

REGISTRAR OF COMPANIES

Karcher (UK) Limited

Report and Financial Statements

Year Ended

31 December 1998



BDO

**BDO Stoy Hayward
Chartered Accountants**

KARCHER (UK) LIMITED

Annual report and financial statements for the year ended 31 December 1998

Contents

Directors

Page:

1	Report of the directors
3	Report of the auditors
4	Profit and loss account
5	Balance sheet
6	Cash flow statement
7	Notes forming part of the financial statements

Directors

Johannes Kärcher
Roland Kamm
Roland P Deibler
Graham J Jones
David A West

Secretary and registered office

D A West, Karcher House, Beaumont Road, Banbury, Oxfordshire, OX16 7TB

Company number

1350233

Auditors

BDO Stoy Hayward, 7-9 Irwell Terrace, Bacup, Lancashire, OL13 9AJ

Bankers

Bayerische Hypo-und Vereinsbank AG, London Branch
Barclays Bank PLC, Banbury
Banque Nationale de Paris, London Branch

Solicitors

Shoosmiths & Harrison, Banbury, Oxfordshire, OX16 9AB

KARCHER (UK) LIMITED

Report of the directors for the year ended 31 December 1998

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

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

During 1998 the company continued to experience an increase in demand in its principal markets. Favourable exchange rate movements have enabled the company to improve its margins, principally in industrial sectors. These factors have enabled the company to return to normal profitability after several years of disappointing results.

The directors believe that given stable economic conditions, the level of demand will be maintained in 1999.

Market value of land and buildings

The market value of land and buildings is not considered to be materially different from their book value.

Year 2000

The company is addressing the implications to the business of the Year 2000 problem and is implementing corrective action where necessary.

The Board believes that it will achieve an acceptable state of readiness, and that any further compliance costs will be immaterial. Given the complexity of the problem, it is not possible to guarantee that the Year 2000 problem has been eliminated, because at least some level of failure may still occur due to circumstances beyond the control of the company.

Charitable and political contributions

During the year the company made charitable contributions of £5,067 (1997 - £3,299).

Directors

The directors of the company during the year were:

Johannes Kärcher (Chairman)
Roland Kamm
Roland P Deibler
Graham J Jones (Managing)
David A West

None of the directors held a beneficial interest in the shares of the company during the year.

Johannes Kärcher is a shareholder of the ultimate parent company, Alfred Kärcher GmbH & Co KG, and his interests in the share capital of that company are shown in its financial statements.

KARCHER (UK) LIMITED

Report of the directors for the year ended 31 December 1998 *(Continued)*

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 period. 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 departure 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 have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



D A West

Secretary

12 April 1999

KARCHER (UK) LIMITED

Report of the auditors

To the shareholders of Karcher (UK) Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

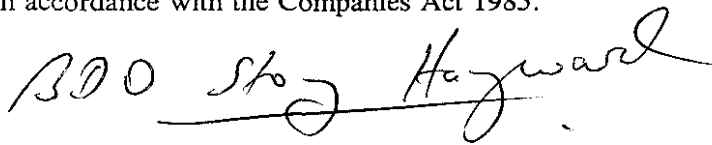
Basis of opinion

We conducted our audit in accordance with 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.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
7-9 Irwell Terrace
Bacup
Lancashire
OL13 9AJ

12 April 1999

KARCHER (UK) LIMITED**Profit and loss account for the year ended 31 December 1998**

	Note	1998 £	1997 £
Turnover	2	36,126,860	29,495,528
Cost of sales		(25,109,464)	(22,326,440)
Gross profit		11,017,396	7,169,088
Distribution costs		(5,535,254)	(4,407,870)
Administrative expenses		(2,766,878)	(2,231,533)
Operating profit	5	2,715,264	529,685
Interest receivable		4,569	5,975
Interest payable and similar charges	6	(447,708)	(417,004)
Profit on ordinary activities before taxation		2,272,125	118,656
Taxation on profit from ordinary activities	7	(560,588)	(252)
Retained profit for the year	13	1,711,537	118,404

All amounts relate to continuing activities.

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

There are no movements on shareholders' funds apart from the profit for the year.

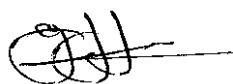
The notes on pages 7 to 14 form part of these financial statements.

KARCHER (UK) LIMITED

Balance sheet at 31 December 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	8	3,628,669	1,259,585
Current assets			
Land held for resale		572,729	-
Stocks	9	2,745,147	2,354,360
Debtors	10	5,832,587	5,030,868
Cash at bank and in hand		1,887	293,248
		<u>9,152,350</u>	<u>7,678,476</u>
Creditors: amounts falling due within one year	11	<u>9,558,788</u>	<u>7,427,367</u>
Net current (liabilities)/assets		(406,438)	251,109
Net assets		<u>3,222,231</u>	<u>1,510,694</u>
Capital and reserves			
Called up share capital	12	2,320,000	2,320,000
Profit and loss account	13	902,231	(809,306)
Equity shareholders' funds	14	<u>3,222,231</u>	<u>1,510,694</u>

The financial statements were approved by the Board on 12 April 1999.



