

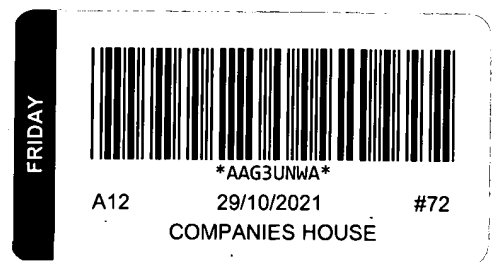
Kärcher (UK) Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 01350233



Kärcher (UK) Limited

Report and financial statements for the year ended 31 December 2020

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Directors

H O Jenner
S C Keeping
M R Venner
C May
S Patzke

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 2020

The directors present their strategic report together with the consolidated audited financial statements for the year ended 31 December 2021.

Review of the business

As set out on page 15 the group turnover increased in the year to £143,621,000 (2019 £121,552,000) or 18.2%. The gross profit also showed strong growth on value with product gross margin percentage at 24.6% (2019 - 27.1%). The main factor in gross profit margin movement comes from our growth in our consumer product sales and in particular, those sold via Online, Retail and Dealer sales channels. Sales via our subsidiary Clean Sweep Hire (excluding intercompany sales) has shown a decrease of 3.0% (2019 - increase of 20.3%).

Retail sales increased in 2020 mainly due to the ability to move sales to on-line platforms. Another factor in this growth is the change of emphasis for consumer spending patterns which shifted more from leisure and towards home improvements during Covid-19 lockdowns.

Professional product sales were initially impacted by the pandemic lockdowns mainly due the temporary closure of some of our key customers and target groups. This was particularly so in the first lockdown, but significant roots of improvement were seen towards the later part of the year.

Group overheads are regularly reviewed by the management team to ensure where possible these costs are in line with sales volumes, profitability expectations and strategic focus of the business.

The significant spend for the group in the year was on warehousing and distribution, advertising and marketing and personnel and employment costs. The average consolidated headcount decreased by 32 to 283 (2019 - 315). The group generated an operating profit in 2020 of £1,998,000 (2019 - loss £1,883,000) and a profit on ordinary activities after interest and taxation of £1,066,000 (2019 - loss £2,049,000).

Year-end product stock values increased year-on-year by 55.8% (2019 - 2.6% increase) in line with the increase in Retail sales and in line with expectations around potential supply chain issues due to the timing of the UK's exit from the European Union.

External trade receivables remain well within the group's debtor day expectations and key performance indicators for the group. The year-end value of £13,601,000 (2019 - £21,033,000) reflects last quarter for sales and cash collections in both companies. Company bad debts in the year at 0.16% (2019 0.30%) remains low but remains a key focus of the sales and cash management team.

Consolidated net assets increased by £942,000 (2019 - £2,937,000) year on year mainly due to the periods performance with significant net off due to improved liquidity.

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 £1,109,000 (2019 loss £933,000).

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.

For many UK businesses 2020 has been an exceptionally challenging year on two main fronts, both the COVID-19 pandemic and the United Kingdom's exit from the European Union.

Kärcher (UK) Limited

Strategic report for the year ended 31 December 2020 (continued)

With regard to the pandemic, the change in patterns of available consumer spending towards home improvement and hygiene (and particularly to those products available on-line) has largely been positive for our consumer product sales, especially those sold via retail channels with a strong online presence. Although the impact on our professional product sales has been negative during the first half of the year, this has begun to return to full strength latterly in 2020.

In context of Brexit, 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 for our Irish customer demands.

Commencing in 2019, the UK team, in conjunction with our German parent company and third party advisors, continued to run a portfolio of Brexit preparation projects in 2020. The aim of these is to alleviate the macro-economic, administration and cost base impacts on our import and export business. These projects progressed well during the year and put us in a strong position at the year-end to mitigate the impact on our customers and our business going forward.

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 2021. 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 improve the performance of the business.

Principal risks and uncertainties

The macroeconomic effect on the UK economy of Brexit and the COVID-19 pandemic, as mentioned above, remains a significant focus for the management. Our ability to plan and react to these challenges is reviewed on a weekly basis by the Board of Directors.

The business anticipates that growth in demand on goods and services are likely to continue to grow and this increases the pressures on stock and associated raw material availability. However, in conjunction with our Group parent company, we constantly review the effectiveness of our end-to-end supply chain and product demand. This is to ensure our customers' demands are met as best as possible and ensure our end to end supply chain supports our customers, production plants and distribution rates.

