

## **Kärcher (UK) Limited**

Report and Financial Statements

Year Ended

31 December 2019

Company Number 01350233



# **Kärcher (UK) Limited**

## **Report and financial statements for the year ended 31 December 2019**

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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

# Kärcher (UK) Limited

## Strategic report for the year ended 31 December 2019

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The directors present their strategic report together with the consolidated audited financial statements for the year ended 31 December 2019.

### Review of the business

As set out on page 12 the group turnover decreased in the year to £121,552,000 (2018 £132,877,000) or 8.5%. The gross profit showed continued strong growth with product gross margin percentage increasing to 27.1% (2018 25.8%). The main factor in gross profit margin improvement comes from our growth in our professional product sales and in particular those sold via professional sales channels. Sales via our subsidiary Clean Sweep Hire (excluding intercompany sales) has shown an increase growth of 20.3% (2018 14.0%) also has had a positive effect on consolidated gross margins.

Retail sales declined in 2019 mainly due to the deterioration of consumer confidence and the continued delay in agreeing the nature and timing of the UK's exit from the European Union and wider global economic performance. Both these factors create uncertainty and the reluctance to spend by our end customers which has impacted the performance of our Retail business.

Professional product sales had a positive year, borne out of our investment in more strategically focussed leadership and subsequent changes in channel structure.

Our core Professional hot and cold high pressure washers performed well during the year as did our Floorcare product range, driven by the changes in structure. Our continued emphasis on our after sales customer experience has seen growth in our After Market and Service categories.

Group overheads are regularly reviewed by the management team to ensure where possible these costs are balanced according to sales volumes, profitability expectations and strategic direction.

The significant spend for the group in the year was on warehousing/ carriage, advertising and marketing expenses and personnel/ employment costs. The average consolidated headcount decreased by 5 to 315 (2018 – 320). The group incurred an operating loss in 2019 of £1,833,000 (2018 profit £1,206,000) and a loss on ordinary activities after interest and taxation of £2,049,000 (2018 profit £510,000).

Product stock values decreased year-on-year by 2.6 % (2018 5.9% increase) in line with the slowdown in Retail sales and in line with expectations around potential supply chain issues due to the various potential timing of the UK's exit from the European Union.

External trade receivables remain within the group's debtor day expectations and key performance indicators for the group. The year-end value of £21,033,000 (2018 £17,923,000) reflects last quarter for sales in both companies. Company bad debts in the year at 0.30% (2018 0.15%) remains low but remains a key focus of the sales and cash management team.

Consolidated net assets decreased by £2,937,000 (2018 £151,000) year on year with the majority of the movement due in our short and long term parent company loan facility of £5,747,000.

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 loss of £933,000 (2018 gain £137,000).

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.

# Kärcher (UK) Limited

## Strategic report for the year ended 31 December 2019 *(continued)*

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The reduction in consumer confidence does impact our business directly. Despite consumer price inflation dropping during 2019, ending the year at 1.4 %, 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 2019 and continuing into 2020, 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 2020 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 and the continued innovation of our product range along with the close collaboration with our customers will continue to be the focus for the business in 2020. 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, the 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.

Our group parent company in Germany financially and strategically supports our growth and investment plans.

### **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.

# Kärcher (UK) Limited

## Strategic report for the year ended 31 December 2019 (*continued*)

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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.

### **Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

#### *Stakeholder Engagement*

The board of directors consider that the decisions they have made during the financial year and the way they have acted have promoted the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act). The Board meets on a monthly basis to review the management accounts for the Group and the agenda typically includes management discussion relating to current trading and financial performance from the senior management, and a review of the strategic plan and more detailed discussions of areas of particular importance. The Board considers the company's key stakeholders to include employees, shareholders, customers, suppliers and the local community.

#### Principal decisions taken by the board during the period

The Board meet on a quarterly basis to evaluate longer term strategic direction and adjudicate levels on investment & costs decisions. At all these meetings the financial benefit and shareholder return is one of the key decision criteria, as well as the long term effect on the group's going concern and the requirements of our parent company, the environment, job security for our employees, value, satisfaction and service for our customers. Our approach to all our stakeholders is one of jointly beneficial partnership where sustainable returns, valued added & good long term relationships are paramount.

During the 2019 financial year, the Board considered a wide range of matters affecting both the short term and long term future of the business. These matters varied throughout the year, however, consistent themes underpinned the key decisions made by the Board i.e.

