(437)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	69	160
Bank overdrafts	(110)	(597)
	(41)	(437)

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Company balance sheet
at 31 December 2018

Company number 01350233	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	10		**127**		220
Tangible assets	11		**9,808**		10,851
Investments	12		**2,652**		2,652
			12,587		13,723
Current assets					
Stocks	13	**9,192**		8,677	
Debtors	14	**19,066**		24,157	
Cash at bank and in hand	15	**19**		4	
		28,277		32,838	
Creditors: amounts falling due within one year	16	**(20,705)**		(20,579)	
Net current assets			**7,572**		12,259
Total assets less current liabilities			**20,159**		25,982
Creditors: amounts falling due after more than one year	17		**-**		(5,502)
Provisions for liabilities					
Deferred taxation	19	**(378)**		(430)	
Other provisions	20	**(1,450)**		(1,690)	
			(1,828)		(2,120)
Net assets			**18,331**		18,360
Capital and reserves					
Called up share capital	22		**2,320**		2,320
Other reserves			**113**		774
Profit and loss account			**15,898**		15,266
			18,331		18,360

The group profit for the year includes a profit after tax generated by the company of £632,000 (2017 - £534,000).

The financial statements were approved by the Board of Directors and authorised for issue on 23/09/2019

H O Jenner
Director

S C Keeping
Director

23/9/2019

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2018	**2,320**	**774**	**15,266**	**18,360**
Comprehensive income for the year				
Profit for the year	-	-	632	632
Net gain on cash flow hedges	-	(638)	-	(638)
Taxation in respect of items of other comprehensive income	-	(23)	-	(23)
Other comprehensive income for the year	-	(661)	-	(661)
Total comprehensive income for the year	-	(661)	632	(29)
At 31 December 2018	**2,320**	**113**	**15,898**	**18,331**

The notes on pages 18 to 40 form part of these financial statements.

Kärcher (UK) Limited

Company statement of changes in equity
for the year ended 31 December 2017

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2017	2,320	(2,326)	14,732	14,726
Comprehensive income for the year				
Profit for the year	-	-	534	534
Net gain on cash flow hedges	-	3,735	-	3,735
Taxation in respect of items of other comprehensive income	-	(635)	-	(635)
Other comprehensive income for the year	-	3,100	-	3,100
Total comprehensive income for the year	-	3,100	534	3,634
At 31 December 2017	2,320	774	15,266	18,360

The notes on pages 18 to 40 form part of these financial statements.

1 Accounting policies

The group's principal activities include the sale, hire and repair of cleaning equipment. The registered office of the parent company (Kärcher (UK) Limited) is Kärcher House, Brookhill Way, Banbury, Oxfordshire, England OX16 3ED. The company is incorporated in England and Wales under the Companies Act 2006.

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.

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Kärcher (UK) Limited and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

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, including the ongoing availability and sufficiency of financing facilities and the ability of the company to meet its liabilities as they fall due. Accordingly, the directors believe it is appropriate to prepare the accounts on the going concern basis.

Turnover

Turnover 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. Turnover 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:

1 Accounting policies *(continued)*

Sale of goods

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

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

Rendering of services and equipment hire

Turnover from a contract to provide services and equipment hire 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 turnover 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.

Intangible assets

Goodwill
Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life. Goodwill recognised following transition to FRS 102 is being amortised to 'administrative expenses' over 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Other intangibles
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangible assets are arrived at by using appropriate valuation techniques.

1 Accounting policies *(continued)*

Other intangibles (continued)

Brands are amortised over their useful economic lives of 5 years. The valuation method uses estimated discounted cash flows to determine the cost of brands acquired.

Customer lists are amortised over their useful economic lives of 5 years. The valuation method takes account of the historic customer relationship and uses discounted cash flows to determine the cost of customer relationships acquired.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

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
Leasehold property	-	Over the term of the lease
Plant and machinery	-	25% to 33.33% straight line
Equipment for hire	-	20% straight line
Other fixed assets	-	10% to 33.33% Straight line

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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.

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.

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 Accounting policies *(continued)*

Financial instruments

The group 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 group's accounting policies in respect of financial instruments transactions are explained below:

Financial liabilities

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

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.

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.

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.

1 Accounting policies *(continued)*

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.

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.

Foreign currency translation

Functional and presentation currency
The group 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. Nonmonetary 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.

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.

Pensions

The group 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.

Rebate provisions

The provision for sales credit notes due in respect of rebates is treated as a reduction to turnover and trade receivables.

Conditions of sale

The group 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 Accounting policies *(continued)*

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.