The fluctuation of the exchange rate of Sterling against the Euro continues to be a key risk to the performance of the Group. 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 and market changes. We are working closely with our partners in Group Treasury, banking and professional advisors to ensure the Group is in the best possible position with regard to currency risk.

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.

Kärcher (UK) Limited

Strategic report for the year ended 31 December 2020 (continued)

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 of our 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 also meet on a quarterly basis to evaluate longer term strategic direction and adjudicate levels on investment and 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 sustainability plans, 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 and long term relationships are paramount.

During the 2020 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;
- Addressing the challenges of COVID-19 pandemic
- New market penetration;
- Product portfolio;
- Customer relationship management; and
- The engagement, recognition and development 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 main channels Retail, Direct orientated customers and Direct originated customers with National Account Managers, Area Sales Managers and Key Account Managers across UK & Northern Ireland. These customers and sales teams are supported by an external consumer call centre (based in Bristol) and Internal Customer Care and Customer Support teams at the Banbury head office. All interactions with customers and end users are held on company customer relationship management systems and we provide all customers an opportunity to provide feedback on 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 2020 (continued)

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

Customers and suppliers (continued)

In 2020 we undertook a "Customer Service Check" survey and audit with the support of the Institute of Customer Service.

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 sustainability and drive improvements in their environmental credentials & carbon footprint.

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 are one of the Board's primary considerations.

The challenges of working from home and associated welfare concerns have also been a significant focus this year, we have initiated greater standards to our on-line meetings, catch ups and well-being checks by our management staff. We have also introduced twice monthly staff updates from the senior management and re-modelled our monthly business update communication.

The Board has also introduced a company-wide Employee Value Proposition whereby we engage and nurture new starters and existing staff through a learning and development structure during their time with the Group. This is done by identifying career paths and encourages employees to maximise their potential through internal and external training, coaching and mentoring, building business acumen and regular performance appraisals.

Trading updates

The Board considers trading performance from across the Group's operations using regularly updated performance dashboards, and they discuss operational issues such as stock availability, factory performance, sales and margin on a weekly and, in more detail, 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 understrength parts of the business, reviewed the monthly rolling forecast, discussed funding requirements, reviewed the liquidity position and considered payment of shareholder dividends. Additionally, scenario planning and impact assessments for Brexit and the pandemic response are reviewed.

Kärcher (UK) Limited

Strategic report for the year ended 31 December 2020 (continued)

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

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. Locally, one of our specific strategic aims is to improve our environmental sustainability via the creation of an environmental plan & outlook to 2025, with environmental targets set across 3 initiatives.

Going concern

Kärcher UK Limited Group has in place a letter of continued intercompany working capital facility 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 UK group operate with minimal cash levels in territory, 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.

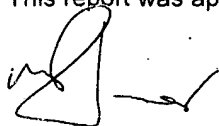
The directors consider that the financial support from the ultimate parent company will continue, and 2020's strong financial performance enhancing the local working capital and liquidity position. As such, the financial statements have been prepared on a going concern basis.

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 financial results as presented have partly mitigated some of our future concerns outlined in our previous report, specifically around the impact of the pandemic and Brexit readiness. However there are still many unknowns around these issues and the business continues to plan, prepare and react to market and macro-economic changes as a result of these issues.

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



M R Venner
Secretary

Date 01 October 2021

Kärcher (UK) Limited

Directors' report for the year ended 31 December 2020

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2020.

Results and dividends

The consolidated statement of comprehensive income is set out on page 15 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 the cost base.

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

Annually we perform a company-wide employee survey in conjunction with our Culture Excellence programme. The results of which are used to evaluate where we have made progress since the last survey and where opportunities for improvements exist.

Research and development

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

Kärcher (UK) Limited

Directors' report for the year ended 31 December 2020 (continued)

Directors

The directors of the company during the year were:

H O Jenner
S C Keeping
M R Venner
M J Asch (resigned 1 December 2020)
C May
S Patzke (appointed 1 December 2020)

Streamlined energy and carbon reporting (SECR)

Environmental friendliness and climate protection are a fundamental part of our actions. For years now, we have been continuously setting ourselves new targets to systematically make our company more efficient and resource-conserving and to fulfil our role as a social stakeholder. With our targets for 2025, we are now taking the next step towards the future.

With these targets set in 2020, we also play our part in achieving the 17 Sustainable Development Goals of the United Nations (UN). These Sustainable Development Goals (SDGs) represent a global standard for the priorities and targets of sustainable development up to 2030 at economic, social and ecological level.

