

**Kärcher (UK) Limited**

Report and Financial Statements

Year Ended

31 December 2004



**BDO**  
BDO Stoy Hayward  
Chartered Accountants

**Kärcher (UK) Limited**

**Annual report and financial statements for the year ended 31 December 2004**

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**Directors**

H O Jenner  
G F Metz  
S C Keeping  
D A West  
W L Silvester

**Secretary and registered office**

D A West, Karcher House, Beaumont Road, Banbury, Oxfordshire, OX16 1TB

**Company number**

1350233

**Auditors**

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

**Bankers**

Bayerische Hypo-und Vereinsbank AG, 41 Moorgate, London, EC2R 6PP

**Solicitors**

Spratt Endicott, 52-54 The Green, Banbury, Oxfordshire, OX16 9AB

## **Kärcher (UK) Limited**

### **Report of the directors for the year ended 31 December 2004**

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The directors present their report together with the audited financial statements for the year ended 31 December 2004.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

#### **Principal activities, review of business and future developments**

The company has continued to trade as the UK distributor of Kärcher cleaning equipment for the industrial, commercial and consumer markets. The company also provides a comprehensive installation and after sales service.

The increased turnover in 2004 was due to an expansion of business into the UK public sector. The consumer market remained highly competitive with low cost Asian sourced products being sold through an increasing number of retail outlets.

Operating profit was maintained at a similar level to 2004 with the company able to exert continuing downward pressure on overheads.

Whilst the competitive challenges of 2004 will continue, the directors expect the company to return a positive result in 2005 assisted by continuing penetration of the public sector market.

#### **Market value of land and buildings**

The directors are of the opinion that the market value of the company's interests in land and buildings exceeds the book value. In the directors opinion the market value of the land & buildings is £4m.

#### **Charitable and political contributions**

During the year the company made charitable contributions of £12,477. There were no political contributions.

#### **Directors**

The directors of the company during the year were:

H O Jenner  
G J Jones (Resigned 31 December 2004)  
G F Metz  
D A West  
W L Silvester

No director had any beneficial interest in the share capital of the company.

On the 1 January 2005 Mr S C Keeping was appointed a director of the company.

**Report of the directors for the year ended 31 December 2004 (Continued)**

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**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

BDO Stoy Hayward LLP were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the board**

D A West

  
Secretary

16 March 2005

**To the shareholders of Kärcher (UK) Limited**

We have audited the financial statements of Kärcher (UK) Limited for the year ended 31 December 2004 on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 to 9.

*Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

*Basis of audit opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors (*Continued*)

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Birmingham

16 March 2005

**Kärcher (UK) Limited**

**Profit and loss account for the year ended 31 December 2004**

	Note	2004 £'000	2003 £'000
<b>Turnover</b>	2	54,019	49,582
Cost of sales		40,943	35,217
<b>Gross profit</b>		13,076	14,365
Distribution costs		7,462	8,360
Administrative expenses		3,868	4,373
		1,746	1,632
Other operating income		45	45
<b>Operating profit</b>	3	1,791	1,677
Other interest receivable and similar income	6	97	38
Interest payable and similar charges	7	(200)	(284)
<b>Profit on ordinary activities before taxation</b>		1,688	1,431
Taxation on profit on ordinary activities	8	580	563
<b>Profit on ordinary activities after taxation</b>		1,108	868
Retained profit brought forward		2,816	1,948
<b>Retained profit carried forward</b>		3,924	2,816

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 8 to 18 form part of these financial statements.

**Kärcher (UK) Limited**

**Balance sheet at 31 December 2004**

	Note	2004 £'000	2004 £'000	2003 As restated £'000	2003 As restated £'000
<b>Fixed assets</b>					
Tangible assets	9		2,829		3,654
<b>Current assets</b>					
Stocks	10	3,522		5,162	
Debtors	11	8,920		4,371	
Cash at bank and in hand		2		111	
		<u>12,444</u>		<u>9,644</u>	
<b>Creditors: amounts falling due within one year</b>	12	4,406		3,303	
		<u></u>		<u></u>	
<b>Net current assets</b>			8,038		6,341
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			10,867		9,995
<b>Creditors: amounts falling due after more than one year</b>	13	3,000		3,000	
<b>Provision for liabilities and charges</b>	14	1,623		1,859	
		<u></u>		<u></u>	
			4,623		4,859
			<u></u>		<u></u>
			6,244		5,136
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	15		2,320		2,320
Profit and loss account			3,924		2,816
			<u></u>		<u></u>
<b>Equity shareholders' funds</b>			6,244		5,136
			<u></u>		<u></u>

The financial statements were approved by the Board on 16 March 2005.

  
H O Jenner  
Director

  
D A West  
Director

The notes on pages 8 to 18 form part of these financial statements.



