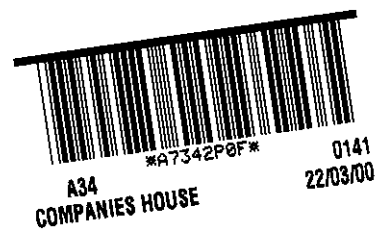


Schmidt UK Limited

Report and Accounts

31 May 1999

Company Registration No. 557725



DIRECTORS

J Atkinson
A F Jenkinson
I R McAllister

SECRETARY

I R McAllister

AUDITORS

Ernst & Young
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

Lloyds Bank Plc
Minster Place
Ely
Cambridgeshire
CB7 4EN

National Westminster Bank Plc
56 St Andrews Street
Cambridge
CB2 3DA

SOLICITORS

Greenwoods
Monkstone House
City Road
Peterborough
PE1 1JE

REGISTERED OFFICE

Southgate Way
Orton Southgate
Peterborough
PE2 6GP

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 1999.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

Turnover fell by 12.6% from the 1997/98 level to £16 million. This fall is due to the effect of the strong pound compared to other European currencies. The loss before tax at £870,048 compared to a loss of £1,025,642 achieved in 1997/98. The decline in turnover is due to a reduction in sale prices and margins necessary to remain competitive with overseas rivals.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (1998 - £nil).

FUTURE PROSPECTS

While some of the company's markets continue to be depressed due to the strong pound the directors will continue to seek out new opportunities for the sale of the company's products.

Late in calendar 1998 we launched our new flagship product, the Schmidt Swingo 1.8 cubic metres compact sweeper. This range of sweeper represents the latest in technology and is the company's fourth generation of sweeper. The Schmidt Swingo offers maximum performance with minimal environmental impact. It is already experiencing high levels of uptake in our home and export markets.

The directors continue to be committed to the enhancement of the company's existing portfolio of products.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year are as listed on page 1.

No director had an interest in the shares of the company or any group company incorporated in Great Britain at any time during the year.

EMPLOYEE INVOLVEMENT

Communication with employees is effected through magazines, information bulletins and through Works Committee meetings which include representatives of all the company's workforce and senior management. The committee meetings enable senior management to update employees on company progress and discuss various matters of mutual interest.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree of those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE (continued)

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our company hardware and software is estimated at £320,000, of which £63,000 was incurred during the previous financial year.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

9 August 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Schmidt UK Limited

We have audited the accounts on pages 6 to 19, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Cambridge

9 August 1999

Schmidt UK Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 May 1999

	<i>Note</i>	<i>1999</i> £	<i>1998</i> £
TURNOVER	2	16,010,391	18,313,031
Cost of sales		14,380,858	17,280,491
Gross profit		1,629,533	1,032,540
Sales and distribution costs		1,109,061	844,514
Administrative expenses		1,155,206	1,014,662
Loss/(profit) on foreign exchange differences		4,540	(62,240)
Total administrative expenses		1,159,746	952,422
OPERATING LOSS	4	(639,274)	(764,396)
Interest receivable	5	31,966	31,188
Interest payable and similar charges	6	(262,740)	(292,434)
		(230,774)	(261,246)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(870,048)	(1,025,642)
Tax on loss on ordinary activities	7	171,261	328,981
RETAINED LOSS FOR THE YEAR	18	(698,787)	(696,661)

There are no recognised gains or losses other than the loss for the year.

The results are all derived from continuing activities.

