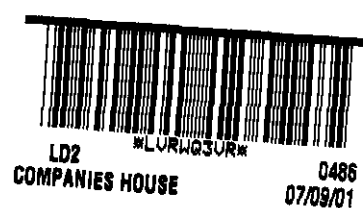


Schmidt UK Limited

Annual Report and Accounts

31 May 2001

Company Registration No. 557725



Schmidt UK Limited

DIRECTORS

P A Diver (appointed 14 March 2001)
A F Jenkinson (resigned 14 March 2001)
A Regensberger (resigned 14 March 2001)

SECRETARY

S Lea

AUDITORS

Arthur Andersen
Betjeman House
104 Hills Road
Cambridge
CB2 1LH

BANKERS

Lloyds TSB 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 accounts for the year ended 31 May 2001.

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

This year has seen a turnaround in the company's performance, with a significant increase in sales coupled with improved cost control. The company continues to focus on core business and as a result there has been a significant improvement in the results of the company. The directors are of the opinion that the future prospects of the company will continue to be positive.

RESULTS AND DIVIDENDS

The results of the company are set out on page 6.

The directors are unable to recommend the payment of a dividend for the year (2000 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year are as listed on page 2.

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

EMPLOYEE INVOLVEMENT

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

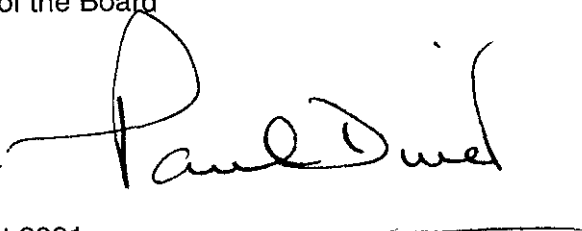
AUDITORS

During the year a decision was taken to reappoint Arthur Andersen as auditors to the company.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board

P A Diver
Director
23 August 2001



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.
- 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 17, which have been prepared under the historical cost convention and 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 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.

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 at 31 May 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
Betjeman House
104 Hills Road
Cambridge
CB2 1LH

23 August 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2001

	Notes	2001 £	2000 £
TURNOVER	2	19,509,557	17,007,811
Cost of Sales		(17,119,963)	(15,160,857)
Gross Profit		<u>2,389,594</u>	<u>1,846,954</u>
Sales and distribution costs		(1,582,569)	(1,227,838)
Administrative expenses		(899,889)	(1,553,514)
Profit on foreign exchange differences		59,265	10,673
Total administrative expenses		<u>(840,624)</u>	<u>(1,542,841)</u>
Non recurring redundancy costs		-	(340,294)
Cessation of product lines		-	(433,022)
Total Non recurring expenses	7	<u>-</u>	<u>(773,316)</u>
OPERATING LOSS		<u>(33,599)</u>	<u>(1,697,041)</u>
Interest receivable	5	2,439	2,466
Interest payable and similar charges	6	(381,045)	(299,789)
		<u>(378,606)</u>	<u>(297,323)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(412,205)	(1,994,364)
Tax on loss on ordinary activities	8	(35,709)	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION, BEING RETAINED FOR THE YEAR	17	<u>(447,914)</u>	<u>(1,994,364)</u>

There were no recognised gains or losses in either year, other than the loss for each year, and therefore a statement of total recognised gains and losses has not been included in these accounts.

The results are all derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

BALANCE SHEET AS AT 31 MAY 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	3,680,539	4,038,659
		<u>3,680,539</u>	<u>4,038,659</u>
CURRENT ASSETS			
Stocks	10	4,833,834	5,102,225
Debtors	11	4,477,110	2,716,861
Cash at bank and in hand		6,436	5,801
		<u>9,317,380</u>	<u>7,824,887</u>
CREDITORS : Amounts falling due within one year	12	<u>(5,814,947)</u>	<u>(6,586,792)</u>
NET CURRENT ASSETS		<u>3,502,433</u>	<u>1,238,095</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,182,972	5,276,754
CREDITORS : Amounts falling due after more than one year	13	(3,918,870)	(4,634,611)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(189,791)	(196,007)
NET ASSETS		<u>3,074,311</u>	<u>446,136</u>
CAPITAL AND RESERVES			
Called-up share capital	16	5,502,226	2,426,137
Profit and Loss account	17	(2,427,915)	(1,980,001)
EQUITY SHAREHOLDER'S FUNDS	17	<u>3,074,311</u>	<u>446,136</u>

The accompanying notes are an integral part of the balance sheet.

These accounts were approved by the Board of Directors on 23 August 2001.

Signed on behalf of the Board of Directors

P A Diver
Director
23 August 2001



NOTES TO THE ACCOUNTS AT 31 MAY 2001

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Accounting Convention

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

The company has not prepared a cash flow statement as it is exempt from the requirement under FRS1 (Revised) "Cash flow statements" as its parent company, Schmidt Holdings Limited, produces consolidated accounts that are publicly available.

Taxation

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Foreign Currency

Transactions in foreign currencies are recorded at the rate ruling at 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. The exchange differences arising are taken to the profit and loss account.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are included at cost less depreciation and provision for impairment

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

Residual value is calculated on prices prevailing at the date of acquisition.