- Impact of Brexit;
- New market penetration;
- Product portfolio;
- Customer relationship management; and
- The identification of our people.

We set out below how we engaged with all key stakeholders during the year to communicate strategy and equally to hear and understand their views.

#### *Customers and suppliers*

Our engagement with customers and suppliers continues to evolve and improve as the Board recognises that fostering these relationships along with maintaining the Group's reputation for high standards of business partnerships is essential for the long-term success.

We manage our customers over three channels Retail, Dealer & Direct with National Account Managers, Area Sales Managers & Key Account Managers across UK & Northern Ireland. These customers & sales teams are supported by a Call Center (based in Bristol) & internal Customer Care & Customer Support teams at the Banbury head office. All interactions with customers & end users are held on company CRM systems and we provide all customers an opportunity to rates/score the service and support provided by the company, with Net Promoter scores for each team reviewed monthly by the management. The focus is 100% customer satisfaction, continual innovation to our service and excellent National Financial Statement scores.

# Kärcher (UK) Limited

## Strategic report for the year ended 31 December 2019 (*continued*)

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All key suppliers have monthly business reviews to assess and review performance for continuous improvements to the management of our key services. Our purchasing professionals regularly review our suppliers to maintain competitive but fair prices and drive innovation in recycled material.

There has been continuing development to improve the Group's supply chain, with the strengthening of warehouse and distribution partners and further investment in the Supply Chain Management & training to focus on improving planning and efficiency.

We consider the company's key stakeholders to include our group parent company, customers, employees, shareholders, relevant legal bodies, suppliers and the local community.

### *Employees*

Our employees are fundamental to the Group's success and future strategy of the business. The Board aims to be a responsible employer and ensures that pay and benefits are fair, consistent and competitive. The health, safety and well-being of the Group's employees is the Board's primary consideration.

The Board has reviewed the results of the 2019 employee survey with those done in 2017 and with employee workshops on the results plan to the delivery further improvements in 2020. These will include further collaboration projects, enhanced training and development of employees, regular employee forums, monthly business briefings, quarterly updates by the MD to all employees and improved social areas in our buildings.

Our human resource team along with our wider management team identify career paths and encourage employees to maximise their potential through internal and external training, coaching and monitoring, building business acumen and regular performance appraisal.

### *Trading updates*

The Board considers trading performance from across the Group's operations, and they discuss operational issues such as stock availability, factory performance, sales and margin on a monthly basis.

### *Strategic Plan*

The Board discussed the foundations of the strategic plan.

In order to formulate the plan, the Board has considered management's assessment of recent trading performance, market trends (and in particular developments with regards to environmental sustainability), the Group's competitive position and efficiency of the manufacturing footprint. Based on the above, the Board re-confirmed the company's mission and vision and agreed a directional plan for the next five years; the plan encompasses identification of the desired growth opportunities, development of the strategy to create capacity for this growth, and necessary enhancement of the group's manufacturing and organisational capability.

### *Financial updates*

The Board discussed performance against budget with particular focus on underperforming parts of the business, reviewed the monthly rolling forecast, discussed funding requirements, reviewed liquidity position and considered payment of shareholder dividends. Discussed preparations, scenario planning and impact assessments for Brexit.

### *Sustainability*

The Board is acutely aware of its responsibility to safeguard the environment. Each year we use more recycled plastic in our products and now much of our production is made from recycled material. The company recently submitted its ESOS (Energy Savings Opportunity Scheme) statement with 10 energy and carbon reduction opportunities.

# Kärcher (UK) Limited

## Strategic report for the year ended 31 December 2019 (continued)

### *Going concern*

The Kärcher UK Limited Group received a letter of continued financial support from its sole shareholder Kärcher Beteiligungs-GmbH - with Alfred Kärcher SE & Co. KG as ultimate parent company based in Germany to support the going concern of the Group for a period of at least 12 months from the date of approval of the financial statements. The financial statements of the ultimate parent company were approved and signed on 10th March 2020.

Following this date, an outbreak of a novel coronavirus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic.

Whilst the directors have received a letter of support from its sole shareholder and are in regular and ongoing discussions with the ultimate parent company management, the directors have not identified any additional information that indicates any consequential impact on the ability of the ultimate parent company to continue to providing the aforesaid financial support as may be necessary for a period of at least 12 months from the date of approval of the financial statements. However, they do not have access to all the necessary information to understand the full impact of COVID19 on the ultimate parent company and its ability to provide the financial support.