Schmidt UK Limited

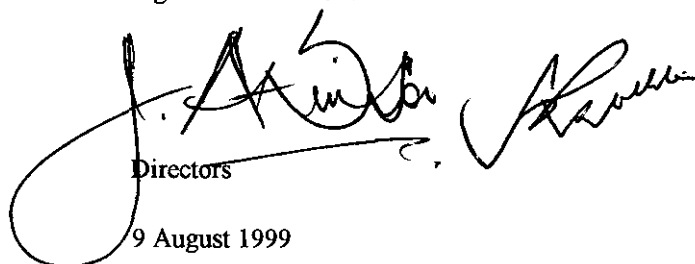
BALANCE SHEET

as at 31 May 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Intangible assets	8	278,612	390,291
Tangible assets	9	4,692,451	4,695,435
		<u>4,971,063</u>	<u>5,085,726</u>
CURRENT ASSETS			
Stocks	10	5,147,203	4,015,921
Debtors	11	2,472,624	3,104,500
Cash at bank and in hand		5,376	240,742
		<u>7,625,203</u>	<u>7,361,163</u>
CREDITORS: amounts falling due within one year	12	(7,652,042)	(6,570,461)
NET CURRENT (LIABILITIES)/ASSETS		<u>(26,839)</u>	<u>790,702</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,944,224	5,876,428
CREDITORS: amounts falling due after more than one year	13	(2,303,345)	(2,441,486)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(200,379)	(295,655)
		<u>2,440,500</u>	<u>3,139,287</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,426,137	2,426,137
Profit and loss account	18	14,363	713,150
EQUITY SHAREHOLDERS' FUNDS		<u>2,440,500</u>	<u>3,139,287</u>

These financial statements were approved by the Board of Directors on 9 August 1999.

Signed on behalf of the Board of Directors


Directors
9 August 1999

NOTES TO THE ACCOUNTS

at 31 May 1999

1. ACCOUNTING POLICIES

Accounting convention

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

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of entry in the accounting records. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. The exchange differences arising are taken to the profit and loss account.

Intangible assets

Depreciation on intellectual property rights is provided to write down, in equal annual instalments, their cost to nil over the expected useful life, currently estimated as five years.

Fixed assets and depreciation

No depreciation is provided on freehold land.

For all other fixed assets depreciation is calculated to write down their cost to their estimated residual value in equal annual amounts over their estimated useful lives as follows:

Freehold buildings	between 40 and 50 years
Plant and machinery	between 5 and 10 years
Jigs and tools	3 years
Motor cars	4 years
Commercial and sweeping vehicles	5 years
Computer equipment	between 4 and 5 years
Office equipment	5 years
Fixtures and fittings	10 years

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows;

Raw materials and consumables - purchase cost on a first-in, first-out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads according to condition.

Demonstration vehicles are treated as stock and valued at the lower of cost plus attributable overheads and net realisable value.

Development expenditure

Development expenditure is written off as incurred.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

NOTES TO THE ACCOUNTS

at 31 May 1999

1. ACCOUNTING POLICIES (continued)

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.

Pensions

The company operates a defined benefit, funded pension 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 money purchase pension plan for other employees, the costs of which are charged to the profit and loss account as incurred.

Leased assets

Fixed assets held under finance leases are capitalised in the balance sheet and depreciated over the primary period of the lease or their expected useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest elements of the finance lease obligations are charged in the profit and loss account over the period of the leases and represent a constant proportion of the balance of capital repayments outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

2. TURNOVER

Turnover, which is stated net of value added tax and discounts, represents amounts invoiced to third parties. All turnover is attributable to the principal activity of the company.

	1999 £	1998 £
The turnover attributable to each of the company's geographical markets is:		
United Kingdom	6,049,658	5,496,095
Other EC countries	9,685,870	11,110,713
Other overseas countries	274,863	1,706,223
	<u>16,010,391</u>	<u>18,313,031</u>

Schmidt UK Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

3. DIRECTORS' EMOLUMENTS AND STAFF COSTS

	1999 £	1998 £
Directors' emoluments		
Emoluments (excluding pension contributions)	202,414	203,656
	<u> </u>	<u> </u>
Company contributions paid to defined benefit pension schemes	50,771	50,693
	<u> </u>	<u> </u>
	No.	No.
Number of directors who are members of a defined benefit pension scheme	3	3
	<u> </u>	<u> </u>
The amounts paid in respect of the highest paid director are as follows:		
	1999 £	1998 £
Emoluments	99,591	100,014
	<u> </u>	<u> </u>
Company contributions paid to defined benefit pension scheme	36,656	36,288
	<u> </u>	<u> </u>
The monthly average number of employees during the year was as follows:	No.	No.
Production	187	203
Sales and distribution	18	16
Administration	13	13
	<u> </u>	<u> </u>
	218	232
	<u> </u>	<u> </u>
	1999 £	1998 £
Staff costs during the year:		
Wages and salaries	3,491,391	3,924,438
Social security costs	341,246	374,618
Other pension costs	95,485	111,604
	<u> </u>	<u> </u>
	3,928,122	4,410,660
	<u> </u>	<u> </u>