G J Jones



D A West

Directors

The notes on pages 7 to 14 form part of these financial statements.

KARCHER (UK) LIMITED

Cash flow statement for the year ended 31 December 1998

	Note	1998	1997
		£	£
Net cash inflow from operating activities	19	2,601,325	1,356,985
Returns on investments and servicing of finance			
Interest received		4,569	5,975
Interest paid		(455,320)	(420,538)
		(450,751)	(414,563)
Taxation			
Corporation tax (paid)/repaid		(588)	202,394
Capital expenditure			
Purchase of tangible fixed assets		(3,329,095)	(376,966)
Sale of tangible fixed assets		32,213	51,630
		(3,296,882)	(325,336)
Cash (outflow)/inflow before financing		(1,146,896)	819,480
Financing			
Net (repayments to)/advances from parent undertaking	21	(4,106,414)	2,802,674
Bank loan advanced	21	4,000,000	-
		(106,414)	2,802,674
(Decrease)/increase in cash	21	(1,253,310)	3,622,154

The notes on pages 7 to 14 form part of these financial statements.

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998

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 outside 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 year end provision for sales credit notes is treated as an expense and not as a reduction in turnover.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, on a straight line basis. It is calculated at the following rates:

Short leasehold property	- 10% per annum or over life of lease
Plant and machinery	- 25% to 33⅓% per annum
Fixtures, fittings and equipment	- 25% per annum
Motor vehicles	- 25% per annum

Equipment leased to customers

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 arrived at by taking purchase costs net of related 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 further costs expected to be incurred prior to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

1 Accounting policies (*Continued*)

Foreign currencies

Transactions in foreign currencies are recorded at the prevailing rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date, or at the forward contract rate if settled using forward contracts in place at the balance sheet date. All differences are taken to the profit and loss account.

Pension costs

Pension contributions made by the company to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

2 Turnover	1998 £	1997 £
United Kingdom	36,092,947	29,453,262
Overseas	33,913	42,266
	<hr/>	<hr/>
	36,126,860	29,495,528
	<hr/>	<hr/>

3 Employees

Staff costs (including directors) consist of:

Wages and salaries	3,081,178	2,440,308
Social security costs	297,382	242,026
Other pension costs	34,923	30,885
	<hr/>	<hr/>
	3,413,483	2,713,219
	<hr/>	<hr/>

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

	1998 Number	1997 Number
Direct	71	52
Indirect	88	80
	<hr/>	<hr/>
	159	132
	<hr/>	<hr/>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)

4 Directors	1998 £	1997 £
<i>Directors' emoluments consist of:</i>		
Aggregate emoluments of all directors	212,932	166,390
Company pension contributions to money purchase schemes	12,512	7,105
	<u>225,444</u>	<u>173,495</u>

Retirement benefits are accruing to 2 (1997 - 2) directors under a money purchase pension scheme.

<i>Highest paid director</i>	1998 £	1997 £
Aggregate emoluments	138,352	107,435
Company pension contributions to money purchase schemes	8,100	4,980
	<u>146,452</u>	<u>112,415</u>

5 Operating profit

This has been arrived at after charging:

Depreciation	369,129	337,277
Profit on sale of fixed assets	(14,060)	(4,050)
Operating lease rentals		
- Hire of plant and machinery	14,370	15,720
- leasehold property	221,434	218,136
Auditors' remuneration	12,000	12,000
	<u>592,873</u>	<u>579,083</u>

Amounts payable to BDO Stoy Hayward in respect of non audit services were £9,250 (1997 - £9,000).

6 Interest payable and similar charges	1998 £	1997 £
On loans and overdrafts	269,181	223,210
On balances with group undertakings	178,527	193,794
	<u>447,708</u>	<u>417,004</u>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

7	Taxation on profit from ordinary activities	1998 £	1997 £
	<i>UK corporation tax</i>		
	Current year	560,000	-
	Prior years	588	252
		<hr/>	<hr/>
		560,588	252
		<hr/>	<hr/>

The tax charge for the year has been reduced by approximately £160,000 due to the utilisation of tax losses brought forward.

8	Tangible assets	Freehold land and buildings £	Short leasehold property £	Vehicles, plant and equipment £	Equipment under contract hire £	Total £
	<i>Cost</i>					
	At 1 January 1998	572,729	167,371	1,687,896	52,146	2,480,142
	Additions	2,535,883	-	793,212	-	3,329,095
	Disposals	-	-	(158,032)	-	(158,032)
	Transfers	(415,349)	(157,380)	-	-	(572,729)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 December 1998	2,693,263	9,991	2,323,076	52,146	5,078,476
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<i>Depreciation</i>					
	At 1 January 1998	-	141,476	1,026,935	52,146	1,220,557
	Provided for the year	-	11,677	357,452	-	369,129
	Disposals	-	-	(139,879)	-	(139,879)
	Transfers	144,039	(144,039)	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 December 1998	144,039	9,114	1,244,508	52,146	1,449,807
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<i>Net book value</i>					
	At 31 December 1998	2,549,224	877	1,078,568	-	3,628,669
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	At 31 December 1997	572,729	25,895	660,961	-	1,259,585
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Capital commitments				1998 £	1997 £
	Contracted but not provided for				126,343	66,682
					<hr/>	<hr/>

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

9	Stocks	1998 £	1997 £
	Finished goods held for resale	2,745,147	2,354,360

The replacement cost of finished goods held for resale at 31 December 1998 was £2,877,000 (1997 - £2,201,000).