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.

1. ACCOUNTING POLICIES (continued)

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

Provision is made for slow-moving, obsolete or defective items where appropriate.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Development Expenditure

Development expenditure is written off as incurred.

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.

2. TURNOVER

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

The turnover attributable to each of the company's geographical markets is:

	2001 £	2000 £
United Kingdom	6,405,089	6,193,492
Other EC countries	12,347,499	9,019,635
Other overseas countries	756,969	1,794,684
	<u>19,509,557</u>	<u>17,007,811</u>

All turnover has been derived from the United Kingdom.

3. DIRECTORS' EMOLUMENTS

	2001	2000
	£	£
Directors' emoluments		
Emoluments (excluding pension contributions)	50,414	44,839

The remuneration of A. Regensberger was borne by Schmidt Compact System S.p.a., a group company.

Company contributions paid to defined benefit pension schemes	6,951	6,780
	Number	Number
Number of directors who are members of a defined benefit pension scheme	1	3

The monthly average number of employees (including executive directors) was as follows :

	Number	Number
Production	170	166
Sales and distribution	20	18
Administration	10	10
	200	194

Staff costs during the year :	£	£
Wages and salaries	3,825,011	3,762,238
Social security costs	374,787	346,507
Other pension costs	103,746	139,422
	4,303,544	4,248,167

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001	2000
	£	£
This is stated after charging :		
Development expenditure	564,246	916,492
Depreciation of :		
- Owned tangible fixed assets	438,947	525,402
- Assets held under finance leases	-	-
Rentals under operating leases		
- Plant and machinery	221,229	140,642
Auditors' remuneration for audit services	30,000	36,000
Fees paid to auditors for other services	12,000	17,000

5. INTEREST RECEIVABLE

	2001 £	2000 £
Charges for late payment	-	409
Interest on bank deposits	939	557
Interest on group balances	1,500	1,500
	<u>2,439</u>	<u>2,466</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
On property loan	126,965	162,776
On bank loans, overdrafts and other loans	242,839	134,783
On prior year corporation tax	11,241	-
Other interest	-	2,230
	<u>381,045</u>	<u>299,789</u>

7. NON RECURRING ITEMS

	2001 £	2001 £	2000 £	2000 £
Redundancy Costs		-		340,294
Intellectual property rights write down - Transtrend	-		36,617	
Intellectual property rights write down - Orlandi	-		142,000	
Metropolitan stock obsolescence	-		208,405	
Metro axle purchase agreement	-		46,000	
Cessation of product lines		-		433,022
		<u>-</u>		<u>773,316</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2001 £	2000 £
Taxation is based on adjustments to prior years and comprises:		
UK Corporation tax adjustment from prior years	35,709	-
	<u>35,709</u>	<u>-</u>

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £	<i>Plant machinery, jigs and tools</i> £	<i>Motor cars and commercial vehicles</i> £	<i>Sweeping vehicles</i> £	<i>Computer equipment</i> £	<i>Office equipment Fixtures and fittings</i> £	<i>Total</i> £
Cost :							
At 1 June 2000	3,147,737	2,159,702	281,301	170,254	1,124,455	1,778,413	8,661,862
Additions	-	24,556	-	34,021	4,167	21,108	83,852
Disposals	-	(164,194)	(141,352)	(138,701)	(720,088)	(124,961)	(1,289,296)
Re-classification	-	-	31,553	(31,553)	-	-	-
At 31 May 2001	<u>3,147,737</u>	<u>2,020,064</u>	<u>171,502</u>	<u>34,021</u>	<u>408,534</u>	<u>1,674,560</u>	<u>7,456,418</u>
Depreciation :							
At 1 June 2000	(262,894)	(1,664,912)	(281,301)	(164,553)	(999,291)	(1,250,252)	(4,623,203)
Charge for year	(40,971)	(214,793)	-	(1,416)	(55,423)	(126,344)	(438,947)
Disposals	-	165,097	135,651	138,701	721,861	124,961	1,286,271
Re-classification	-	-	(25,852)	25,852	-	-	-
At 31 May 2001	<u>(303,865)</u>	<u>(1,714,608)</u>	<u>(171,502)</u>	<u>(1,416)</u>	<u>(332,853)</u>	<u>(1,251,635)</u>	<u>(3,775,879)</u>
Net book value :							
At 31 May 2001	<u>2,843,872</u>	<u>305,456</u>	<u>-</u>	<u>32,605</u>	<u>75,681</u>	<u>422,925</u>	<u>3,680,539</u>
Net book value :							
At 31 May 2000	<u>2,884,843</u>	<u>494,790</u>	<u>-</u>	<u>5,701</u>	<u>125,164</u>	<u>528,161</u>	<u>4,038,659</u>

The freehold property valuation as at 31 May 2000 was £4,350,000, however there has not been any adjustment made in the accounts in respect of this surplus.