Schmidt UK Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

4. OPERATING (LOSS)

	1999 £	1998 £
This is stated after charging:		
Development expenditure	937,387	1,312,952
Depreciation of:		
- Owned assets	588,357	443,854
- Assets held under finance leases	8,895	13,348
Rentals under operating leases		
- Plant and machinery	126,606	250,280
- Land and buildings	-	10,422
Auditors' remuneration	25,000	22,000
Fees paid to auditors for other services	6,750	14,600

5. INTEREST RECEIVABLE

	1999 £	1998 £
Charges for late payment	20,430	18,641
Interest on bank deposits	5,536	6,547
Interest on group balances	6,000	6,000
	31,966	31,188

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
On property loan	189,930	205,892
On bank loans, overdrafts and other loans	64,044	61,077
On finance leases	232	1,344
Other interest	8,534	24,121
	262,740	292,434

Included in bank loans, overdrafts and other loans is an amount of £28,862 (1998 - £18,763) being interest payable to group undertakings.

7. TAX ON (LOSS) ON ORDINARY ACTIVITIES

	1999 £	1998 £
Taxation is based on the results for the year and comprises:		
Group relief	(171,261)	(180,263)
Transfer from deferred taxation	-	(117,428)
	(171,261)	(297,691)
(Over) provision in respect of prior years deferred tax provision	-	(31,290)
	(171,261)	(328,981)

Schmidt UK Limited

NOTES TO THE ACCOUNTS at 31 May 1999

8. INTANGIBLE FIXED ASSETS

	<i>Intellectual property rights £</i>
Cost:	
At 1 June 1998	486,291
Additions	20,867
Disposals	(32,550)
At 31 May 1999	<u>474,608</u>
Depreciation:	
At 1 June 1998	96,000
Provided for the year	99,996
At 31 May 1999	<u>195,996</u>
Net book value	
At 31 May 1999	<u>278,612</u>
At 31 May 1998	<u>390,291</u>

Schmidt UK Limited

NOTES TO THE ACCOUNTS at 31 May 1999

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Plant machinery, jigs and tool</i>	<i>Motor cars and commercial vehicles</i>	<i>Sweeping vehicles</i>	<i>Computer equipment</i>	<i>Office equipment fixtures & fittings</i>	<i>Total</i>
	£	£	£	£	£	£	£
Cost:							
At 1 June 1998	3,437,337	1,674,008	278,021	203,454	1,005,793	1,718,627	8,317,240
Additions	-	371,015	-	-	147,191	80,262	598,468
Disposals	-	(2,586)	(39,577)	(33,200)	-	-	(75,363)
At 31 May 1999	3,437,337	2,042,437	238,444	170,254	1,152,984	1,798,889	8,840,345
Depreciation:							
At 1 June 1998	222,455	1,187,210	272,189	179,879	777,476	982,596	3,621,805
Provided for the year	41,274	246,716	3,744	7,362	157,653	140,503	597,252
Disposals	-	(2,586)	(39,577)	(29,000)	-	-	(71,163)
At 31 May 1999	263,729	1,431,340	236,356	158,241	935,129	1,123,099	4,147,894
Net book value:							
At 31 May 1999	3,173,608	611,097	2,088	12,013	217,855	675,790	4,692,451
At 31 May 1998	3,214,882	486,798	5,832	23,575	228,317	736,031	4,695,435

The net book value of tangible fixed assets as 31 May 1999 includes £nil (1998 - £8,895) for assets held under finance leases.

Included in the freehold land and buildings accumulated depreciation figure is an amount of £20,000 relating to a provision for diminution in value of one of the company properties.

