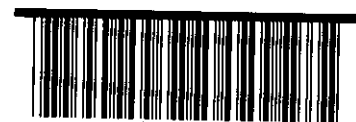


Schmidt UK Limited

**Director's report and financial
statements**

Registered number 557725

For the year ended 31 March 2005



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Director's report

The director presents his annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities

The principal activity of the company is the sale and after sales support of special purpose surface cleansing vehicles and equipment.

Business review

The company made a profit before taxation of £356,000 compared with a profit before taxation of £192,000 in the prior period.

The director is of the opinion that the future prospects of the company will continue to be positive.

Results and dividends

The results of the company for the year are set out on page 4.

The director does not recommend the payment of a dividend for the year (*period ended 31 March 2004: £Nil*).

Director and director's interests

The director who held office during the year was as follows:

PA Diver

The director held no interest in the shares of the company or any group company incorporated in Great Britain at any time during the year.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PA Diver
Director



Southgate Way
Orton Southgate
Peterborough
PE2 6GP

27 January 2006

Statement of directors' responsibilities

Company law requires the director 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 for that period. In preparing those financial statements, the director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Schmidt UK Limited

We have audited the financial statements on pages 4 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 director's 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 director's remuneration and transactions with the company is not disclosed.

Basis of audit 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 director 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 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

27 January 2006

Profit and loss account
for the year ended 31 March 2005

| | <i>Note</i> | 2005 £000 | 10 months ended 31 March 2004 £000 |
|---|-------------|----------------|--|
| Turnover | 2 | 13,271 | 11,669 |
| Cost of sales | | (8,950) | (8,179) |
| | | <hr/> | <hr/> |
| Gross profit | | 4,321 | 3,490 |
| Distribution costs | | (575) | (441) |
| Administrative expenses | | (3,235) | (2,740) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 511 | 309 |
| Interest payable and similar charges | 5 | (155) | (117) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 356 | 192 |
| Tax on profit on ordinary activities | 6 | (12) | 740 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation, being retained profit for the financial period | | 344 | 932 |
| | | <hr/> | <hr/> |

Movements in reserves are shown in note 15.

All operations were derived from continuing activities and there were no discontinued operations during the current year or preceding period.

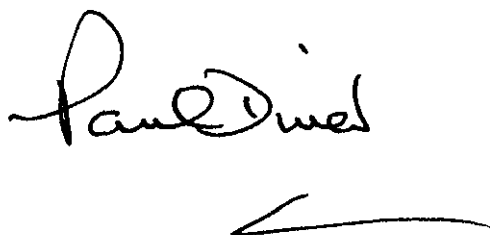
There were no recognised gains or losses other than the results for the current year and preceding period as reported above.

Balance sheet
at 31 March 2005

| | <i>Note</i> | 2005 | | 31 March 2004 |
|---|-------------|----------------|--------------|----------------------|
| | | £000 | £000 | £000 |
| Fixed assets | | | | |
| Tangible assets | 7 | | 63 | 90 |
| Current assets | | | | |
| Stocks | 8 | 1,303 | | 1,489 |
| Debtors | 9 | 4,600 | | 5,226 |
| Cash at bank and in hand | | 10 | | 437 |
| | | <u>5,913</u> | | <u>7,152</u> |
| Creditors: amounts falling due within one year | 10 | <u>(6,538)</u> | | <u>(8,068)</u> |
| Net current liabilities | | | <u>(625)</u> | <u>(916)</u> |
| Total assets less current liabilities | | | <u>(562)</u> | <u>(826)</u> |
| Provisions for liabilities and charges | 12 | | <u>(110)</u> | <u>(190)</u> |
| Net liabilities | | | <u>(672)</u> | <u>(1,016)</u> |
| Capital and reserves | | | | |
| Called up share capital | 14 | 5,502 | | 5,502 |
| Profit and loss account | 15 | (6,174) | | (6,518) |
| Equity shareholders' deficit | | | <u>(672)</u> | <u>(1,016)</u> |

These financial statements were approved by the director on 27 January 2006.

PA Diver
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The company is currently dependent on the continued support of its shareholders to meet its day to day working capital requirements. The director believes that sufficient funding will be available for the company to continue over the forthcoming year. Consequently, the financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking, Schmidt Holding GmbH includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Schmidt Holding GmbH, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Schmidt Holding GmbH, within which this company is included, can be obtained from the address given in note 20.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|--|---|---------------|
| Plant, machinery, fixtures and equipment | - | 3 to 10 years |
| Jigs and tools | - | 3 years |
| Motor cars | - | 4 years |
| Commercial and sweeping vehicles | - | 5 years |

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Warranty costs

Provision is made for the costs (including labour and travel costs) estimated to arise over the warranty period of repairs to, or replacement of, goods sold under warranty up to the year end.