The UK group operate with minimal cash levels, with cash repatriated to the ultimate parent company where possible, so any reduction in demand for the UK group and parent company's products creates an immediate need for financial support to meet the UK group and parent company's operating costs.

This indicates the existence of a material uncertainty, which may cast significant doubt about the UK group's ability to continue as a going concern. However, the directors consider that the financial support from the ultimate parent company will continue and have therefore prepared these financial statements on a going concern basis.

The financial statements do not include any adjustments that would be necessary if the UK group or parent company is unable to continue as a going concern.

### *Future risks*

The good start to the year is affected by the outbreak of the coronavirus. This represents a challenge for the entire society and global economy. At present, the economic effects are not foreseeable. There is a risk of significant declines in demand in our traditional sales channels, which we are trying to compensate for by means of digital channels. At the present time, Kärcher is in a position to manufacture and deliver all products. Even the products produced in China and Italy are still predominantly available.

The Board of Directors assumes that production in China will basically return to normal and that no plants will be permanently closed. A task force has been set up to continuously analyze the possible effects and efficiently coordinate measures. Safeguarding the supply chain and production is a top priority. Customers can be directed to alternative products from the Kärcher product range, should availability of certain products be limited.

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



M R Venner  
Secretary

Date 26 July 2020

# Kärcher (UK) Limited

## Directors' report for the year ended 31 December 2019

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The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

### Results and dividends

The consolidated statement of comprehensive income is set out on page 12 and shows the loss 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 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 2019 we performed a company-wide employee survey in conjunction with our Culture Excellence programme. The results of which are being evaluated (in conjunction with our 2017 group wide survey) to evaluate where we have made progress and where opportunities for improvements exist.

### Research and development

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



# Kärcher (UK) Limited

## Directors' report for the year ended 31 December 2019 (*continued*)

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### 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.

# Kärcher (UK) Limited

## Report of the directors for the year ended 31 December 2019 (*continued*)

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### 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 July 2020



S C Keeping  
Director

Date: 20 July 2020

# Kärcher (UK) Limited

## Independent auditor's report

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### 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 2019 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 2019 and of its loss 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.

#### Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements which refers to the potential impact of the issues connected to the COVID-19 on the going concern status of the group and parent company. The group and parent company are reliant on the financial support of the ultimate parent company. Whilst the directors have received a letter of support from the sole shareholder, they do not have access to the necessary information to understand the full impact of COVID-19 on the ultimate parent company and its ability to provide financial support.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the UK group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

# Kärcher (UK) Limited

## Independent auditor's report (*continued*)

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### 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.

# Kärcher (UK) Limited

## Independent auditor's report (*continued*)

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### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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



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

Date: 21 July 2020

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 2019

	Note	2019 £000	2018 £000
Turnover	3	121,552	132,877
Cost of sales		(88,569)	(98,633)
<b>Gross profit</b>		<b>32,983</b>	<b>34,244</b>
Distribution costs		(25,544)	(25,542)
Administrative expenses		(9,322)	(7,496)
<b>Operating (loss)/profit</b>	4	<b>(1,883)</b>	<b>1,206</b>
Interest receivable and similar income		10	5
Interest payable and expenses	8	(337)	(269)
<b>(Loss)/profit before tax</b>		<b>(2,210)</b>	<b>942</b>
Tax on (loss)/profit	9	161	(432)
<b>(Loss)/profit for the year</b>		<b>(2,049)</b>	<b>510</b>
<b>Other comprehensive loss for the year</b>			
Movement in cash flow hedge		(1,070)	(638)
Taxation in respect of other comprehensive loss		182	(23)
<b>Other comprehensive loss for the year</b>		<b>(888)</b>	<b>(661)</b>
<b>Total comprehensive loss for the year</b>		<b>(2,937)</b>	<b>(151)</b>

All amounts relate to ordinary activities.

The notes on pages 20 to 42 form part of these financial statements.