10. STOCKS

	<i>1999</i>	<i>1998</i>
	£	£
Raw materials and consumables	3,208,661	2,282,753
Work in progress	830,653	473,561
Finished goods	1,107,889	1,259,607
	5,147,203	4,015,921

Schmidt UK Limited

NOTES TO THE ACCOUNTS

at 31 May 1999

11. DEBTORS

	1999 £	1998 £
Trade debtors	1,276,829	1,845,467
Amounts owed by group companies	650,538	754,186
Other debtors	174,287	219,928
Value added tax	223,470	89,342
Prepayments and accrued income	147,500	195,577
	<u>2,472,624</u>	<u>3,104,500</u>

12. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Bank overdraft	75,682	-
Property loan (see note 14)	109,942	29,695
Bank loans (see note 14)	325,917	337,094
Other loans (see note 14)	564,297	583,649
Trade creditors	4,233,217	3,067,387
Amounts owed to group companies	2,011,327	1,971,632
Corporation tax	20,243	20,243
Obligations under finance leases	-	7,756
Other creditors	111,034	329,725
Other taxation and social security	110,433	119,728
Accruals and deferred income	89,950	103,552
	<u>7,652,042</u>	<u>6,570,461</u>

13. CREDITORS: amounts falling due after more than one year

	1999 £	1998 £
Property loan (see note 14)	<u>2,303,345</u>	<u>2,441,486</u>

NOTES TO THE ACCOUNTS

at 31 May 1999

14. BORROWINGS

	1999 £	1998 £
Property loan	2,413,287	2,471,181
Bank loans	325,917	337,094
Other loans	564,297	583,649
	<u>3,303,501</u>	<u>3,391,924</u>
Analysis of loan repayments:		
Within one year	1,000,156	950,438
Between one and two years	96,631	32,440
Between two and five years	331,311	116,451
After five years	1,875,403	2,292,595
	<u>3,303,501</u>	<u>3,391,924</u>

The property loan of £2,413,287 is secured by a first mortgage on the freehold property and interest is charged at base rate plus 1 3/8%.

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 1/8%. The loan is wholly repayable within five years.

In other loans is £164,172 from Schmidt Holding Europe GmbH, and £400,125 is from Schmidt Winterdienst und Kommunaltechnik GmbH. The loans are unsecured and interest is charged at rates between 4.5% and 6%. The loans have no set repayment date.

15. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	1999 £	1998 £
Amounts payable within one year	-	7,756

NOTES TO THE ACCOUNTS

at 31 May 1999

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Warranty</i> £	<i>Deferred Taxation</i> £	<i>Total</i> £
At 1 June 1998	295,655	-	295,655
Arising during the year	369,503	-	369,503
Utilised	(464,779)	-	(464,779)
At 31 May 1999	200,379	-	200,379

Warranty

A provision is recognised for expected warranty claims on products sold in the year. It is expected that all of these costs will be incurred in the next financial year.

Deferred taxation

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	<i>Provided 1999</i> £	<i>Provided 1998</i> £	<i>Not provided 1999</i> £	<i>Not provided 1998</i> £
Capital allowances in advance of depreciation	122,330	127,548	192,175	179,995
Short term timing differences	(21,989)	(6,660)	-	-
Losses carried forward	(100,341)	(120,888)	(9,579)	(15,129)
	-	-	182,596	164,866

17. CALLED UP SHARE CAPITAL

	<i>1999</i> £	<i>1998</i> £
Authorised 3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
Allotted, called up and fully paid 2,426,137 ordinary shares of £1 each	2,426,137	2,426,137

NOTES TO THE ACCOUNTS

at 31 May 1999

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
Balance at 1 June 1997	2,426,137	1,409,811	3,835,948
Loss for the year	-	(696,661)	(696,661)
Balance at 31 May 1998	2,426,137	713,150	3,139,287
Loss for the year	-	(698,787)	(698,787)
Balance at 31 May 1999	2,426,137	14,363	2,440,500

19. FINANCIAL COMMITMENTS

	<i>1999</i>	<i>1998</i>
	£	£
Capital commitments		
Contracted for but not provided	16,056	138,894

Operating lease commitments

At 31 May 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>1999</i>	<i>1998</i>
	£	£
Leases which expire:		
Within one year	30,591	17,045
Within two to five years	95,419	109,396
	126,010	126,441

20. DEFINED BENEFIT PENSION SCHEME

Pension costs are assessed in accordance with the advice of professionally qualified actuaries using the attained age method. The funding rate of the defined benefit scheme is 15.4%.