Notes (continued)

1 Accounting policies (continued)

Post-retirement benefits

The company operates a defined benefit funded scheme for managers, and senior staff, the costs of which are estimated on the basis of independent actuarial advice and are charged to the profit and loss account so as to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

Turnover, which is stated net of value added tax and discounts, represents amounts invoiced to third parties. Turnover and pre tax result, all of which arises in the United Kingdom, is attributable to the principal activities of the company. The turnover attributable to each of the company's geographical markets is as follows:

| | | 10 months ended 31 March |
|--------------------|--------------|-----------------------------|
| | 2005 £000 | 2004 £000 |
| United Kingdom | 13,072 | 11,548 |
| Other EC countries | 199 | - |
| Rest of world | - | 121 |
| | <hr/> | <hr/> |
| | 13,271 | 11,669 |
| | <hr/> | <hr/> |

Notes (continued)

3 Operating profit

| | 2005 | 10 months ended 31 March 2004 |
|-----------------------------------|-------|-------------------------------|
| | £000 | £000 |
| <i>Operating profit is stated</i> | | |
| <i>after charging</i> | | |
| Depreciation of owned assets | 27 | 35 |
| Operating leases: | | |
| Plant and machinery | 7 | 7 |
| Other assets | 470 | 426 |
| Auditors' remuneration: | | |
| Audit | 20 | 20 |
| Other services | 9 | 17 |
| | <hr/> | <hr/> |

4 Directors and employees

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

| | Number of employees | 10 months ended 31 March |
|------------------------|---------------------|--------------------------|
| | 2005 | 2004 |
| Sales and distribution | 54 | 60 |
| Administration | 11 | 5 |
| | <hr/> | <hr/> |
| | 65 | 65 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | £000 | £000 |
|-----------------------|-------|-------|
| Wages and salaries | 1,833 | 1,359 |
| Social security costs | 198 | 152 |
| Other pension costs | 75 | 79 |
| | <hr/> | <hr/> |
| | 2,106 | 1,590 |
| | <hr/> | <hr/> |

Remuneration of directors

| | 2005 | 10 months ended 31 March 2004 |
|---|--------|-------------------------------|
| | £000 | £000 |
| Emoluments (excluding pension contributions) | 86 | 73 |
| | <hr/> | <hr/> |
| Company contributions paid to defined benefit pension schemes | 11 | 6 |
| | <hr/> | <hr/> |
| | Number | Number |
| Number of directors who are members of a defined benefit pension scheme | 1 | 1 |
| | <hr/> | <hr/> |

Notes *(continued)*

5 Interest payable and similar charges

| | 10 months ended 31 March | |
|---|-----------------------------|-------|
| | 2005 | 2004 |
| | £000 | £000 |
| On group balances | 112 | 76 |
| On bank loans, overdrafts and other loans | 43 | 41 |
| | <hr/> | <hr/> |
| | 155 | 117 |
| | <hr/> | <hr/> |

6 Taxation on profit on ordinary activities

Analysis of charge in period

| | 10 months ended 31 March | |
|--|-----------------------------|-------|
| | 2005 | 2004 |
| | £000 | £000 |
| <i>UK corporation tax</i> | | |
| Tax on profit on ordinary activities | 1 | 1 |
| | <hr/> | <hr/> |
| Total current tax | 1 | 1 |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | | |
| Current year | 148 | (741) |
| Prior periods | (137) | - |
| | <hr/> | <hr/> |
| Total deferred tax | 11 | (741) |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 12 | (740) |
| | <hr/> | <hr/> |

Notes (continued)

6 Taxation on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (*period ended 31 March 2004: lower*) than the standard rate of corporation tax in the UK of 30% (*period ended 31 March 2004: 30%*). The differences are explained below:

| | 2005 £000 | 10 months ended 31 March 2004 £000 |
|--|--------------|---|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 356 | 192 |
| Current tax at 30% (2004: 30%) | 107 | 58 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 43 | 156 |
| Depreciation lower than capital allowances | (40) | (36) |
| Utilisation of tax losses | (109) | (195) |
| Other timing differences | - | 18 |
| Total current tax charge (see above) | 1 | 1 |

7 Tangible fixed assets

| | Plant, machinery, jigs and vehicles £000 | Computer equipment £000 | Office equipment, fixtures and fittings £000 | Total £000 |
|------------------------------|--|-------------------------------|--|---------------|
| <i>Cost</i> | | | | |
| At beginning and end of year | 227 | 116 | 355 | 698 |
| <i>Depreciation</i> | | | | |
| At beginning of year | 227 | 116 | 265 | 608 |
| Charge for year | - | - | 27 | 27 |
| At end of year | 227 | 116 | 292 | 635 |
| <i>Net book value</i> | | | | |
| At 31 March 2005 | - | - | 63 | 63 |
| At 31 March 2004 | - | - | 90 | 90 |

8 Stocks

| | 2005 £000 | At 31 March 2004 £000 |
|-------------------------------------|--------------|-----------------------------|
| Finished goods and goods for resale | 1,303 | 1,489 |

There is no material difference between the balance sheet value of stock and their replacement value.