For us as a company, the SDGs offer a good framework on which to base our sustainability targets. In this way, with our core business we can play a role in overcoming globally relevant challenges. We have brought together our targets in three initiatives: "Zero Emissions", "Reduce, Reuse, Recycle" and "Social Hero".

In collaboration with our parent company Kärcher UK is committed to achieving net zero carbon emissions by 2030. The Company currently track progress through its ESOS (Energy Savings Opportunity Statement) report and ensuring the 10 initiatives created to reduce our carbon footprint are reviewed by the management team on a regular basis.

The Company is currently following the Groups Sustainability Goals 2025 and has achieved the ISO 14001 Environmental Management Standard in February 2020.

Managing our Emissions

The Company's two key areas of emission are our facilities & business travel, while we audit our supply chain providers on an annual basis.

We use green energy and compensate for emissions that we cannot avoid by funding climate protection projects. Many of our factories are already equipped with LED lighting and photovoltaic systems.

In the UK, we succeeded in installing just under 1,000 solar panels at our head office building and therefore generating 44% of the company's annual power consumption by means of the solar system. At our headquarters in Winnenden, we also use a photovoltaic system and close the material cycle by repurposing single-use pallets in a heating system for the buildings.

We are reducing business travel and the greenhouse gas emissions resulting from business travel by train, car and plane. We compensate for emissions that we cannot avoid. Formats such as digital conferences, which are becoming increasingly established in our company, have a role to play here. We are further increasing the number of electric & hybrid vehicles in our fleet.

Kärcher (UK) Limited

Directors' report for the year ended 31 December 2020 (continued)

Streamlined energy and carbon reporting (SECR) (continued)

Reduce, Reuse, Recycle

We will optimise the sustainability of all product packaging. We are improving the stability of our products and product surfaces to achieve plastic-free packaging.

By 2025, selected consumer and professional products target a recycling plastic content of up to 50%. We are reducing and systematically replacing the amount of virgin plastic in our products. Since 2012, we have managed to quadruple the amount of recycled plastic in our machines. To manufacture the spray lances for our pressure washers, we have switched to recycled plastic and use nylon 66. The recycled material used is extracted from fabric in returned airbags and material left over from their production process. By using this in our production, we close the cycle.

From 2020, we are supporting the reduction and reuse of ocean plastic. We collaborate with the One Earth One Ocean (OEOO) environmental organisation & locally support Nurdle to reduce the pollution caused by ocean plastic. As part of this cooperation, we support beach clean-up campaigns and the technical innovations from OEOO & Nurdle which, for example, collect plastic in rivers, UK beaches or estuaries and return this to the reusable material cycle.

Sustainability will be an integral part of new business models. We review business models for Kärcher such as sharing, services and recycling. Kärcher Used Equipment & our Outlet store specialises in the preparation and Europe-wide sale of used machines and thereby ensures that machines remain in use for longer, instead of being disposed of.

Reporting boundary

The reporting boundary is the financial year 2019/2020 and covers the operations of the Group & the UK Company.

Key Facts & Results

At least 80% of all product packaging is from recycled paper with 93% of packaging now paper based.

Consumption for the Group in the reporting period of 2020 was as follows;

Type	2017	2018	2019	2020
Energy (Co2)*	15.9t	14.0t	12.8t	12.7t
Waste	4.6t	4.5t	3.4t	4.5t
Water	124m ³	123m ³	91m ³	79m ³

* Tonnes of CO2 per 1 million euros of turnover

**Tonnes of per 1 million euros of turnover

*** Cubic metres of water per 1 million euros of turnover

Energy Type	Usage****	Unit of Measurement	Percentage of Total Energy tonnes Use %	CO2 emissions	Percentage of emissions
Electricity	528,329	kWh	17.43	150	20.30%
Gas	241,148	kWh	7.96	44	6.02%
Transport	2,261,788	kWh	74.62	543	73.67%
TOTAL	3,031,265		100	737	100.00%

**** The company usage for the period of 1st April 2018 to 31st March 2019

Kärcher (UK) Limited

Directors' report for the year ended 31 December 2020 *(continued)*

Streamlined energy and carbon reporting (SECR) *(continued)*

Energy Data Methodology

In accordance with the ESOS Scheme requirements, a BS EN 16247 series methodology has been used to conduct the energy audits for the company, which was agreed at the outset.

The energy audit has been conducted for the Company's requirement to comply with the ESOS Regulations 2014.

The total energy consumption of the Company is measured as part of the ESOS audit. This is measured in either energy units (such as kWh) or in expenditure (£).