The most recent valuation was made at 1 January 1997 and the assumptions which had the most significant effect on the results of the valuation were as follows:

Rate of return on investments	8½% per annum compound
Rate of earnings growth	6½% per annum compound
Price inflation	4% per annum compound

At the date of the valuation, the level of funding, being the actuarial value of assets expressed as a percentage of the benefits accrued to members after allowing for future salary increases, was 113%. The calculated value of the scheme assets at 1 January 1997 was £1,308,000.

The total defined benefit pension cost for the year was £49,773 (1998 - £66,130), of which £3,938 (1998 - £4,586) was outstanding at the year end.

NOTES TO THE ACCOUNTS

at 31 May 1999

21. CONTINGENT LIABILITIES

The company has given a guarantee to National Westminster Bank plc to secure all monies from time to time owing to the bank by certain fellow group companies. At 31 May 1999, the amount owed by these other group companies totalled £nil (1998 - £nil).

The company has also provided an indemnity for the leasing obligations of a fellow subsidiary. At 31 May 1999 the capital amounts outstanding on the leases totalled £732,827 (1998 - £960,406).

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 £385,526 at 31 May 1999 (1998 - £519,069) of which £197,169 (1998 - £110,624) is due to be paid out within the next year. In the directors' opinion, future income streams from these vehicles will be in excess of the agreed residual values.

22. RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

The company is a subsidiary of Schmidt UK Group Limited, its immediate controlling party, which is itself a subsidiary of Schmidt Holdings Limited. Both companies are incorporated in Great Britain and registered in England and Wales. The company's ultimate parent company and controlling party is Schmidt Holding Europe GmbH, incorporated in Germany.

In the ordinary course of business, the company has transacted with Schmidt Holdings Limited and its subsidiary companies. The company is exempt from disclosing details of these transactions because copies of Schmidt Holding Limited's group accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

During the year the company entered into the following transactions in the ordinary course of business with Schmidt Holding Europe GmbH and its subsidiary companies:

- a) The company incurred a management fee of £69,344 (1998 - £68,048) to Schmidt Holding Europe GmbH during the year. At the end of the year a balance of £46,269 (1998 - £258,331) was due to Schmidt Holding Europe GmbH.
- b) The company sold £5,550,167 (1998 - £5,689,000) of goods to, purchased £72,770 (1998 - £42,719) of goods from, and made payments of £186,681 (1998 - £nil) under warranty claims to Schmidt Winterdienst und Kommunaltechnik GmbH during the year. At the end of the year a balance of £127,919 (1998 - £(209,973)) was due from Schmidt Winterdienst und Kommunaltechnik GmbH.
- c) The company sold £nil (1998 - £1,255,000) of goods, purchased £nil (1998 - £4,000) of goods, and made payments of £nil (1998 - £477,852) under warranty claims to Schmidt Service Zentum GmbH during the year. At the end of the year a balance of £nil (1998 - £nil) was due from Schmidt Service Zentum GmbH.
- d) The company sold £47,000 (1998 - £131,000) of goods and made payments of £2,527 (1998 - £6,585) under warranty claims to Schmidt Polska Sp.z.o.o. during the year. At the end of the year a balance of £35,682 (1998 - £94,580) was due from Schmidt Polska Sp.z.o.o.
- e) The company sold £356,000 (1998 - £647,000) of goods and made payments of £13,258 (1998 - £21,600) under warranty claims to Schmidt Italia s.r.l. during the year. At the end of the year a balance of £11,889 (1998 - £185,148) was due from Schmidt Italia s.r.l.