# Kärcher (UK) Limited

## Consolidated balance sheet at 31 December 2019

Company number 01350233	Note	2019 £000	2019 £000	2018 £000	2018 £000
<b>Fixed assets</b>					
Intangible assets	10		1,115		1,387
Tangible assets	11		12,306		12,068
			<u>13,421</u>		<u>13,455</u>
<b>Current assets</b>					
Stocks	13	9,062		9,300	
Debtors	14	23,877		19,417	
Cash at bank and in hand	15	419		69	
		<u>33,358</u>		<u>28,786</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(23,183)</u>		<u>(21,869)</u>	
<b>Net current assets</b>			<u>10,175</u>		<u>6,917</u>
<b>Total assets less current liabilities</b>			<u>23,596</u>		<u>20,372</u>
<b>Creditors: amounts falling due after more than one year</b>	17		<u>(7,391)</u>		<u>(886)</u>
<b>Provisions for liabilities</b>					
Deferred taxation	19	(352)		(436)	
Other provisions	20	(1,190)		(1,450)	
		<u>(1,542)</u>		<u>(1,886)</u>	
<b>Net assets</b>			<u>14,663</u>		<u>17,600</u>
<b>Capital and reserves</b>					
Called up share capital	22		2,320		2,320
Other reserves			(775)		113
Profit and loss account			13,118		15,167
			<u>14,663</u>		<u>17,600</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2020

H O Jenner  
Director

S C Keeping  
Director

The notes on pages 20 to 42 form part of these financial statements.

# Kärcher (UK) Limited

## Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2019	2,320	113	15,167	17,600
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(2,049)	(2,049)
Net movement on cash flow hedges	-	(1,070)	-	(1,070)
Taxation in respect of items of other comprehensive income/(loss)	-	182	-	182
<b>Other comprehensive loss for the year</b>	-	(888)	-	(888)
<b>Total comprehensive loss for the year</b>	-	(888)	(2,049)	(2,937)
<b>At 31 December 2019</b>	<b>2,320</b>	<b>(775)</b>	<b>13,118</b>	<b>14,663</b>

The notes on pages 20 to 42 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
<b>Comprehensive income for the year</b>				
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)
<b>Other comprehensive loss for the year</b>	-	(661)	-	(661)
<b>Total comprehensive income/(loss) for the year</b>	-	(661)	510	(151)
<b>At 31 December 2018</b>	<b>2,320</b>	<b>113</b>	<b>15,167</b>	<b>17,600</b>

The notes on pages 20 to 42 form part of these financial statements.

# Kärcher (UK) Limited

## Consolidated statement of cash flows for the year ended 31 December 2019

	2019 £000	2018 £000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	(2,049)	510
<b>Adjustments for:</b>		
Amortisation of intangible assets	318	406
Depreciation of tangible assets	1,941	1,777
(Profit) on disposal of tangible assets	-	(3)
Interest paid	337	269
Interest received	(10)	(5)
Taxation charge	(161)	432
Decrease/(increase) in stocks	238	(515)
(Increase)/decrease in debtors including group balances	(4,526)	4,042
(Decrease) in creditors including group balances	(459)	352
(Decrease) in provisions	(260)	(240)
Taxation received/(paid)	85	(589)
<b>Net cash (used in)/generated from operating activities</b>	<b>(4,546)</b>	<b>6,436</b>
<b>Cash flows from investing activities</b>		
Sale of tangible fixed assets	-	3
Purchase of tangible fixed assets	(492)	(1,407)
Purchase of intangible fixed assets	(46)	-
Interest received	10	5
<b>Net cash used in investing activities</b>	<b>(528)</b>	<b>(1,399)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(337)	(269)
Increase in intercompany loans	6,633	-
Repayment of intercompany loan	-	(4,721)
(Repayment of)/proceeds from finance leases	(764)	700
Payment of deferred consideration of fixed asset investment	(345)	(351)
<b>Net cash generated by/(used in) financing activities</b>	<b>5,187</b>	<b>(4,641)</b>
<b>Net increase in cash and cash equivalents</b>	<b>113</b>	<b>396</b>
Cash and cash equivalents at beginning of year	(41)	(437)
<b>Cash and cash equivalents at the end of year</b>	<b>72</b>	<b>(41)</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	419	69
Bank overdrafts	(347)	(110)
	<b>72</b>	<b>(41)</b>

The notes on pages 20 to 42 form part of these financial statements.