In measuring the total energy consumption of the company, all energy used in Buildings, Industrial Processes and Transport is considered. In determining the Participant's total energy consumption, the following has been taken into account:

- The definition of energy consumption in the scheme;
- The supply rules, including the unconsumed supply; and
- The exclusion of use outside of the UK (with the exception of international travel, where special rules apply).

When Phase 2 of our ESOS audit is compared with Phase 1 there is a considerably improved performance both in terms of energy consumption per employee and per floor area. Kärcher House used 3,159 kWh per employee in Phase 2 compared to 4,448 kWh in Phase 1. Similarly, energy consumption has almost halved to 63 kWh per square metre in Phase 2. This is a clear indication of the much-improved building fabric, HVAC and lighting in Kärcher House.

Planned Actions to Further Reduce our Company Emissions

- Upgrade Lighting to Smart LED
- Encourage Use of Public Transport
- Introduce an Energy Management Plan and Policy

Corporate Social Responsibility

Clearly defined topics ensure that all of our social commitment activities around the world share a common purpose. In all three areas – donations and sponsorship, long-term cooperation and employee commitment – we take our role as a social stakeholder seriously and are therefore dedicated to preserving values. These may be cultural values, as is the case with our cultural sponsorship, or family values, like our cooperation with local communities on cleaning projects.

Kärcher (UK) Limited

Directors' report for the year ended 31 December 2020 (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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:


S C Keeping
Director

Date:

Kärcher (UK) Limited

Independent auditor's report

Independent auditor's report to the members of Kärcher (UK) Limited

Opinion on the financial statements

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 2020 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kärcher (UK) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, consolidated statement of net debt, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Kärcher (UK) Limited

Independent auditor's report (*continued*)

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and 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 Directors' responsibilities statement, 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)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

To identify and assess the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Obtaining an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company based on our understanding and sector experience and discussions with management. The most significant considerations for the Group are the Companies Act 2006, corporate taxes and VAT and employment tax legislation.
- Enquiring of management and obtaining and reviewing relevant supporting documentation including correspondence with the relevant authorities, concerning the Group and Parent Company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We corroborated our enquiries of management through our review of board minutes.
- Evaluating management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). We determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Based on our understanding of the environment and assessment of the incentive and opportunity for fraud or material misstatement arising in respect of non-compliance with laws and regulations, we carried out the following procedures:

- We tested the appropriateness of accounting journals, including those relating to adjustments made in the preparation of the financial statements. We obtained access to the nominal ledger system to the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override.
- We reviewed the Group and Parent Company's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Kärcher (UK) Limited

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Jon Gilpin

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

Date: 05 October 2021

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 2020

	Note	2020 £000	2019 £000
Turnover	3	143,621	121,552
Cost of sales		(108,285)	(88,569)
Gross profit		35,336	32,983
Distribution costs		(25,246)	(25,544)
Administrative expenses		(8,092)	(9,322)
Operating profit/(loss)	4	1,998	(1,883)
Interest receivable and similar income		7	10
Interest payable and expenses	8	(342)	(337)
Profit/(loss) before tax		1,663	(2,210)
Tax on profit/(loss)	9	(597)	161
Profit/(loss) for the year		1,066	(2,049)
Other comprehensive loss for the year			
Movement in cash flow hedge		(176)	(1,070)
Taxation in respect of other comprehensive loss		52	182
Other comprehensive loss for the year		(124)	(888)
Total comprehensive income/(loss) for the year		942	(2,937)

All amounts relate to ordinary activities.

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Consolidated balance sheet at 31 December 2020

Company number 01350233	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	10		821		1,115
Tangible assets	11		11,263		12,306
			<u>12,084</u>		<u>13,421</u>
Current assets					
Stocks	13	14,117		9,062	
Debtors	14	27,079		23,877	
Cash at bank and in hand	15	188		419	
		<u>41,384</u>		<u>33,358</u>	
Creditors: amounts falling due within one year	16	(34,328)		(23,183)	
Net current assets			<u>7,056</u>		<u>10,175</u>
Total assets less current liabilities			<u>19,140</u>		<u>23,596</u>
Creditors: amounts falling due after more than one year	17		(571)		(7,391)
Provisions for liabilities					
Deferred taxation	19	(214)		(352)	
Other provisions	20	(2,750)		(1,190)	
		<u>(2,964)</u>		<u>(1,542)</u>	
Net assets			<u>15,605</u>		<u>14,663</u>
Capital and reserves					
Called up share capital	21		2,320		2,320
Other reserves	22		(899)		(775)
Profit and loss account	22		14,184		13,118
			<u>15,605</u>		<u>14,663</u>