NOTES TO THE ACCOUNTS

at 31 May 1999

22. RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY (continued)

- f) The company sold £4,000 (1998 - £2,000) of goods to and purchased £30,860 (1998 - £32,844) of goods from Schmidt France during the year with a year end balance due to Schmidt France of £372 (1998 -£33,873).
- g) The company sold £510,000 (1998 - £518,000) of goods, purchased £19,770 (1998 - £262,912) of goods and made payments of £31,144 (1998 - £19,045) under warranty claims to Nido Universal Machines B.V. during the year. At the end of the year a balance of £230,594 (1998 - £(13,299)) was due from Nido Universal Machines B.V.
- h) The company sold £26,000 (1998 - £386,000) of goods and made payments of £nil (1998 - £1,721) under warranty claims to Schmidt Iberica SA during the year. At the end of the year a balance of £7,386 (1998 - £90,321) was due from Schmidt Iberica SA.
- i) The company sold £85,000 (1998 - £140,000) of goods and made payments of £2,109 (1998 - £1,299) under warranty claims to Schmidt Fahrzeugbau und Kommunaltechnik GmbH during the year. At the end of the year a balance of £40,822 (1998 - £(17,250)) was due to SFK.
- j) The company sold £197,000 (1998 - £nil) of goods, purchased £5,115 (1998 - £nil) of goods, and made payments of £1,941 (1998 - £nil) under warranty claims to Schmidt Compact System S.p.A. during the year. At the end of the year a balance of £195,874 (1998 - £nil) was due from Schmidt Compact System S.p.A.

Schmidt UK Limited

TRADING PROFIT AND LOSS ACCOUNT for the year ended 31 May 1999

	<i>Page</i>	<i>1999</i>	<i>1998</i>
		£	£
SALES		16,010,391	18,313,031
Cost of sales	21-23	14,380,858	17,280,491
GROSS PROFIT		1,629,533	1,032,540
OVERHEADS			
Sales and Distribution	24	1,109,061	844,514
Administration	25	1,155,206	1,014,662
Finance	26	235,314	199,006
		2,499,581	2,058,182
LOSS FOR THE YEAR BEFORE TAXATION		(870,048)	(1,025,642)

Schmidt UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1999

	1999		1998	
	£	£	£	£
COST OF SALES				
Material	9,671,885		11,725,707	
Labour	1,490,735		1,765,063	
Warranty	320,126		568,315	
Carriage	92,581		112,197	
		11,575,327		14,171,282
DEVELOPMENT				
IPR write down	87,996		88,000	
Employment costs	631,797		772,155	
Legal and professional	34,501		44,017	
Materials	168,220		203,419	
Depreciation	112,988		65,314	
Stationery	10,650		12,093	
Motor costs	3,626		3,785	
Consultancy costs	36,039		98,316	
Development expenses	10,780		8,300	
Sundry equipment, tooling and maintenance	3,978		2,669	
Subscriptions	292		404	
Plant hire	-		4,659	
Loss on sale of fixed assets	-		6,631	
Recruitment costs	8,141		3,190	
		1,109,008		1,312,952
Carried forward		12,684,335		15,484,234

Schmidt UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1999

	1999		1998	
	£	£	£	£
Brought forward		12,684,335		15,484,234
MANUFACTURING				
IPR write down	12,000		8,000	
Carriage	8,073		9,426	
Employment costs	578,440		704,979	
Depreciation - other	302,433		213,396	
- plant	50,390		44,151	
Repairs and maintenance	178,794		194,596	
Rent and rates	136,409		127,616	
Lighting, heating and power	70,416		62,556	
Cleaning and laundry	44,226		45,012	
Plant hire	29,960		42,637	
Legal and professional	18,483		32,387	
Stationery	16,720		24,009	
Profit on sale of fixed assets	(409)		(785)	
Motor costs	14,772		15,298	
Protective clothing	23,338		26,519	
Subscriptions	967		3,671	
General expenses	8,576		17,860	
Leasing costs	78,314		60,984	
Recruitment expenses	866		930	
SchmidtCare management charge	(15,600)		(15,600)	
Consultancy fees	5,000		18,116	
		1,562,168		1,635,758
Carried forward		14,246,503		17,119,992

