

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Registration No. 970239

SPECIALIST VEHICLES LIMITED

Report and Financial Statements

31 January 1998

**Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN**



**REPORT AND FINANCIAL STATEMENTS 1998**

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S L Burton
J W Benjamin
D W Berry
C J Blakemore
R A Bryson
R J Coombes
P B Geary
R A Heard
E Holt
P T Langham
A McClafferty
T J McCloy
J F Millar
R M Rawlinson
J I Smith
N K Thoday
M J Underhill

SECRETARY

R M Rawlinson

REGISTERED OFFICE

Dennis Way
Guildford
Surrey
GU1 1AF

BANKERS

Midland Bank plc
Poultry & Princes Street
London
EC2P 2BX

SOLICITORS

Manches & Co
3 Worcester Street
Oxford
OX1 2PZ

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the manufacture of specialist vehicles through its factory sites at Guildford and Warwick. Current trading levels are anticipated to continue.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £11,408,000 (1997 - £11,145,000). The directors recommend the payment of a dividend amounting to £7,000,000 (1997 - £4,000,000) leaving a surplus of £4,408,000 (1997 - surplus of £7,145,000) to be transferred to reserves.

RESEARCH AND DEVELOPMENT

The company is continually developing all of its major product lines, namely fire appliances, refuse vehicles, bus and coach chassis.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

S L Burton	(Chief Executive)
J W Benjamin	
D W Berry	
C J Blakemore	
R A Bryson	
R J Coombes	
P B Geary	
R A Heard	
E Holt	
P T Langham	
A McClafferty	
T J McCloy	(appointed 1 February 1998)
J F Millar	
R M Rawlinson	
J I Smith	
N K Thoday	
M J Underhill	

None of the directors had any interest in the share capital of the company during the year.

S L Burton, P B Geary, J Benjamin and J I Smith are directors of Dennis Group Plc, the ultimate parent undertaking and their interests are disclosed in that company's financial statements.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

The beneficial interests of the other directors at 31 January 1998 in the shares of Dennis Group Plc are as follows:

	31 January 1998 10p Ordinary shares	31 January 1997 10p Ordinary shares
D W Berry	500	500
C J Blakemore	-	-
R A Bryson	87,096	137,602
T J McCloy	-	-
R J Coombes	3,100	3,200
R A Heard	67,040	67,040
E Holt	108,230	112,859
P T Langham	-	-
A McClafferty	-	-
J F Millar	-	-
R M Rawlinson	45,310	49,610
N K Thoday	44,425	54,946
M J Underhill	40,310	44,310

The Dennis Group Executive Share Option Scheme and Save As You Earn Option Scheme allows executive directors and other executives to subscribe for ordinary shares in Dennis Group Plc. The interests of the directors were as follows:

Beneficiary	Date granted	Number of shares	Price per share	Exercise period	SAYE Options	Date Granted	Price per share
D W Berry	30 May 1996	30,000	359.5p	1999-2006	532	1 July 1996	389p
C J Blakemore	27 May 1994	30,000	298p	1997-2004	532	1 July 1996	389p
R A Bryson	14 October 1994	30,000	314.5p	1997-2004	532	1 July 1996	389p
T J McCloy	20 October 1995	40,000	345p	1998-2005	532	1 July 1996	389p
R J Coombes	27 May 1994	30,000	298p	1997-2004	532	1 July 1996	389p
R J Coombes	31 October 1996	10,000	255.5p	1999-2006	-	-	-
R A Heard	14 October 1994	30,000	314.5p	1997-2004	532	1 July 1996	389p
E Holt	30 May 1996	10,000	359.5p	1999-2006	-	-	-
P Langham	20 October 1995	30,000	345p	1998-2005	-	-	-
J Millar	30 May 1996	30,000	359.5p	1999-2006	-	-	-
R M Rawlinson	30 May 1996	10,000	359.5p	1999-2006	532	1 July 1996	389p
N K Thoday	30 May 1996	10,000	359.5p	1999-2006	532	1 July 1996	389p
M J Underhill	30 May 1996	10,000	359.5p	1999-2006	-	-	-

Options to acquire Ordinary 10p shares under the Long Term Incentive Plan (LTIP) were granted to the following directors during the year:

LTIP Options At 31 January 1998	
Beneficiary	Number of shares
R A Bryson	5,000
R A Heard	5,000
E Holt	5,000
A McClafferty	15,000
R M Rawlinson	5,000



DIRECTORS' REPORT

DISABLED EMPLOYEES

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately performed by a handicapped or disabled person. With regard to existing disabled employees and those who have become disabled during the year, the company has continued to examine ways and means of providing continuing employment under normal terms and conditions and provides training and career development and promotions wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued and employees have been encouraged to present their suggestions and views on the company's performance.