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


H O Jenner
Director


S C Keeping
Director

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2020	2,320	(775)	13,118	14,663
Comprehensive income for the year				
Profit for the year	-	-	1,066	1,066
Net movement on cash flow hedges	-	(176)	-	(176)
Taxation in respect of items of other comprehensive income	-	52	-	52
Other comprehensive income for the year	-	(124)	-	(124)
Total comprehensive income for the year	-	(124)	1,066	942
At 31 December 2020	2,320	(899)	14,184	15,605

The notes on pages 24 to 46 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
Comprehensive loss for the year				
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 loss	-	182	-	182
Other comprehensive loss for the year	-	(888)	-	(888)
Total comprehensive loss for the year	-	(888)	(2,049)	(2,937)
At 31 December 2019	2,320	(775)	13,118	14,663

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit/(loss) for the financial year	1,066	(2,049)
Adjustments for:		
Amortisation of intangible assets	294	318
Depreciation of tangible assets	2,088	1,941
(Profit) on disposal of tangible assets	(9)	-
Interest paid	342	337
Interest received	(7)	(10)
Taxation charge/(credit)	597	(161)
(Increase)/decrease in stocks	(5,055)	238
Increase in debtors including group balances	(3,273)	(4,526)
Increase/(decrease) in creditors including group balances	13,599	(459)
Increase/(decrease) in provisions	1,560	(260)
Taxation (paid)/received	(435)	85
Net cash used in operating activities	10,767	(4,546)
Cash flows from investing activities		
Sale of tangible fixed assets	9	-
Purchase of tangible fixed assets	(1,045)	(492)
Purchase of intangible fixed assets	-	(46)
Interest received	7	10
Net cash used in investing activities	(1,029)	(528)
Cash flows from financing activities		
Interest paid	(342)	(337)
Increase in intercompany loans	-	6,633
Repayment of intercompany loan	(8,261)	-
Repayment of finance leases	(1,019)	(764)
Payment of deferred consideration of fixed asset investment	-	(345)
Net cash generated by financing activities	(9,622)	5,187
Net increase in cash and cash equivalents	116	113
Cash and cash equivalents at beginning of year	72	(41)
Cash and cash equivalents at the end of year	188	72
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	188	419
Bank overdrafts	-	(347)
	188	72

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Consolidated statement of net debt at 31 December 2020

	At 1 January 2020 £'000	Cash flows £'000	At 31 December 2020 £'000
Cash at bank and in hand	419	(231)	188
Bank overdraft	(347)	347	-
Debt due before 1 year	(8,386)	2,460	(5,926)
Debt due after 1 year	(7,391)	6,820	(571)
	<u>(15,705)</u>	<u>9,396</u>	<u>(6,309)</u>

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Company balance sheet at 31 December 2020

Company number 01350233	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	10		115		151
Tangible assets	11		7,801		8,826
Investments	12		2,652		2,652
			10,568		11,629
Current assets					
Stocks	13	14,042		8,986	
Debtors – amounts due after more than one year	14	275		350	
Debtors – amounts due within one year	14	26,683		22,504	
Cash at bank and in hand	15	9		397	
		41,009		32,237	
Creditors: amounts falling due within one year	16	(32,414)		(21,199)	
Net current assets			8,595		11,038
Total assets less current liabilities			19,163		22,667
Creditors: amounts falling due after more than one year	17		-		(5,950)
Provisions for liabilities					
Deferred taxation	19	(227)		(224)	
Other provisions	20	(2,750)		(1,190)	
			(2,977)		(1,414)
Net assets			16,186		15,303
Capital and reserves					
Called up share capital	22		2,320		2,320
Other reserves			(899)		(775)
Profit and loss account			14,765		13,758
			16,186		15,303

The group profit for the year includes a profit after tax generated by the company of £1,007,000 (2019 – loss of £2,140,000).

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


H O Jenner
Director


S C Keeping
Director

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Company statement of changes in equity for the year ended 31 December 2020

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2020	2,320	(775)	13,758	15,303
Comprehensive income for the year				
Profit for the year	-	-	1,007	1,004
Net movement on cash flow hedges	-	(176)	-	(176)
Taxation in respect of items of other comprehensive income	-	52	-	52
Other comprehensive income for the year	-	(124)	-	(124)
Total comprehensive income for the year	-	(124)	1,007	880
At 31 December 2020	2,320	(899)	14,765	16,183

The notes on pages 24 to 46 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
Comprehensive loss for the year				
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 loss	-	182	-	182
Other comprehensive loss for the year	-	(888)	-	(888)
Total comprehensive loss for the year	-	(888)	(2,140)	(3,028)
At 31 December 2019	2,320	(775)	13,758	15,303

The notes on pages 24 to 46 form part of these financial statements.