10	Debtors		
	Trade debtors	5,660,756	4,876,886
	Other debtors	100,245	29,466
	Prepayments and accrued income	71,586	124,516
		<u>5,832,587</u>	<u>5,030,868</u>

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

11 Creditors: amounts falling due within one year

Bank overdrafts	962,074	125
Bank loan	4,000,000	-
Trade creditors	490,273	261,556
Amounts due to parent undertaking	1,159,026	1,011,992
Amounts due to parent undertaking - loans	696,260	4,802,674
Amounts due to fellow subsidiary undertaking	-	2,995
Corporation tax	560,000	-
Taxation and social security	312,664	470,321
Accruals and deferred income	1,378,491	877,704
	<u>9,558,788</u>	<u>7,427,367</u>

12 Share capital

Authorised		
2,350,000 (1997 - 2,350,000) Ordinary shares of £1 each	2,350,000	2,350,000
Allotted, called up and fully paid		
2,320,000 (1997 - 2,320,000) Ordinary shares of £1 each	2,320,000	2,320,000

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

13 Reserves

	Profit and loss account £
At 1 January 1998	(809,306)
Retained profit for the year	1,711,537
	<hr/>
At 31 December 1998	902,231
	<hr/>

14 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the year	1,711,537	118,404
Opening shareholders' funds	1,510,694	1,392,290
	<hr/>	<hr/>
Closing shareholders' funds	3,222,231	1,510,694
	<hr/>	<hr/>

15 Pensions

At 31 December 1998 amounts totalling £34,923 (1997 - £30,885) were payable to pension schemes to which the company contributes and are included in accruals and deferred income.

16 Commitments

At 31 December 1998 the company was committed to purchase foreign currency amounting to £19,397,000 under forward contracts (1997 - £16,102,000).

17 Commitments under operating leases

As at 31 December 1998, the company had annual commitments under non-cancellable operating leases as set out below:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	4,562	-	-	-
In two to five years	21,750	3,212	218,500	3,212
	<hr/>	<hr/>	<hr/>	<hr/>
	26,312	3,212	218,500	3,212
	<hr/>	<hr/>	<hr/>	<hr/>

18 Contingent liabilities

The company has undertaken to guarantee a medium term bank loan to a third party in respect of a trade agreement. At 31 December 1998, the outstanding loan was £161,120.

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

19 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	2,715,264	529,685
Depreciation	369,129	337,277
Profit on sale of fixed assets	(14,060)	(4,050)
(Increase)/decrease in stocks	(390,787)	407,823
Increase in debtors	(801,719)	(348,334)
Increase in creditors	723,498	434,584
Net cash inflow from operating activities	2,601,325	1,356,985

20 Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash	(1,253,310)	3,622,154
Cash outflow/(inflow) from financing	106,414	(2,802,674)
	(1,146,896)	819,480
Net debt at 1 January 1998	(4,509,551)	(5,329,031)
Net debt at 31 December 1998	(5,656,447)	(4,509,551)

21 Analysis of changes in net debt

	01.01.98 £	Cash flows £	31.12.98 £
Cash at bank and in hand	293,248	(291,361)	1,887
Bank overdrafts	(125)	(961,949)	(962,074)
	293,123	(1,253,310)	(960,187)
Loans from parent undertaking	(4,802,674)	4,106,414	(696,260)
Bank loans	-	(4,000,000)	(4,000,000)
	(4,802,674)	(106,414)	(4,696,260)
Net debt	(4,509,551)	(1,146,896)	(5,656,447)

KARCHER (UK) LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

22 Related parties

Throughout the year Karcher (UK) Limited was a wholly owned subsidiary of Kärcher Beteiligungs GmbH, a company registered in Germany. The directors regard Alfred Kärcher GmbH & Co KG, a company registered in Germany as the ultimate parent undertaking.

The following amounts were payable to Alfred Kärcher GmbH & Co KG, in respect of the year ended 31 December 1998:

	1998 £	1997 £
Purchase of goods for resale	23,490,934	17,377,273
Provision of other goods and services	46,607	25,790
Interest payable	178,527	193,794

The company purchased goods for resale amounting to £6,782 (1997 - £181,656) from American Kleaner Manufacturing Co Inc, a fellow subsidiary registered in the United States of America.

All transactions were conducted on an arms length basis and on normal commercial terms.