A share option scheme in respect of the company's parent undertaking, Dennis Group Plc, has been established for the benefit of senior executives together with a savings-related share options scheme which is available to all employees.

CREDITORS PAYMENT POLICY

It is the company's policy to abide by the terms of payment agreed with its suppliers. At 31 January 1998 the company's trade creditors represented 64 days of annual purchases.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

J I Smith
Director

**STATEMENT OF 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 as at the end of the financial year 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
- 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. 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.



Chartered Accountants

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham B3 2BN

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AUDITORS' REPORT TO THE MEMBERS OF SPECIALIST VEHICLES LIMITED

We have audited the financial statements on pages 7 to 18 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of 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 at 31 January 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

27 May 1998

Chartered Accountants and Registered Auditors





PROFIT AND LOSS ACCOUNT
Year ended 31 January 1998

	Note	1998 £000	1997 £000
TURNOVER	2	196,909	179,965
Cost of sales		(144,547)	(130,580)
Gross profit		52,362	49,385
Distribution costs		(12,061)	(11,321)
Administrative expenses		(23,202)	(20,563)
OPERATING PROFIT	3	17,099	17,501
Other interest receivable and similar income		4	28
Interest payable and similar charges	4	(295)	(834)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,808	16,695
Tax on profit on ordinary activities	5	(5,400)	(5,550)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		11,408	11,145
Dividend	6	(7,000)	(4,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	4,408	7,145

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses is given.

**BALANCE SHEET
31 January 1998**

	Note	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	7	17,969	15,290
Investments	8	641	647
		<u>18,610</u>	<u>15,937</u>
CURRENT ASSETS			
Stocks	9	22,598	18,147
Debtors	10	55,886	58,294
Cash at bank and in hand		8,396	2,521
		<u>86,880</u>	<u>78,962</u>
CREDITORS: amounts falling due within one year	11	<u>(68,065)</u>	<u>(61,302)</u>
NET CURRENT ASSETS		<u>18,815</u>	<u>17,660</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,425</u>	<u>33,597</u>
CREDITORS: amounts falling due after more than one year	12	<u>(290)</u>	<u>(404)</u>
TOTAL NET ASSETS		<u><u>37,135</u></u>	<u><u>33,193</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	12,004	12,004
Share premium account		1,200	1,200
Profit and loss account	15	23,931	19,989
EQUITY SHAREHOLDERS' FUNDS	16	<u><u>37,135</u></u>	<u><u>33,193</u></u>

The financial statements were approved by the Board of Directors on 22 April 1998.

Signed on behalf of the Board of Directors

 R M Rawlinson

Director

NOTES TO THE ACCOUNTS
Year ended 31 January 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over a maximum of the first three years of product sales during which the company is expected to benefit. At 31 January 1998 no development expenditure was capitalised.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated to write off the cost of assets, except freehold land, over their anticipated useful lives, in equal annual instalments.

Freehold buildings	-	40 years
Plant and machinery	-	8 to 10 years
Fixtures and fittings	-	10 years
Vehicles	-	4 years
Computer equipment	-	5 years

Investments

Investments are stated at cost less provision for any permanent diminution in value.

Group accounts have not been prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain.

Finance leases

Assets obtained under leases which result in the transfer to the company of substantially all the risks and rewards of ownership are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

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

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads

Long-term contracts

Long-term contract work-in-progress is stated at cost plus, where the outcome can be assessed with reasonable certainty, estimated profits attributable to the stage of completion, less provision for any known or anticipated losses and progress payments receivable on account.

Advance and progress payments are included under creditors to the extent that they exceed the related work-in-progress.

NOTES TO THE ACCOUNTS

Year ended 31 January 1998

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability is unlikely to crystallise.

Guarantees and warranties

Provision is made for the expected cost of maintenance under guarantees and warranties and other work in respect of original products sold.

Foreign currency translation

Profits and losses on exchange arising in the normal course of business are dealt with in the profit and loss account. Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Pension costs

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Variations from regular cost, arising from periodic actuarial valuations, are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or a liability in the balance sheet.

2. SEGMENTAL INFORMATION

All turnover and profit before taxation arises from the single activity of the manufacture of specialist vehicles.