# Kärcher (UK) Limited

## Company balance sheet at 31 December 2019

Company number 01350233	Note	2019 £000	2019 £000	2018 £000	2018 £000
<b>Fixed assets</b>					
Intangible assets	10		151		127
Tangible assets	11		8,826		9,808
Investments	12		2,652		2,652
			<u>11,629</u>		<u>12,587</u>
<b>Current assets</b>					
Stocks	13	8,986		9,192	
Debtors – amounts due after more than one year	14	350		-	
Debtors – amounts due within one year	14	22,504		19,066	
Cash at bank and in hand	15	397		19	
		<u>32,237</u>		<u>28,277</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(21,199)</u>		<u>(20,705)</u>	
<b>Net current assets</b>			<u>11,038</u>		<u>7,572</u>
<b>Total assets less current liabilities</b>			<u>22,667</u>		<u>20,159</u>
<b>Creditors: amounts falling due after more than one year</b>	17		<u>(5,950)</u>		<u>-</u>
<b>Provisions for liabilities</b>					
Deferred taxation	19	(224)		(378)	
Other provisions	20	(1,190)		(1,450)	
		<u>(1,414)</u>		<u>(1,828)</u>	
<b>Net assets</b>			<u>15,303</u>		<u>18,331</u>
<b>Capital and reserves</b>					
Called up share capital	22		2,320		2,320
Other reserves			(775)		113
Profit and loss account			13,758		15,898
			<u>15,303</u>		<u>18,331</u>

The group loss for the year includes a loss after tax generated by the company of £2,140,000 (2018 – profit of £632,000)

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2020

H O Jenner  
Director

S C Keeping  
Director

The notes on pages 20 to 42 form part of these financial statements.

# Kärcher (UK) Limited

## Company statement of changes in equity for the year ended 31 December 2019

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2019	2,320	113	15,898	18,331
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(2,140)	(2,140)
Net movement on cash flow hedges	-	(1,070)	-	(1,070)
Taxation in respect of items of other comprehensive income	-	182	-	182
<b>Other comprehensive loss for the year</b>	-	(888)	-	(888)
<b>Total comprehensive loss for the year</b>	-	(888)	(2,140)	(3,028)
<b>At 31 December 2019</b>	<b>2,320</b>	<b>(775)</b>	<b>13,758</b>	<b>15,303</b>

The notes on pages 20 to 42 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
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	632	632
	<hr/>	<hr/>	<hr/>	<hr/>
Net movement on cash flow hedges	-	(638)	-	(638)
Taxation in respect of items of other comprehensive income	-	(23)	-	(23)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other comprehensive income/(loss) for the year</b>	-	(661)	-	(661)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>	-	(661)	632	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	<b>2,320</b>	<b>113</b>	<b>15,898</b>	<b>18,331</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 20 to 42 form part of these financial statements.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

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### 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.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Going concern*

The Kärcher UK Limited Group received a letter of continued financial support from its sole shareholder Kärcher Beteiligungs-GmbH - with Alfred Kärcher SE & Co. KG as ultimate parent company based in Germany to support the going concern of the Group for a period of at least 12 months from the date of approval of the financial statements. The financial statements of the ultimate parent company were approved and signed on 10th March 2020.

Following this date, an outbreak of a novel coronavirus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic.

Whilst the directors have received a letter of support from its sole shareholder and are in regular and ongoing discussions with the ultimate parent company management, the directors have not identified any additional information that indicates any consequential impact on the ability of the ultimate parent company to continue to providing the aforesaid financial support as may be necessary for a period of at least 12 months from the date of approval of the financial statements. However, they do not have access to all the necessary information to understand the full impact of COVID19 on the ultimate parent company and its ability to provide the financial support.

The UK group operate with minimal cash levels, with cash repatriated to the ultimate parent company where possible, so any reduction in demand for the UK group and parent company's products creates an immediate need for financial support to meet the UK group and parent company's operating costs.

This indicates the existence of a material uncertainty, which may cast significant doubt about the UK group's ability to continue as a going concern. However, the directors consider that the financial support from the ultimate parent company will continue and have therefore prepared these financial statements on a going concern basis.

The financial statements do not include any adjustments that would be necessary if the UK group or parent company is unable to continue as a going concern.

#### *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:

#### *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.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### *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.

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.



# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

#### *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.

#### *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.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *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.

#### *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.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

#### *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.

#### *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 forming part of the financial statements for the year ended 31 December 2019 (*continued*)

### 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.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 3 Analysis of turnover

	2019 £000	2018 £000
United Kingdom	118,196	129,414
Rest of Europe	3,324	3,463
Rest of the World	32	-
	<u>121,552</u>	<u>132,877</u>

The aggregate rental income received in respect of operating leases and hire is £3,588,000 (2018 - £2,810,000). Turnover received in respect of the sale of goods and services is £117,964,000 (2018 - £130,277,000).