10. STOCKS

	<i>2001</i> £	<i>2000</i> £
Raw materials and consumables	2,583,336	2,849,268
Work in progress	784,546	923,619
Finished goods	1,465,952	1,329,338
	<u>4,833,834</u>	<u>5,102,225</u>

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

11. DEBTORS: Amounts falling due within one year

	2001 £	2000 £
Trade debtors	875,743	1,292,576
Amounts owed by group companies	3,463,582	1,153,974
Value added tax	38,315	162,867
Other debtors	62,892	73,705
Prepayments and accrued income	36,578	33,739
	<u>4,477,110</u>	<u>2,716,861</u>

12. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Bank overdraft	358,033	138,180
Property loan (see note 14)	91,824	78,743
Bank loan	-	311,913
Other loans	-	159,139
Trade creditors	2,270,321	3,533,017
Amounts owed to group companies	2,667,170	2,110,744
Corporation tax	-	20,020
Other taxation and social security	123,518	91,674
Other creditors	692	23,787
Accruals and deferred income	303,389	119,575
	<u>5,814,947</u>	<u>6,586,792</u>

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

	2001 £	2000 £
Property loan (see note 14)	2,115,556	2,249,496
Bank loan (see note 14)	301,491	-
Other loans (see note 14)	1,501,823	2,385,115
	<u>3,918,870</u>	<u>4,634,611</u>

14. BORROWINGS

	2001 £	2000 £
Property loan	2,207,380	2,328,239
Bank loan	301,491	311,913
Other loans	1,501,823	2,544,254
	<u>4,010,694</u>	<u>5,184,406</u>

Analysis of loan repayments :

	2001 £	2000 £
Within one year	91,824	549,795
Between one and two years	91,824	243,889
Between two and five years	576,963	772,475
After five years	3,250,083	3,618,247
	<u>4,010,694</u>	<u>5,184,406</u>

The property loan of £2,207,380 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.

Other loans comprises a loan from Schmidt Holding GmbH. The loan is unsecured and interest is charged at rates between 5% and 6%. The loan is repayable in annual instalments of DM500,000.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty £
At 1 June 2000	196,007
Arising during the year	466,947
Utilised during the year	(473,163)
At 31 May 2001	<u>189,791</u>

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 2001 £</i>	<i>Provided 2000 £</i>	<i>Not provided 2001 £</i>	<i>Not provided 2000 £</i>
Capital allowances in advance of depreciation	218,689	210,838	-	-
Losses carried forward	(218,689)	(210,838)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

16. CALLED-UP SHARE CAPITAL

	<i>2001 £</i>	<i>2000 £</i>
Authorised 10,000,000 (2000: 3,000,000) ordinary shares of £1 each	<u>10,000,000</u>	<u>3,000,000</u>
Allotted, called up and fully paid 5,502,226 (2000: 2,426,137) ordinary shares of £1 each	<u>5,502,226</u>	<u>2,426,137</u>

During the year the company allotted 3,076,089 ordinary shares with a nominal value of £3,076,089 in connection with the settlement of inter company debt.

17. RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
Balance at 31 May 2000	2,426,137	(1,980,001)	446,136
Issue of new shares	3,076,089	-	3,076,089
Loss for the year	-	(447,914)	(447,914)
Balance at 31 May 2001	<u>5,502,226</u>	<u>(2,427,915)</u>	<u>3,074,311</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	<i>2001 £</i>	<i>2000 £</i>
Loss for financial year	<u>(447,914)</u>	<u>(1,994,364)</u>
Issue of new shares	3,076,089	-
Net addition to (reduction in) shareholder's funds	2,628,175	(1,994,364)
Opening shareholder's funds	446,136	2,440,500
Closing shareholder's funds	<u>3,074,311</u>	<u>446,136</u>

19. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 May 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2001 £	2000 £
Leases which expire :		
Within one year	16,084	8,372
Within two to five years	258,656	222,190
	<u>274,740</u>	<u>230,562</u>

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 18.9%.

The most recent valuation was made at 1 January 2000 and the assumptions, which had the most significant effect on the results of the valuation were as follows:

Rate of return on investments	6.5% per annum compound
Rate of earnings growth	4.5% per annum compound
Price inflation	2.5% 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 120%. The calculated value of the scheme assets at 1 January 2000 was £2,384,000.

The total defined benefit pension cost for the year was £103,745 (2000 £139,422), of which £3,788 (2000 £7,969) was outstanding at the year end.

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 2001, the amount owed by these other group companies totalled £nil (2000 - £nil).

The company has also provided an indemnity for the leasing obligations of a fellow subsidiary. At 31 May 2001 the capital amounts outstanding on the leases totalled £519,898 (2000 £471,993).

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 £107,464 at 31 May 2001 (2000 £190,309) of which £36,311 (2000 £100,619) 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 directors regard Schmidt Holding GmbH, a company incorporated in Germany, as the ultimate parent company and the 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, Albtalstrasse 36, St. Blasien 79837, Germany.

As a subsidiary undertaking of Schmidt Holding GmbH, the company has taken advantage of the exemption in FRS8 'Related party disclosures' from disclosing transactions with other members of the group headed by Schmidt Holding GmbH.