Notes (continued)

9 Debtors

| | 2005 £000 | 31 March 2004 £000 |
|------------------------------------|--------------|--------------------------|
| Trade debtors | 2,613 | 2,969 |
| Amounts owed by group undertakings | 1,064 | 1,127 |
| Deferred taxation (note 13) | 729 | 741 |
| Other debtors | 18 | 191 |
| Prepayments and accrued income | 176 | 198 |
| | <u>4,600</u> | <u>5,226</u> |

10 Creditors: amounts falling due within one year

| | 2005 £000 | 31 March 2004 £000 |
|------------------------------------|--------------|--------------------------|
| Bank loan and overdrafts | 543 | 347 |
| Trade creditors | 253 | 805 |
| Amounts owed to group undertakings | 5,378 | 6,541 |
| Other taxation and social security | 230 | 325 |
| Accruals and deferred income | 134 | 50 |
| | <u>6,538</u> | <u>8,068</u> |

11 Borrowings

Included in Bank loan and overdrafts above are:

| | 2005 £000 | 31 March 2004 £000 |
|------------|--------------|--------------------------|
| Bank loan | 347 | 347 |
| Overdrafts | 196 | - |
| | <u>543</u> | <u>347</u> |

Analysis of loan repayments

| | 2005 £000 | 31 March 2004 £000 |
|-----------------|--------------|--------------------------|
| Within one year | 347 | 347 |

The bank loan is unsecured and interest is charged at a rate equal to that offered on deposits in the London Interbank Market plus 1.125%.

Notes (continued)

12 Provisions for liabilities and charges

| | Leasehold premises £000 |
|------------------------|-------------------------------|
| At beginning of year | 190 |
| Utilised during period | (80) |
| | <hr/> |
| At end of year | 110 |
| | <hr/> |

13 Deferred taxation

The deferred tax asset recognised, calculated at 30%, is set out below:

| | 2005 £000 | 31 March 2004 £000 |
|---|--------------|-----------------------|
| Differences between accumulated depreciation and capital allowances | 129 | 149 |
| Short term timing differences | 8 | 25 |
| Tax losses carried forward | 592 | 567 |
| | <hr/> | <hr/> |
| | 729 | 741 |
| | <hr/> | <hr/> |

14 Called up share capital

| | 2005 £000 | 31 March 2004 £000 |
|--|--------------|--------------------------|
| <i>Authorised:</i> 10,000,000 ordinary shares of £1 each | 10,000 | 10,000 |
| | <hr/> | <hr/> |
| <i>Allotted, called up and fully paid:</i> 5,502,226 ordinary shares of £1 each | 5,502 | 5,502 |
| | <hr/> | <hr/> |

15 Reserves

| | Profit and loss account £000 |
|------------------------------|---------------------------------------|
| At beginning of year | (6,518) |
| Retained profit for the year | 344 |
| | <hr/> |
| At end of year | (6,174) |
| | <hr/> |

Notes (continued)

16 Reconciliation of movement in shareholder's deficit

| | 2005 | 31 March 2004 |
|-------------------------------------|---------|------------------|
| | £000 | £000 |
| Profit for the financial period | 344 | 932 |
| Net increase in shareholder's funds | 344 | 932 |
| Opening shareholder's deficit | (1,016) | (1,948) |
| Closing shareholder's deficit | (672) | (1,016) |

17 Commitments

Annual commitments under non-cancellable operating leases are as follows:

| | 2005 | | 31 March 2004 | |
|--------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Operating leases which expire: | | | | |
| After five years | 470 | - | 470 | - |
| | 470 | - | 470 | - |

18 Pension scheme

The company operates the Schmidt Group pension scheme, a funded defined benefit scheme, for its employees.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of this group scheme was at 1 June 2002.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation at 1 June 2002 has been updated by the actuary on an FRS 17 basis as at 31 March 2005. The major assumptions used in this valuation were:

| | 31 March 2005 | 31 March 2004 |
|---|------------------|------------------|
| Rate of increase in salaries | 3.00% | 3.0% |
| Rate of increase in pensions in payment and deferred pensions | 2.5% | 2.5% |
| Discount rate applied to scheme liabilities | 5.50% | 5.6% |
| Inflation assumption | 2.75% | 2.5% |