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

In applying the group'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 and other intangibles

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

e) Inventory provisions

The group'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 values 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.

3 Analysis of turnover

	2018 £000	2017 £000
United Kingdom	129,414	127,647
Rest of Europe	3,463	2,989
	132,877	130,636

The aggregate rental income received in respect of operating leases and hire is £2,810,000 (2017 - £2,230,000). Turnover received in respect of the sale of goods and services is £130,277,000 (2017 - £128,406,000).

4 Operating profit

	2018 £000	2017 £000
This has been arrived at after charging / (crediting):		
Inventory recognised as an expense	94,720	94,633
Amortisation of intangible assets, including goodwill	406	422
Depreciation of tangible fixed assets	1,777	1,833
(Profit)/loss on disposal of assets	(3)	27
Hire of plant and machinery - operating leases	810	950
Hire of other assets - operating leases	186	168

5 Auditors' remuneration

	2018 £000	2017 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	65	56
Fees payable to the company's auditor and its associates in respect of:		
Tax compliance services	12	11
Tax advisory services	10	30
Other non audit services	3	11
	90	108

6 Employees

Employee costs, including directors remuneration, were as follows:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Wages and salaries	**11,035**	10,622	**10,143**	9,860
Social security costs	**1,303**	1,362	**1,202**	1,276
Cost of defined contribution scheme	**655**	654	**632**	635
	12,993	12,638	**11,977**	11,771

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

	Group 2018	Group 2017	Company 2018	Company 2017
Management and administration	**29**	32	**25**	28
Sales and marketing	**291**	292	**272**	274
	320	324	**297**	302

7 Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	**652**	700
Company contributions to defined contribution pension schemes	**45**	45
	697	745

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £457,000 (2017 - £509,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £24,000 (2017 - £24,000).

8 Interest payable and similar charges

	2018 £000	2017 £000
Bank interest payable	**1**	1
Loans from group undertakings	**214**	339
Finance leases and hire purchase	**54**	39
	269	379

9 Taxation

	2018 £000	2017 £000
Current tax		
Current tax on profits for the year	476	326
Adjustment in respect of the prior year	(87)	-
Total current tax	389	326
Deferred tax		
Origination and reversal of timing differences	24	109
Adjustment in respect of prior periods	19	39
Total deferred tax	43	148
Taxation on profit on ordinary activities	432	474

Factors affecting tax charge for year

The tax assessed for the year is higher than (2017 – higher than) the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	942	870
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK at 19.00% (2017 – 19.25%)	179	167
Effects of:		
Fixed asset differences	179	181
Expenses not deductible for tax purposes	176	143
Difference in deferred tax rate	(8)	-
Adjustments to tax charge in respect of prior periods	(94)	-
Effect of tax rate change on opening balance	-	(17)
Tax on profit on ordinary activities	432	474

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the March 2017 Budget, including that the main rate of corporation tax would reduce to 17% with effect from 1 April 2020. This will reduce the company's tax charge accordingly.

10 Intangible assets

Group	Purchased goodwill £000	Goodwill on consolidation £000	Customer lists £000	Brands £000	Total £000
Cost					
At 1 January 2018 and 31 December 2018	**1,081**	**1,493**	**358**	**376**	**3,308**
Amortisation					
At 1 January 2018	861	323	162	169	1,515
Charge for the year	93	166	72	75	406
At 31 December 2018	**954**	**489**	**234**	**244**	**1,921**
Net book value					
At 31 December 2018	**127**	**1,004**	**124**	**132**	**1,387**
At 31 December 2017	220	1,170	196	207	1,793

Company	Purchased goodwill £000
Cost	
At 1 January 2018 and 31 December 2018	**1,081**
Amortisation	
At 1 January 2018	861
Charge for the year	93
At 31 December 2018	**954**
Net book value	
At 31 December 2018	**127**
At 31 December 2017	220

The assets are reviewed annually for impairment. The review at 31 December 2018 indicated that no such impairment had arisen.

11 Tangible fixed assets

Group	Freehold land and buildings £000	Plant and machinery £000	Equipment for hire £000	Other fixed assets £000	Total £000
Cost or valuation					
At 1 January 2018	11,487	4,865	1,736	1,059	19,147
Additions	27	140	1,172	68	1,407
Disposals	-	(2)	(50)	-	(52)
At 31 December 2018	**11,514**	**5,003**	**2,858**	**1,127**	**20,502**
Depreciation					
At 1 January 2018	1,187	4,458	283	781	6,709
Charge for the year	919	263	523	72	1,777
Disposals	-	(2)	(50)	-	(52)
At 31 December 2018	**2,106**	**4,719**	**756**	**853**	**8,434**
Net book value					
At 31 December 2018	**9,408**	**284**	**2,102**	**275**	**12,068**
At 31 December 2017	10,300	407	1,453	278	12,438

Included in the net book value of freehold land and buildings is freehold land of £2,331,000 (2017 - £2,331,000) and freehold property of £7,077,000 (2017 - £7,969,000).