### 4 Operating profit

	2019 £000	2018 £000
This has been arrived at after charging / (crediting):		
Inventory recognised as an expense	85,395	94,720
Amortisation of intangible assets, including goodwill	318	406
Depreciation of tangible fixed assets	1,941	1,777
(Profit) on disposal of assets	-	(3)
Hire of plant and machinery - operating leases	929	810
Hire of other assets - operating leases	148	186
	<u></u>	<u></u>

### 5 Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	75	65
Fees payable to the company's auditor and its associates in respect of:		
Tax compliance services	4	12
Tax advisory services	11	10
Other non audit services	-	3
	<u>143</u>	<u>90</u>

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 6 Employees

Employee costs, including directors remuneration, were as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Wages and salaries	11,710	11,035	10,631	10,143
Social security costs	1,420	1,303	1,312	1,202
Cost of defined contribution scheme	399	655	369	632
	<u>13,529</u>	<u>12,993</u>	<u>12,312</u>	<u>11,977</u>

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

	Group 2019	Group 2018	Company 2019	Company 2018
Management and administration	30	29	26	25
Sales and marketing	285	291	264	272
	<u>315</u>	<u>320</u>	<u>290</u>	<u>297</u>

### 7 Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	626	652
Company contributions to defined contribution pension schemes	46	45
	<u>672</u>	<u>697</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £433,000 (2018 - £457,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,000 (2018 - £24,000).

### 8 Interest payable and similar charges

	2019 £000	2018 £000
Bank interest payable	3	1
Loans from group undertakings	218	214
Finance leases and hire purchase	116	54
	<u>337</u>	<u>269</u>

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 9 Taxation

	2019 £000	2018 £000
<i>Current tax</i>		
Current tax on (loss)/profit for the year	-	476
Adjustment in respect of the prior year	(259)	(87)
<b>Total current tax</b>	<b>(259)</b>	<b>389</b>
<i>Deferred tax</i>		
Origination and reversal of timing differences	131	24
Adjustment in respect of prior periods	(33)	19
<b>Total deferred tax</b>	<b>98</b>	<b>43</b>
<b>Taxation on (loss)/profit on ordinary activities</b>	<b>(161)</b>	<b>432</b>

#### Factors affecting tax (credit)/charge for year

The tax assessed for the year is higher than (2018 – higher than) the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	(2,210)	942
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in UK at 19.00% (2018 – 19.00%)	(420)	179
Effects of:		
Fixed asset differences	178	179
Losses carried back	337	-
Expenses not deductible for tax purposes	54	176
Difference in deferred tax rate	(51)	(8)
Adjustments to tax charge in respect of prior periods	(259)	(94)
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(161)</b>	<b>432</b>

#### Factors that may affect future tax charges

The main rate of UK corporation tax for the year commencing 1 April 2017 was 19% (year commencing 1 April 2016: 20%). The Finance Act 2016, enacted on 15 September 2016, reduced the main rate of corporation tax to 17% for the year commencing 1 April 2020. These changes have been reflected in the carrying value of the deferred tax liability at the balance sheet date.

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

10	Intangible assets	Purchased goodwill £000	Goodwill on consolidation £000	Customer lists £000	Brands £000	Software £000	Total £000
	<b>Group</b>						
	<i>Cost</i>						
	At 1 January 2019	1,081	1,493	358	376	-	3,308
	Additions	-	-	-	-	46	46
	At 31 December 2019	1,081	1,493	358	376	46	3,354
	<i>Amortisation</i>						
	At 1 January 2019	954	489	234	244	-	1,921
	Charge for the year	21	149	72	75	1	318
	At 31 December 2019	975	638	306	319	1	2,239
	<i>Net book value</i>						
	At 31 December 2019	106	855	52	57	45	1,115
	At 31 December 2018	127	1,004	124	132	-	1,387
					<b>Purchased goodwill £000</b>	<b>Software £000</b>	<b>Total £000</b>
	<b>Company</b>						
	<i>Cost</i>						
	At 1 January 2019				1,081	-	1,081
	Additions				-	46	46
	At 31 December 2019				1,081	46	1,127
	<i>Amortisation</i>						
	At 1 January 2019				954	-	954
	Charge for the year				21	1	22
	At 31 December 2019				975	1	976
	<i>Net book value</i>						
	At 31 December 2019				106	45	151
	At 31 December 2018				127	-	127

The assets are reviewed annually for impairment. The review at 31 December 2019 indicated that no such impairment had arisen.



# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 11 Tangible fixed assets

Group	Freehold land and buildings £000	Plant and machinery £000	Equipment for hire £000	Other fixed assets £000	Total £000
<i>Cost or valuation</i>					
At 1 January 2019	11,514	5,002	2,858	1,127	20,501
Additions	128	172	1,663	216	2,179
Disposals	-	(130)	-	(310)	(440)
At 31 December 2019	<u>11,642</u>	<u>5,044</u>	<u>4,521</u>	<u>1,033</u>	<u>22,240</u>
<i>Depreciation</i>					
At 1 January 2019	2,106	4,719	756	852	8,433
Charge for the year	1,005	173	513	250	1,941
Elimination on disposal	-	(130)	-	(310)	(440)
At 31 December 2019	<u>3,111</u>	<u>4,762</u>	<u>1,269</u>	<u>792</u>	<u>9,934</u>
<i>Net book value</i>					
At 31 December 2019	<u>8,531</u>	<u>282</u>	<u>3,252</u>	<u>241</u>	<u>12,306</u>
At 31 December 2018	<u>9,408</u>	<u>283</u>	<u>2,102</u>	<u>275</u>	<u>12,068</u>

Included in the net book value of freehold land and buildings is freehold land of £2,331,000 (2018 - £2,331,000) and freehold property of £6,200,000 (2018 - £7,077,000).

The net book value of tangible fixed assets included £3,690,000 (2018 - £2,174,000) in respect of assets held under finance leases and hire purchase contracts.

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 11 Tangible fixed assets (continued)

#### Company

	Freehold land and buildings £000	Plant and machinery £000	Other fixed assets £000	Total £000
<i>Cost or valuation</i>				
At 1 January 2019	11,514	5,002	806	17,322
Additions	128	172	10	310
Disposals	-	(130)	(310)	(440)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	11,642	5,044	506	17,192
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2019	2,106	4,719	689	7,514
Charge owned for the year	1,005	173	114	1,292
Elimination on disposal	-	(130)	(310)	(440)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	3,111	4,762	493	8,366
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2019	8,531	282	13	8,826
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	9,408	283	117	9,808
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the net book value of freehold land and buildings is freehold land of £2,331,000 (2018 - £2,331,000) and freehold property of £6,200,000 (2018 - £7,077,000).

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 12 Fixed asset investments

Company	Investments in subsidiary companies £000
<i>Cost or valuation</i>	
At 1 January 2019	2,652
Additions	-
	<hr/>
At 31 December 2019	<b>2,652</b>
	<hr/>

### 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

The Group agrees to guarantee the liabilities of Clean Sweep Hire Limited, thereby allowing these companies to take the exemption from an audit under Section 479A of the Companies Act 2006.

The registered address of Clean Sweep Hire Limited is Unit 1, Albert Point Albert Street, Droylsden, Manchester, M43 7BA.

The registered address of Atlantis International Limited is the same as that of the company.

## 13 Stocks

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Finished goods and goods for resale	<b>9,062</b>	9,300	<b>8,986</b>	9,192
	<hr/>	<hr/>	<hr/>	<hr/>

The change in the stock provision recognised as a gain during the year was £7,000 (2018 – £191,000).

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

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 14 Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	350	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
<b>Due within one year</b>				
Trade debtors	21,033	17,923	19,638	17,075
Amounts owed by group undertakings	1,531	643	1,631	1,198
Other debtors	465	372	465	352
Prepayments and deposits	777	342	770	304
Corporation tax	71	-	-	-
Financial instruments	-	137	-	137
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	23,877	19,417	22,504	19,066
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

All amounts shown under debtors fall due for payment within one year, with the exception of a loan owed by a group undertaking issued during the year of which £450,000 was outstanding at the year end (2018 - £Nil). The loan is repayable in quarterly instalments of £25,000 and interest is charged at a rate of 2.70%.

Bad debt provision recognised as an expense during the year was £386,000 (2018 - £208,000).

## 15 Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	419	69	397	19
Less: bank overdrafts	(347)	(110)	-	(110)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	72	(41)	397	(91)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 16 Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank overdrafts (secured)	347	110	-	110
Group investment loan	7,045	6,362	7,045	6,362
Trade creditors	3,091	1,962	3,009	1,925
Amounts owed to group undertakings	3,678	4,438	3,678	4,436
Corporation tax	-	103	-	30
Taxation and social security	1,379	2,034	1,309	2,037
Deferred consideration	15	360	15	360
Obligations under hire purchase agreement	1,341	973	-	-
Accruals and deferred income	5,354	5,527	5,210	5,445
Financial instruments	933	-	933	-
	<u>23,183</u>	<u>21,869</u>	<u>21,199</u>	<u>20,705</u>