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2020

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 2020 (continued)

1 Accounting policies (continued)

Going concern

Kärcher UK Limited Group has in place a letter of continued intercompany working capital facility 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 UK group operate with minimal cash levels in territory, 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.

The directors consider that the financial support from the ultimate parent company will continue, and 2020's strong financial performance enhancing the local working capital and liquidity position. As such, the financial statements have been prepared 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 2020 (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

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

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.

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.

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

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.

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.

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

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.

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 2020 (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 2020 (continued)

3 Analysis of turnover

	2020 £000	2019 £000
United Kingdom	139,328	118,196
Rest of Europe	4,293	3,324
Rest of the World	-	32
	<u>143,621</u>	<u>121,552</u>

The aggregate rental income received in respect of operating leases and hire is £3,482,000 (2019 - £3,588,000). Turnover received in respect of the sale of goods and services is £140,139,000 (2019 - £117,964,000).

4 Operating profit

	2020 £000	2019 £000
This has been arrived at after charging/(crediting):		
Amortisation of intangible assets, including goodwill	294	318
Depreciation of tangible fixed assets	2,088	1,941
(Profit) on disposal of assets	(9)	-
Hire of plant and machinery - operating leases	929	929
Hire of other assets - operating leases	210	148
	<u></u>	<u></u>

5 Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	76	75
Fees payable to the company's auditor and its associates in respect of:		
Tax compliance services	4	4
Tax advisory services	11	11
Other non-audit services	14	-
Advice in relation to Brexit	5	-
	<u>110</u>	<u>90</u>

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

6 Employees

Employee costs, including directors remuneration, were as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	11,536	11,710	10,433	10,631
Social security costs	1,896	1,420	1,771	1,312
Cost of defined contribution scheme	424	399	388	369
	<u>13,856</u>	<u>13,529</u>	<u>12,592</u>	<u>12,312</u>

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

	Group 2020	Group 2019	Company 2020	Company 2019
Management and administration	34	30	31	26
Sales and marketing	249	285	227	264
	<u>283</u>	<u>315</u>	<u>258</u>	<u>290</u>

7 Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	758	626
Company contributions to defined contribution pension schemes	41	46
	<u>799</u>	<u>672</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes:

The highest paid director received remuneration of £308,000 (2019 - £333,000). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,000 (2019 - £25,000).

8 Interest payable and similar charges

	2020 £000	2019 £000
Bank interest payable	2	3
Loans from group undertakings	205	218
Finance leases and hire purchase	135	116
	<u>342</u>	<u>337</u>

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (continued)

9 Taxation

	2020 £000	2019 £000
<i>Current tax</i>		
Current tax on profit/(loss) for the year	577	-
Adjustment in respect of the prior year	106	(259)
	<hr/>	<hr/>
Total current tax	683	(259)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(45)	131
Adjustment in respect of prior periods	(89)	(33)
Effects of changes in tax rates	48	-
	<hr/>	<hr/>
Total deferred tax	(86)	98
	<hr/>	<hr/>
Taxation on profit/(loss) on ordinary activities	597	(161)
	<hr/>	<hr/>

Factors affecting tax charge/(credit) for year

The tax assessed for the year is higher than (2019 – higher than) the standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) on ordinary activities before tax	1,663	(2,210)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in UK at 19.00% (2019 – 19.00%)	316	(420)
Effects of:		
Fixed asset differences	179	178
Losses carried back	-	337
Expenses not deductible for tax purposes	37	54
Difference in deferred tax rate	48	(51)
Adjustments to tax charge in respect of prior periods	17	(259)
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	597	(161)
	<hr/>	<hr/>

Factors that may affect future tax charges

The corporation tax is calculated at 19% (2019 – 19%) of the estimated assessable profit for the year. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2020 on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements. The UK Government announced on 3 March 2021 that the Government are intending to increase the corporation tax rate from 19% to 25% from April 2023. As this rate was not substantively enacted at the balance sheet date it has not been used to calculate the deferred tax balances.