The net book value of tangible fixed assets included £2,174,221 (2017 - £1,760,000) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge in respect of these assets was £404,000 (2017 - £352,000).

11 Tangible fixed assets *(continued)*

Company

	Freehold land and buildings £000	Plant and machinery £000	Other fixed assets £000	Total £000
Cost or valuation				
At 1 January 2018	11,487	4,864	806	17,157
Additions	27	140	-	167
Disposals	-	(2)	-	(2)
At 31 December 2018	**11,514**	**5,002**	**806**	**17,322**
Depreciation				
At 1 January 2018	1,187	4,458	661	6,306
Charge owned for the year	919	263	28	1,210
Disposals	-	(2)	-	(2)
At 31 December 2018	**2,106**	**4,719**	**689**	**7,514**
Net book value				
At 31 December 2018	**9,408**	**283**	**117**	**9,808**
At 31 December 2017	10,300	406	145	10,851

Included in the net book value of freehold land and buildings is freehold land of £2,331,000 (2017 - £2,331,000) and freehold property of £7,077,000 (2017 - £7,969,000).

12 Fixed asset investments

Company	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	2,652
Additions	-
At 31 December 2018	**2,652**

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

13 Stocks

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Finished goods and goods for resale	**9,300**	8,785	**9,192**	8,677

The change in the stock provision recognised as a gain during the year was £191,000 (2017 – £16,000).

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

14 Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	**17,923**	21,680	**17,075**	21,116
Amounts owed by group undertakings	**643**	1,135	**1,198**	1,799
Other debtors	**372**	126	**352**	126
Prepayments and deposits	**342**	223	**304**	183
Financial instruments	**137**	933	**137**	933
	19,417	24,097	**19,066**	24,157

All amounts shown under debtors fall due for payment within one year.

Amounts owed by group are interest free and repayable on demand.

Bad debt provision recognised as an expense during the year was £208,000 (2017 - £34,000).

15 Cash and cash equivalents

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash at bank and in hand	**69**	160	**19**	4
Less: bank overdrafts	**(110)**	(597)	**(110)**	(597)
	(41)	(437)	**(91)**	(593)

16 Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank overdrafts (secured)	**110**	597	**110**	597
Group investment loan	**6,362**	5,956	**6,362**	5,956
Trade creditors	**1,962**	2,671	**1,925**	2,660
Amounts owed to group undertakings	**4,438**	5,390	**4,436**	5,390
Corporation tax	**103**	144	**30**	159
Taxation and social security	**2,034**	2,065	**2,037**	2,023
Deferred consideration	**360**	336	**360**	336
Obligations under hire purchase agreement	**973**	546	**-**	-
Accruals and deferred income	**5,527**	3,483	**5,445**	3,458
	21,869	21,188	**20,705**	20,579

The bank overdraft is secured against certain of the company's assets.

Amounts owed to group are interest free and repayable on demand.

The group investment loan incurs interest of 1% per annum and is repayable over the next two years.

17 Creditors: amounts falling due after more than one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Group investment loan	**-**	5,127	**-**	5,127
Deferred consideration	**-**	375	**-**	375
Obligations under hire purchase agreement	**886**	613	**-**	-
	886	6,115	**-**	5,502

17 Creditors: amounts falling due after more than one year *(continued)*

The maturity of sources of debt finance are as follows:

Group	Group investment loan 2018 £'000	Deferred consideration 2018 £'000	Finance leases 2018 £'000	Total 2018 £'000
In one year or less, or on demand	**6,362**	**360**	**973**	**7,695**
In more than one year but not more than two years	**-**	**-**	**886**	**886**
In more than two years but not more than five years	**-**	**-**	**-**	**-**
	6,362	**360**	**1,859**	**8,581**

	Group investment loan 2017 £'000	Deferred consideration 2017 £'000	Finance leases 2017 £'000	Total 2017 £'000
In one year or less, or on demand	5,956	336	546	6,838
In more than one year but not more than two years	5,127	375	458	5,960
In more than two years but not more than five years	-	-	155	155
	11,083	711	1,159	12,953

Total of group future minimum lease payments under finance leases:

	2018 £'000	2017 £'000
Not later than 1 year	**853**	591
Later than 1 year and not later than 5 years	**849**	636
Total	**1,702**	1,227

The company had no assets held under such leases at either year end.