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 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Group investment loan	5,950	-	5,950	-
Obligations under hire purchase agreement	1,441	886	-	-
	<u>7,391</u>	<u>886</u>	<u>5,950</u>	<u>-</u>

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

## 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 2019 £'000	Deferred consideration 2019 £'000	Finance leases 2019 £'000	Total 2019 £'000
In one year or less, or on demand	7,045	15	1,341	8,401
In more than one year but not more than two years	5,950	-	1,046	6,996
In more than two years but not more than five years	-	-	395	395
	<u>12,995</u>	<u>15</u>	<u>2,782</u>	<u>15,792</u>
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	-	-	-	-
	<u>6,362</u>	<u>360</u>	<u>1,859</u>	<u>8,581</u>

Total of group future minimum lease payments under finance leases:

	2019 £'000	2018 £'000
Not later than 1 year	1,465	853
Later than 1 year and not later than 5 years	1,582	849
Total	<u>3,047</u>	<u>1,702</u>

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

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 *(continued)*

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

Company	Group investment loan 2019 £'000	Deferred consideration 2019 £'000	Total 2019 £'000
In one year or less, or on demand	7,045	15	7,060
In more than one year but not more than two years	5,950	-	5,950
	<u>12,995</u>	<u>15</u>	<u>13,010</u>
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	-	-	-
	<u>6,362</u>	<u>360</u>	<u>6,722</u>

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

### 18 Financial instruments

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

	Group 2019 £000	Group 2018 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	23,448	19,007
Derivative financial instruments designed as hedges of foreign currency movements	-	137
	<u>23,448</u>	<u>19,144</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	25,480	18,760
Derivative financial instruments designed as hedges of foreign currency movements	933	-
	<u>26,413</u>	<u>18,760</u>

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 £933,000 loss (2018 - £137,000 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 £1,070,000 (2018 - £638,000 loss) with the entire loss being recognised in other comprehensive income as the hedge was considered to be 100% effective.



# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)

## 19 Deferred taxation

Group	Deferred tax £000
At 1 January 2019	(436)
Charged to the profit or loss	(98)
Charged to other comprehensive income	182
	<hr/>
At 31 December 2019	(352)
	<hr/>

The deferred tax liability is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(230)	(83)
Sundry timing differences	61	38
Deferred chargeable gains on consolidation	(16)	(42)
Fair value revaluations of financial instruments (note 18)	159	(23)
Fair value revaluation of intangibles	(326)	(326)
	<hr/>	<hr/>
	(352)	(436)
	<hr/>	<hr/>

Company	Deferred tax £000
At 1 January 2019	(378)
Charged to the profit or loss	(28)
Charged to other comprehensive income	182
	<hr/>
At 31 December 2019	(224)
	<hr/>

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

	2019 £000	2018 £000
Accelerated capital allowances	(118)	(67)
Sundry timing differences	61	38
Fair value revaluation of intangibles	(326)	(326)
Fair value revaluations of financial instruments (note 18)	159	(23)
	<hr/>	<hr/>
	(224)	(378)
	<hr/>	<hr/>

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

## 20 Provisions

Group	Warranty and return provision £000
At 1 January 2019	1,450
Charged to the profit or loss	142
Utilised in year	(402)
	<hr/>
At 31 December 2019	1,190
	<hr/>

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 2019	1,450
Charged to the profit or loss	142
Utilised in year	(402)
	<hr/>
At 31 December 2019	1,190
	<hr/>

## 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

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
2,320,000 ordinary shares of £1 each	2,320	2,320
	<hr/>	<hr/>

# Kärcher (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 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 £399,000 (2018 - £655,000). 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 £1,483,000 (2018 - £1,415,000), pension contributions of £96,000 (2018 - £67,000) were also made on their behalf.

### 25 Commitments and contingent liabilities

#### *Operating leases*

At 31 December 2019 Kärcher (UK) Limited had total future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Not later than 1 year	857	827	777	747
Later than 1 year and not later than 5 years	843	1,797	793	1,667
Later than 5 years	281	364	281	364
<b>Total</b>	<b>1,981</b>	<b>2,988</b>	<b>1,851</b>	<b>2,778</b>

#### *Lease guarantee arrangements*

At 31 December 2019, 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 £3,736,000 at 31 December 2019 (2018 - £630,000). The Company outstanding balance on such arrangement was £1,235,000 at 31 December 2019 (2018 - £2,009,000).

# Kärcher (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2019 (*continued*)

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## 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.