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

10 Intangible assets	Purchased goodwill £000	Goodwill on consolidation £000	Customer lists £000	Brands £000	Software £000	Total £000
Group						
<i>Cost</i>						
At 1 January 2020	1,081	1,493	358	376	46	3,354
Additions	-	-	-	-	-	-
At 31 December 2020	1,081	1,493	358	376	46	3,354
<i>Amortisation</i>						
At 1 January 2020	975	638	306	319	1	2,239
Charge for the year	21	149	52	57	15	294
At 31 December 2020	996	787	358	376	16	2,533
<i>Net book value</i>						
At 31 December 2020	85	706	-	-	30	821
At 31 December 2019	106	855	52	57	45	1,115
				Purchased goodwill £000	Software £000	Total £000
Company						
<i>Cost</i>						
At 1 January 2020				1,081	46	1,127
Additions				-	-	-
At 31 December 2020				1,081	46	1,127
<i>Amortisation</i>						
At 1 January 2020				975	1	976
Charge for the year				21	15	36
At 31 December 2020				996	16	1,012
<i>Net book value</i>						
At 31 December 2020				85	30	115
At 31 December 2019				106	45	151

The assets are reviewed annually for impairment. The review at 31 December 2020 indicated that no such impairment had arisen.

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (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 2020	11,642	5,044	4,521	1,033	22,240
Additions	33	46	820	146	1,045
Disposals	-	-	-	(15)	(15)
At 31 December 2020	11,675	5,090	5,341	1,164	23,270
<i>Depreciation</i>					
At 1 January 2020	3,111	4,762	1,269	792	9,934
Charge for the year	936	170	859	123	2,088
Elimination on disposal	-	-	-	(15)	(15)
At 31 December 2020	4,047	4,932	2,128	900	12,007
<i>Net book value</i>					
At 31 December 2020	7,628	158	3,213	264	11,263
At 31 December 2019	8,531	282	3,252	241	12,306

Included in the net book value of freehold land and buildings is freehold land of £2,331,000 (2019 - £2,331,000) and freehold property of £5,297,000 (2019 - £6,200,000).

The net book value of tangible fixed assets included £3,652,000 (2019 - £3,690,000) 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 2020 (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 2020	11,642	5,044	506	17,192
Additions	33	46	11	90
Disposals	-	-	(15)	(15)
At 31 December 2020	11,675	5,090	502	17,267
<i>Depreciation</i>				
At 1 January 2020	3,111	4,762	493	8,366
Charge for the year	936	170	9	1,115
Elimination on disposal	-	-	(15)	(15)
At 31 December 2020	4,047	4,932	487	9,466
<i>Net book value</i>				
At 31 December 2020	7,628	158	15	7,801
At 31 December 2019	8,531	282	13	8,826

Included in the net book value of freehold land and buildings is freehold land of £2,331,000 (2019 - £2,331,000) and freehold property of £5,297,000 (2019 - £6,200,000).

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

12 Fixed asset investments

Company	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2020	2,652
Additions	-
	<hr/>
At 31 December 2020	2,652
	<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
Cleanpark Limited	United Kingdom	Ordinary shares	100%	Dormant

The Group agrees to guarantee the liabilities of Clean Sweep Hire Limited, thereby allowing this company 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 and Cleanpark Limited is the same as that of Kärcher (UK) Limited.

13 Stocks

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Finished goods and goods for resale	14,117	9,062	14,042	8,986
	<hr/>	<hr/>	<hr/>	<hr/>

The change in the stock provision recognised as a gain during the year was £110,000 (2019 – £7,000).

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 2020 (continued)

14 Debtors

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Due after more than one year				
Amounts owed by group undertakings	-	-	275	350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Due within one year				
Trade debtors	13,601	21,033	12,395	19,638
Amounts owed by group undertakings	12,339	1,531	13,154	1,631
Other debtors	1,013	465	1,008	465
Prepayments and deposits	126	777	126	770
Corporation tax	-	71	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	27,079	23,877	26,683	22,504
	<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 £375,000 was outstanding at the year end (2019 - £450,000). 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 £632,000 (2019 - £386,000).