17 Creditors: amounts falling due after more than one year *(continued)*

Company

	Group investment loan 2018 £'000	Deferred consideration 2018 £'000	Total 2018 £'000
In one year or less, or on demand	6,362	360	6,722
In more than one year but not more than two years	-	-	-
	6,362	360	6,722

	Group investment loan 2017 £'000	Deferred consideration 2017 £'000	Total 2017 £'000
In one year or less, or on demand	5,956	336	6,292
In more than one year but not more than two years	5,127	375	5,502
	11,083	711	11,794

18 Financial instruments

The Group's financial instruments may be analysed as follows:

	Group 2018 £000	Group 2017 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**19,007**	23,101
Derivative financial instruments designed as hedges of foreign currency movements	**137**	933
	19,144	24,034
Financial liabilities		
Financial liabilities measured at amortised cost	**18,760**	(25,094)

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by group undertakings and cash at hand and in bank.

Financial Liabilities measured at amortised cost comprise trade creditors, bank overdrafts, group investment loan, amounts owed to group undertakings, obligations under hire purchase agreements, deferred consideration and accruals.

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

Hedge of foreign exchange risk arising on forecast purchases

The group has 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 £137,000 gain (2017 - £933,000 gain) at the balance sheet date. The cash flows arising from the forward contracts may continue until their maturity in 2019 but may be utilised before this date. The change in fair value in the period was £638,000 (2017 - £3,735,000 gain) with the entire gain being recognised in other comprehensive income as the hedge was considered to be 100% effective.

19 Deferred taxation

Group	Deferred tax £000
At 1 January 2018	(529)
Charged to the profit or loss	(43)
Charged to other comprehensive income	136
At 31 December 2018	**(436)**

The deferred tax (liability)/asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**(83)**	(37)
Tax losses carried forward	**-**	-
Sundry timing differences	**38**	61
Deferred chargeable property gains	**(42)**	(326)
Fair value revaluations of financial instruments	**(23)**	(159)
Fair value revaluation of intangibles	**(326)**	(68)
	(436)	(529)

Company	Deferred tax £000
At 1 January 2018	(430)
Charged to the profit or loss	(84)
Charged to other comprehensive income	136
At 31 December 2018	**(378)**

The deferred tax (liability)/asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	**(67)**	(6)
Tax losses carried forward		-
Sundry timing differences	**38**	61
Deferred chargeable property gains	**(326)**	(326)
Fair value revaluations of financial instruments (note 18)	**(23)**	(159)
	(378)	(430)

20 Provisions

Group

	Warranty and return provision £000
At 1 January 2018	1,690
Charged to the profit or loss	854
Utilised in year	(1,094)
At 31 December 2018	**1,450**

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.

Company

	Warranty and return provision £000
At 1 January 2018	1,690
Charged to the profit or loss	(170)
Utilised in year	(70)
At 31 December 2018	**1,450**

21 Reserves

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

Share capital

This represents the nominal value of shares in issue.

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

	2018 £000	2017 £000
Allotted, called up and fully paid		
2,320,000 ordinary shares of £1 each	**2,320**	2,320

23 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £655,000 (2017 - £654,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

24 Related party transactions

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

Loans and transactions concerning directors and officers of the company

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 £1,415,000 (2017 - £1,332,000), pension contributions of £67,000 (2017 - £132,000) were also made on their behalf.

25 Commitments and contingent liabilities

Operating leases

At 31 December 2018 Kärcher (UK) Limited had total future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	**Group 2017 £000**	**Company 2018 £000**	**Company 2017 £000**
Not later than 1 year	**827**	687	**747**	642
Later than 1 year and not later than 5 years	**1,797**	928	**1,667**	793
Later than 5 years	**364**	281	**364**	281
Total	**2,988**	1,896	**2,778**	1,716

Lease guarantee arrangements

At 31 December 2018, the group had entered into lease guarantees arrangements with external customers whereby if the external customer was to default on the lease arrangement the group would be liable for the residual lease payments. The Group outstanding balance on such arrangements was £630,000 at 31 December 2018 (2017 – Nil). The Company outstanding balance on such arrangement was £2,009,000 at 31 December 2018 (2017 – Nil).

26 Ultimate parent company and parent undertaking of a larger group

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