	1998 £000	1997 £000
Geographical analysis of turnover:		
United Kingdom	125,875	124,287
Europe	6,983	15,791
Middle East and Africa	21	5,765
Far East and Australasia	64,030	34,122
	<u>196,909</u>	<u>179,965</u>

3. OPERATING PROFIT

	1998 £000	1997 £000
Operating profit is after charging:		
Research and development	933	900
Depreciation		
- Owned assets	1,009	808
- Leased assets	499	498
Hire of plant and machinery	159	142
Operating lease rentals - land and buildings	1,239	908
Auditors' remuneration:		
audit fees	<u>38</u>	<u>36</u>


NOTES TO THE ACCOUNTS
Year ended 31 January 1998
4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £000	1997 £000
To parent undertaking	177	733
To others	118	101
	<u>295</u>	<u>834</u>
On loan and overdrafts repayable: within 5 years not by instalments	177	733
On finance leases: terminating within 5 years	118	101
	<u>295</u>	<u>834</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
Corporation tax at 31.3% (1997 - 33%) on profits for the year	5,400	5,550

No provision has been made for deferred taxation. Unprovided deferred taxation at 31%, is as follows:

	1998 £000	1997 £000
Accelerated capital allowances	705	517
Short term timing differences	(145)	(178)
	<u>560</u>	<u>339</u>

6. DIVIDEND

	1998 £000	1997 £000
Ordinary: Final proposed: £0.58 (1997 - £0.33) per share	7,000	4,000


NOTES TO THE ACCOUNTS
Year ended 31 January 1998
7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant and equipment £000	Leased plant and equipment £000	Total £000
Cost				
At 1 February 1997	11,514	7,908	3,489	22,911
Additions	1,324	2,512	512	4,348
Disposals	-	(839)	(1,024)	(1,863)
Inter company disposal	-	(30)	(18)	(48)
At 31 January 1998	12,838	9,551	2,959	25,348
Depreciation				
At 1 February 1997	898	4,540	2,183	7,621
Charge for the year	199	810	499	1,508
Disposals	-	(742)	(976)	(1,718)
Inter company disposal	-	(30)	(2)	(32)
At 31 January 1998	1,097	4,578	1,704	7,379
Net book value				
At 31 January 1998	11,741	4,973	1,255	17,969
At 31 January 1997	10,616	3,368	1,306	15,290

The value of freehold land at 31 January 1998 was £5,489,000 (1997 - £5,489,000) on which no depreciation is charged.

	1998 £000	1997 £000
Capital commitments		
Contracted for but not provided	444	1,239


NOTES TO THE ACCOUNTS
Year ended 31 January 1998
8. FIXED ASSET INVESTMENTS

Investments in subsidiaries	£
Cost	
At 1 February 1997	647
Disposal - Dennis France SARL	(6)
	<hr/>
At 31 January 1998	641
	<hr/>
Net book value	
At 31 January 1998	641
	<hr/>
At 31 January 1997	647
	<hr/>

In the opinion of the directors the aggregate value of investments in subsidiary undertakings is not less than the amount included in the balance sheet.

Subsidiary undertakings
At 31 January 1998

Name	Country of Registration	Nature of business	% holding
Dennis Eagle Export Limited	England and Wales	Export of municipal vehicles	100%
Dennis Eagle Limited	England and Wales	Dormant	100%
Dennis Specialist Vehicles Hong Kong Limited	Hong Kong	Servicing of specialist vehicles	100%
Dennis Eagle Deutschland GmbH	Germany	Sales and marketing	100%
Dennis Eagle France SARL	France	Manufacture of specialist vehicles	100%
Dennis Finance Limited	England and Wales	Dormant	100%
Dennis Export Limited	England and Wales	Dormant	100%

All holdings are ordinary shares.



NOTES TO THE ACCOUNTS
Year ended 31 January 1998

9. STOCKS

	1998	1997
	£000	£000
Raw materials and consumables	12,684	7,765
Work in progress	2,799	4,061
- payments on account	(210)	(98)
Finished goods and goods for resale	7,325	6,419
	<u>22,598</u>	<u>18,147</u>

10. DEBTORS

	1998	1997
	£000	£000
Trade debtors	43,744	44,513
Amounts owed by group undertakings	6,596	8,079
Amount owed by associated undertaking	1,794	4,312
Other debtors	2,843	576
Prepayments and accrued income	909	814
	<u>55,886</u>	<u>58,294</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£000	£000
Obligations under finance leases (note 13)	466	505
Payments on account of long-term contracts	738	2,768
Trade creditors	36,770	31,807
Amounts owed to group undertakings	19,127	11,686
Amount owed to associated undertaking	113	48
Corporation tax	4,243	4,606
Other taxes and social security costs	2,093	3,855
Other creditors	2,007	2,703
Accruals and deferred income	2,508	3,324
	<u>68,065</u>	<u>61,302</u>


NOTES TO THE ACCOUNTS
Year ended 31 January 1998
12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £000	1997 £000
Obligations under finance leases (note 13)	290	404

The finance lease obligations are secured on the assets concerned.