15 Cash and cash equivalents

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Cash at bank and in hand	188	419	9	397
Less: bank overdrafts	-	(347)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	188	72	9	397
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

16 Creditors: amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank overdrafts (secured)	-	347	-	-
Group investment loan	4,734	7,045	4,734	7,045
Trade creditors	3,998	3,091	3,621	3,009
Amounts owed to group undertakings	4,868	3,678	4,868	3,678
Taxation and social security	9,255	1,379	9,112	1,309
Corporation tax	177	-	157	-
Deferred consideration	15	15	15	15
Obligations under hire purchase agreement	1,192	1,341	-	-
Accruals and deferred income	8,980	5,354	8,798	5,210
Financial instruments	1,109	933	1,109	933
	<u>34,328</u>	<u>23,183</u>	<u>32,414</u>	<u>21,199</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 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Group investment loan	-	5,950	-	5,950
Obligations under hire purchase agreement	571	1,441	-	-
	<u>571</u>	<u>7,391</u>	<u>-</u>	<u>5,950</u>

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (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 2020 £'000	Deferred consideration 2020 £'000	Finance leases 2020 £'000	Total 2020 £'000
In one year or less, or on demand	4,734	15	1,192	7,227
In more than one year but not more than two years	-	-	512	-
In more than two years but not more than five years	-	-	59	-
	<u>4,734</u>	<u>15</u>	<u>1,763</u>	<u>7,227</u>

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>

Total of group future minimum lease payments under finance leases:

	2020 £'000	2019 £'000
Not later than 1 year	1,294	1,465
Later than 1 year and not later than 5 years	616	1,582
Total	<u>1,910</u>	<u>3,047</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 2020 (continued)

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

Company	Group investment loan 2020 £'000	Deferred consideration 2020 £'000	Total 2020 £'000
In one year or less, or on demand	4,734	15	4,749
In more than one year but not more than two years	-	-	-
	<u>4,734</u>	<u>15</u>	<u>4,749</u>
	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>

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

18 Financial instruments

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

	Group 2020 £000	Group 2019 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	27,141	23,448
Derivative financial instruments designed as hedges of foreign currency movements	-	-
	<u>27,141</u>	<u>23,448</u>
Financial liabilities		
Financial liabilities measured at amortised cost	22,595	25,480
Derivative financial instruments designed as hedges of foreign currency movements	1,109	933
	<u>23,528</u>	<u>26,413</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 £1,109,000 (2019 - £933,000 loss) at the balance sheet date. The cash flows arising from the forward contracts may continue until their maturity in 2020 but may be utilised before this date. The change in fair value in the period was £176,000 (2019 - £1,070,000) 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 2020 (continued)

19 Deferred taxation

Group	Deferred tax £000
At 1 January 2020	(352)
Credited to the profit or loss	86
Credited to other comprehensive income	52
	<hr/>
At 31 December 2020	(214)
	<hr/>

The deferred tax liability is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(185)	(230)
Sundry timing differences	124	61
Deferred chargeable gains on consolidation	-	(16)
Fair value revaluations of financial instruments (note 18)	211	159
Fair value revaluation of intangibles	(364)	(326)
	<hr/>	<hr/>
	(214)	(352)
	<hr/>	<hr/>

Company	Deferred tax £000
At 1 January 2020	(224)
Charged to the profit or loss	(55)
Credited to other comprehensive income	52
	<hr/>
At 31 December 2020	(227)
	<hr/>

The deferred tax liability is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(198)	(118)
Sundry timing differences	124	61
Fair value revaluation of intangibles	(364)	(326)
Fair value revaluations of financial instruments (note 18)	211	159
	<hr/>	<hr/>
	(227)	(224)
	<hr/>	<hr/>

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

20 Provisions

Group	Warranty and return provision £000
At 1 January 2020	1,190
Charged to the profit or loss	2,678
Utilised in year	(1,118)
	<hr/>
At 31 December 2020	2,750

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 2020	1,190
Charged to the profit or loss	2,678
Utilised in year	(1,118)
	<hr/>
At 31 December 2020	2,750

21 Share capital

	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
2,320,000 ordinary shares of £1 each	2,320	2,320
	<hr/>	<hr/>

22 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.

Kärcher (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2020 (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 £424,000 (2019 - £399,000). 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 £1,714,000 (2019 - £1,483,000), pension contributions of £103,000 (2019 - £96,000) were also made on their behalf.

25 Commitments and contingent liabilities

Operating leases

At 31 December 2020 Kärcher (UK) Limited had total future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Not later than 1 year	792	857	792	777
Later than 1 year and not later than 5 years	1,022	843	1,022	793
Later than 5 years	56	281	56	281
Total	1,870	1,981	1,870	1,851

Lease guarantee arrangements

At 31 December 2020, 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 £3,921,000 at 31 December 2020 (2019 - £3,736,000). The Company outstanding balance on such arrangement was £1,120,910 at 31 December 2020 (2019 - £1,235,000).

Kärcher (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

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.