Schmidt UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1999

	1999	1998
	£	£
Brought forward	14,246,503	17,119,992
SERVICE		
Repairs and maintenance	5,583	5,946
Leasing costs	1,192	2,384
Employment costs	725,087	776,470
Motor costs	140,680	146,559
Carriage out	82,641	86,298
Technical manual illustrations	6,051	21,620
Legal and professional	23,458	26,774
Depreciation	16,609	21,979
General expenses	12,957	9,319
Travel and subsistence	4,130	3,393
Rent and rates	24,691	6,433
Lighting, heating and power	1,669	233
Recruitment expenses	-	667
(Profit)/loss on sale of fixed assets	2,910	(3,010)
SchmidtCare management charge	(913,303)	(944,566)
	<u>134,355</u>	<u>160,499</u>
	<u>14,380,858</u>	<u>17,280,491</u>

Schmidt UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT for the year ended 31 May 1999

	1999 £	1998 £
SALES AND DISTRIBUTION COSTS		
Employment costs	464,712	432,141
Demonstration running costs	189,099	154,830
Finished goods obsolescence	173,390	86,417
Motor costs	73,450	80,324
Sales advertising	54,395	63,904
Travelling and subsistence	59,366	60,181
Exhibitions	42,718	28,982
Depreciation	12,032	17,327
Entertaining	7,428	6,598
(Profit) on sale of machine stock	15,836	(28,512)
Printing and stationery	3,806	4,910
Sales goodwill costs	74,979	14,133
Sundry	733	547
Subscriptions	2,657	5,057
Market development costs	5,289	(12,018)
Repairs and maintenance	320	575
Recruitment costs	2,044	-
Legal and professional	651	2,092
Profit on sale of fixed assets	(2,300)	(400)
SchmidtCare management charge	(48,000)	(48,000)
Carriage	(23,544)	(24,574)
	<u>1,109,061</u>	<u>844,514</u>

Schmidt UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT for the year ended 31 May 1999

	1999 £	1998 £
ADMINISTRATION COSTS		
Management fees - Schmidt UK Group	277,574	280,000
Employment costs	277,471	343,578
Insurance	135,024	138,872
Bad debts	-	2,393
Management fees - Schmidt Holdings Europe	69,256	68,048
Legal and professional	184,607	73,374
Audit and accountancy fees	31,750	36,600
Depreciation	102,800	95,035
Computer expenses	58,756	57,790
Telephone	72,743	69,435
Leasing costs	1,485	996
Stationery and postage	16,719	25,114
Motor costs	6,607	12,321
Sundry	14,996	6,903
Accommodation and subsistence	22,223	6,373
Repairs and maintenance	1,997	293
Overseas travel costs	5,450	4,240
Subscription and donations	8,215	3,737
Entertaining	546	978
Recruitment costs	11,458	2,717
Rent and rates	1,056	10,461
Profit on sale of fixed assets	(3,275)	(4,303)
Schmidtcare management charge	(142,992)	(142,992)
Market development	-	(80,000)
Consultancy	740	2,699
	<u>1,155,206</u>	<u>1,014,662</u>

Schmidt UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT for the year ended 31 May 1999

	1999	1998
	£	£
FINANCE COSTS		
Interest payable:		
Group loans	28,863	18,763
Bank mortgage	189,930	205,892
Bank loan	15,541	15,213
Overdraft	19,640	27,101
Finance leases	232	1,344
Other interest	8,534	24,121
	<u>262,740</u>	<u>292,434</u>
Loss/(profit) on foreign exchange	4,540	(62,240)
Interest receivable:		
Finance charges	(20,430)	(18,641)
Interest on bank deposits	(5,536)	(6,547)
Group interest	(6,000)	(6,000)
	<u>(31,966)</u>	<u>(31,188)</u>
	<u>235,314</u>	<u>199,006</u>