13. OBLIGATIONS UNDER FINANCE LEASES

	1998 £000	1997 £000
The net obligations under finance leases are repayable as follows:		
In one year or less	466	505
Between one and two years	284	282
Between two and five years	6	122
	<u>756</u>	<u>909</u>

14. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
Ordinary shares of £1 each	12,500,000	12,500,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>12,004,262</u>	<u>12,004,262</u>

15. PROFIT AND LOSS ACCOUNT

	1998 £000	1997 £000
1 February 1997	19,989	12,844
Retained profit for the year	4,408	7,145
Foreign currency translation differences	(466)	-
31 January 1998	<u>23,931</u>	<u>19,989</u>


NOTES TO THE ACCOUNTS
Year ended 31 January 1998
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£000	£000
Profit for the financial year	11,408	11,145
Dividend	(7,000)	(4,000)
Foreign currency translation differences	(466)	-
Net addition to shareholders' funds	3,942	7,145
Opening shareholders' funds	33,193	26,048
Closing shareholders' funds	37,135	33,193

17. CONTINGENT LIABILITIES

The company has given, in the normal course of business, the following guarantees in respect of:

	1998	1997
	£000	£000
Forward exchange contracts	-	2,165
Acceptances and guarantees given by banks including performance bonds	250	219
Guarantees of customers' obligations under third party leases	525	341
	775	2,725

18. FINANCIAL COMMITMENTS

At 31 January 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1998	1997
	£000	£000
Within one year	44	-
Between two and five years	14	90
After five years	1,194	1,102
	1,252	1,192



NOTES TO THE ACCOUNTS

Year ended 31 January 1998

19. PENSION COSTS

The company is a subsidiary of Dennis Group Plc, which operates a pension scheme for all monthly paid employees (Staff Scheme) and a defined benefit lump sum benefit scheme for all hourly paid employees (Works Scheme). The company also operates a Money Purchase Scheme for all hourly paid employees.

Specialist Vehicles' employees are members of either scheme and the assets are held in separate trustee administered funds. The cost relating to the schemes is assessed in accordance with the advice of a qualified actuary. The profit and loss account charge for the year of £1,124,000 (1997 - £731,000) is based on contributions across the group.

Details of the latest actuarial valuation are noted in the financial statements of Dennis Group Plc.

20. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £000	1997 £000
Emoluments		
The emoluments of directors of the company were:		
Remuneration (including benefits-in-kind)	730	650
Pension contributions	76	51
	<u>806</u>	<u>701</u>

Emoluments disclosed above include amounts paid to:

	1998 £	1997 £
The highest paid director		
Remuneration (including benefits-in-kind)	85,503	73,545
Pension contributions	9,062	6,365
	<u>94,565</u>	<u>79,910</u>
	No	No
The number of directors who are members of a defined benefit pension scheme	<u>12</u>	<u>12</u>

The highest paid director is a member of Dennis Group Plc (staff scheme) which is of the defined benefit type. The amount of the accrued pension entitlement at the end of the year was £4,000 per annum.

Employees

	1998 No.	1997 No.
Average number of persons employed by the company in the year:		
Manufacturing	614	624
Distribution and selling	214	204
Administration	323	342
	<u>1,151</u>	<u>1,170</u>



NOTES TO THE ACCOUNTS

Year ended 31 January 1998

20. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Staff costs incurred during the year in respect of these employees were:	1998 £000	1997 £000
Wages and salaries	23,932	23,227
Social security costs	2,271	2,230
Pension costs	1,124	731
	<u>27,327</u>	<u>26,188</u>

Directors vehicle purchase

A second-hand company car was sold to Mr R J Coombes for its estimated market value of £7,907.

21. ULTIMATE PARENT UNDERTAKING AND GROUP TRANSACTIONS

The ultimate parent undertaking is Dennis Group Plc, registered in England and Wales. A copy of the financial statements of that company is available from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.

As the company is wholly owned subsidiary it has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose transactions with other companies in the group.