**Kärcher (UK) Limited****Cash flow statement for the year ended 31 December 2004**

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Net cash inflow from operating activities</b>	22		334		3,625
<b>Returns on investments and servicing of finance</b>					
Interest received		97		38	
Interest paid: other		(200)		(284)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(103)		(246)
<b>Taxation</b>					
Corporation tax paid			(423)		(231)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(642)		(470)	
Receipts from sale of tangible fixed assets		670		162	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>			28		(308)
<b>Cash (outflow)/inflow before use of liquid resources</b>			(164)		2,840
<b>Management of liquid resources</b>					
Net repayment to parent undertaking			-		(3,000)
<b>Decrease in cash</b>	23		(164)		(160)

The notes on pages 8 to 18 form part of these financial statements.

## 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax.

### *Conditions of sale*

The company guarantees the products it supplies. Provision is made for any costs which are expected to be incurred after the year end under the terms of those guarantees.

### *Provisions for sales credit notes*

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

### *Depreciation*

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

Freehold property	- 10% straight line
Leasehold property	- 10% straight line or over the period of the lease
Plant & machinery	- 25% - 33 1/3% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 25% straight line

### *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.

### *Foreign currency*

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

**1 Accounting policies (continued)***Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

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

Deferred tax balances are not discounted.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

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

*Pension costs*

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

**2 Turnover**

	2004 £'000	2003 £'000
Analysis by geographical market:		
United Kingdom	54,000	49,552
Rest of the world	19	30
	<hr/>	<hr/>
	54,019	49,582
	<hr/>	<hr/>

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

**3 Operating profit**

	2004 £'000	2003 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	858	1,141
Hire of plant and machinery - operating leases	17	3
Hire of other assets - operating leases	66	58
Audit services	18	17
Non-audit services	20	19
Rent received	(45)	(45)
	<u>          </u>	<u>          </u>

**4 Employees**

Staff costs (including directors) consist of:

	2004 £'000	2003 £'000
Wages and salaries	4,732	5,079
Social security costs	501	528
Other pension costs	125	122
	<u>          </u>	<u>          </u>
	5,358	5,729
	<u>          </u>	<u>          </u>

The average number of employees (including directors) during the year was 184 (2003 - 202).

**5 Directors' remuneration**

	2004 £'000	2003 £'000
Directors' emoluments	490	373
Company contributions to money purchase pension schemes	27	19
	<u>          </u>	<u>          </u>

There were two directors in the company's defined contribution pension scheme during the year (2003 - two). Contributions were also made to the personal pension plan of one director (2003 - one).

The total amount payable to the highest paid director in respect of emoluments was £200,363 (2003 - £206,747). Company pension contributions of £10,283 (2003 - £10,283) were made to a money purchase scheme on his behalf.

**Kärcher (UK) Limited****Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****6 Other interest receivable and similar income**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposits	46	38
Group companies	48	-
Other interest receivable	3	-
	<u>97</u>	<u>38</u>

**7 Interest payable and similar charges**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	200	280
Group interest	-	4
	<u>200</u>	<u>284</u>

## 8 Taxation on profit on ordinary activities

	2004 £'000	2003 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	600	580
Adjustment in respect of previous periods	(20)	(17)
	<hr/>	<hr/>
Total current tax	580	563
	<hr/>	<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	1,688	1,431
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	506	429
Effect of:		
Expenses not deductible for tax purposes	36	123
Depreciation in excess of capital allowances	68	42
Adjustment to tax charge in respect of previous periods	(20)	(17)
Other short term timing differences	(10)	(14)
	<hr/>	<hr/>
Current tax charge for period	580	563
	<hr/>	<hr/>

The potential deferred tax asset arising from accelerated capital allowances and short term timing differences amounting to £181,000 (2003 - £187,000) has not been recognised in the financial statements. Such tax would become recoverable if there are suitable tax profits in the future to absorb any reversal of the timing difference.

**9 Tangible fixed assets**

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Assets held for rental £'000	Total £'000
<i>Cost</i>					
At 1 January 2004	3,846	20	4,067	191	8,124
Additions	12	-	595	35	642
Disposals	-	-	(1,195)	(17)	(1,212)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	<b>3,858</b>	<b>20</b>	<b>3,467</b>	<b>209</b>	<b>7,554</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2004	1,365	18	2,934	153	4,470
Provided for the year	271	-	570	17	858
Disposals	-	-	(600)	(3)	(603)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	<b>1,636</b>	<b>18</b>	<b>2,904</b>	<b>167</b>	<b>4,725</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2004	<b>2,222</b>	<b>2</b>	<b>563</b>	<b>42</b>	<b>2,829</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	2,481	2	1,133	38	3,654
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in freehold land and buildings is freehold land amounting to £1,168,000 (2003 - £1,168,000) which is not depreciated.