Notes (continued)

18 Pension Scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | Long term rate of return at 31 March 2005 | Value at 31 March 2005 £000 | Long term rate of return at 31 March 2004 | Value at 31 March 2004 £000 |
|---|---|-----------------------------------|---|-----------------------------------|
| Equities | 6.0% | 2,173 | 6.0% | 2,021 |
| Bonds | 5.4% | 275 | 5.4% | 213 |
| Property | 6.0% | 71 | 6.0% | 63 |
| Cash | 4.0% | 23 | 4.0% | 21 |
| | | <hr/> | | <hr/> |
| | | 2,542 | | 2,318 |
| Present value of scheme liabilities | | (3,132) | | (2,800) |
| | | <hr/> | | <hr/> |
| Deficit in the scheme – Pension liability | | (590) | | (482) |
| Related deferred tax asset | | 177 | | 145 |
| | | <hr/> | | <hr/> |
| Net pension liability | | (413) | | (337) |
| | | <hr/> | | <hr/> |

Had the company adopted FRS 17 early, the company profit and loss reserve would have been stated as follows:

| | Value at 31 March 2005 | Value at 31 March 2004 £000 |
|---|---------------------------|-----------------------------------|
| Profit and loss reserve in financial statements | (6,174) | (6,518) |
| Deficit in relation to the defined benefit scheme net of deferred tax | (413) | (337) |
| | <hr/> | <hr/> |
| Profit and loss reserve as adjusted | (6,587) | (6,855) |
| | <hr/> | <hr/> |

Notes (continued)

18 Pension scheme (continued)

Movement in deficit during the period

| | 31 March 2005 £000 | 31 March 2004 £000 |
|--|--------------------------|--------------------------|
| Deficit in scheme at beginning of period | (482) | (482) |
| Change to operating profit | (68) | (68) |
| Employer contributions | 49 | 51 |
| Charge to other financial income | (20) | (30) |
| Actuarial (loss)/gain | (69) | 47 |
| | <hr/> | <hr/> |
| Deficit in the scheme at end of period | (590) | (482) |
| | <hr/> | <hr/> |

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit

| | 31 March 2005 £000 | 31 March 2004 £000 |
|----------------------|--------------------------|--------------------------|
| Current service cost | 68 | 68 |
| | <hr/> | <hr/> |

Analysis of amounts included in other finance costs

| | 31 March 2005 £000 | 31 March 2004 £000 |
|--|--------------------------|--------------------------|
| Expected return on pension scheme assets | 135 | 95 |
| Interest on pension scheme liabilities | (155) | (125) |
| | <hr/> | <hr/> |
| Net charge | (20) | (30) |
| | <hr/> | <hr/> |

Analysis of amount recognised in statement of total recognised gains and losses

| | 31 March 2005 £000 | 31 March 2004 £000 |
|--|--------------------------|--------------------------|
| Actual return less expected return on scheme assets | 153 | 148 |
| Percentage of year end scheme assets | 6% | 6% |
| Experience gains and losses arising on scheme liabilities | - | - |
| Percentage of present value of year end scheme liabilities | - | - |
| Changes in assumptions underlying the present value of scheme liabilities | (222) | (101) |
| Percentage of present value of year end scheme liabilities | 7.1% | 3.6% |
| | <hr/> | <hr/> |
| Actuarial (loss)/gain recognised in statement of total recognised gains and losses | (69) | 47 |
| | <hr/> | <hr/> |
| As a percentage of scheme liabilities | (2.2%) | 1.7% |
| | <hr/> | <hr/> |

Notes (continued)

19 Contingent liabilities

The company has also provided an indemnity for the leasing obligations of a fellow subsidiary. At 31 March 2005, the capital amounts outstanding on the leases totalled £200,260 (*31 March 2004: £221,655*).

During the normal course of business, the company has entered into a number of agreements to buy back vehicles on or prior to a specific date at agreed residual values. These repurchase obligations amounted to £162,052 at 31 March 2005 (*31 March 2004: £194,534*) of which £34,355 (*31 March 2004: £32,482*) is due to be paid out within the next year. In the director's opinion, future income streams from these vehicles will be in excess of the agreed residual values.

20 Ultimate controlling party

Schmidt Holdings Limited is the parent company of the smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from Schmidt Holdings Limited, Southgate Way, Orton Southgate, Peterborough, PE2 6GP.

Schmidt Holding GmbH is the parent company of the largest group of which the company is a member and for which group accounts are available from Schmidt Holding GmbH, Kurze Strasse 40, Filderstadt 70794, Bonlanden, Germany.