**10 Stocks**

	2004 £'000	2003 £'000
Finished goods and goods for resale	3,522	5,162
	<hr/>	<hr/>

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

**Kärcher (UK) Limited****Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****11 Debtors**

	2004 £'000	2003 £'000
Trade debtors	4,121	4,223
Amounts owed by group undertakings	4,545	-
Other debtors	36	24
Prepayments and accrued income	218	124
	<u>8,920</u>	<u>4,371</u>

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

**12 Creditors: amounts falling due within one year**

	2004 £'000	2003 As restated £'000
Bank overdraft	95	40
Trade creditors	817	758
Amounts owed to group undertakings	1,907	1,095
Corporation tax	330	173
Other taxation and social security	438	418
Accruals and deferred income	819	819
	<u>4,406</u>	<u>3,303</u>

The accruals and deferred income balance has been restated as disclosed in note 14.



**13 Creditors: amounts falling due after more than one year**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan (secured)	<b>3,000</b>	<b>3,000</b>
	<hr/>	<hr/>
Maturity of debt:		
	<b>Loans and</b>	<b>Loans and</b>
	<b>overdrafts</b>	<b>overdrafts</b>
	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less, or on demand	<b>95</b>	<b>40</b>
	<hr/>	<hr/>
In more than two years but not more than five years	<b>3,000</b>	<b>3,000</b>
	<hr/>	<hr/>

The bank loan of £3,000,000 is repayable on 15 December 2008 and is secured by way of a fixed charge over the company's freehold buildings.

**14 Provision for liabilities and charges**

	<b>Returns and warranty provision £'000</b>
At 1 January 2004 as restated	1,859
Charged to profit and loss account	1,595
Utilised in year	(1,831)
	<hr/>
At 31 December 2004	<b>1,623</b>
	<hr/>

The returns and warranty provision has been reallocated in the 2003 accounts from accruals and deferred income. It represents an estimate of the costs to be incurred by the company and hence should be disclosed separately. The prior year figures have been adjusted accordingly.

**15 Share capital**

	2004	Authorised	Allotted, called up	
	2004	2003	and fully paid	
	£'000	£'000	2004	2003
			£'000	£'000
<i>Equity share capital</i>				
Ordinary shares of £1 each	2,350	2,350	2,320	2,320

**16 Contingent liabilities**

During the year the company had undertaken to guarantee a medium term bank loan to a third party in respect of a trade agreement. At the 31 December 2004, the outstanding loan was £NIL (2003 - £33,936).

**17 Pensions**

The company operates a defined contribution pension scheme and also makes payments to various personal pension plans. The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £124,632 (2003 - £122,097). Contributions amounting to £2,533 (2003 - £14,336) were payable at 31 December and are included in accruals.

**18 Commitments under operating leases**

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

	2004	2004	2003	2003
	Land and	Other	Land and	Other
	buildings	£'000	buildings	£'000
	£'000		£'000	
Operating leases which expire:				
Within one year	11	-	-	-
In two to five years	37	247	78	-
	<u>48</u>	<u>247</u>	<u>78</u>	<u>-</u>

**19 Currency commitments**

At 31 December 2004 the company was committed under forward contracts to purchase foreign currency amounting to £20,510,200 (2003 - £27,446,000).

**20 Ultimate parent company and parent undertaking of larger group**

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

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

**21 Related party disclosures***Related party transactions and balances*

During the year the following amounts were payable to, and the following balances were due (to)/from, Alfred Kärcher GmbH & Co KG:

	2004 £'000	2003 £'000
Purchase of goods for resale	32,091	33,164
Provision of other goods and services	353	543
Interest payable to	-	4
Interest receivable from	48	-
Debtor	4,545	-
Creditor	(1,907)	(1,095)
	<u>          </u>	<u>          </u>

All transactions were conducted on an arm's length basis and on normal commercial terms.

**22 Reconciliation of operating profit to net cash inflow from operating activities**

	2004 £'000	2003 £'000
Operating profit	1,792	1,677
Depreciation of tangible fixed assets	858	1,141
Profit on sale of tangible fixed assets	(62)	(37)
Decrease in stocks	1,640	542
(Increase)/decrease in debtors	(4,549)	2,319
Increase/(decrease) in creditors	891	(1,973)
Movement in provisions	(236)	(44)
	<u>          </u>	<u>          </u>
Net cash inflow from operating activities	334	3,625
	<u>          </u>	<u>          </u>

23 Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Decrease in cash	(164)	(160)
Cash outflow from changes in debt	-	3,000
	<hr/>	<hr/>
Movement in net debt	(164)	2,840
Opening net debt	(2,929)	(5,769)
	<hr/>	<hr/>
Closing net debt	(3,093)	(2,929)
	<hr/>	<hr/>

24 Analysis of net debt

	At 1 January 2004 £'000	Cash flow £'000	At 31 December 2004 £'000
Cash at bank and in hand	111	(109)	2
Bank overdrafts	(40)	(55)	(95)
		<hr/>	
		(164)	
Debt due after one year	(3,000)	-	(3,000)
	<hr/>	<hr/>	<hr/>
Total	(2,929)	(164)	(3,093)
	<hr/>	<hr/>	<hr/>