

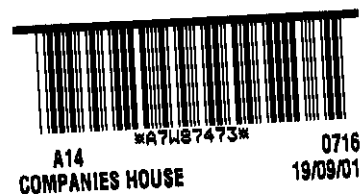
JOHNSTON ENGINEERING **LIMITED**

Report and accounts

for the year ended

31st December 2000

Registered in England 199841



JOHNSTON ENGINEERING LIMITED

REPORT OF THE DIRECTORS

For the year ended 31st December 2000

The directors have pleasure in submitting their Report and Accounts for the year ended 31st December 2000.

1. Principal Activities and Review of Operations

The principal activity of Johnston Engineering Limited continues to be the manufacture of road sweepers and other municipal equipment through its operations in the UK and a branch in Denmark.

The results for the year are set out on page 5. A full review of the company's trading operations is included in the accounts of the ultimate parent company Johnston Group PLC.

2. Dividends

An interim dividend of £1,000,000 has been paid in respect of the year ended 31st December 2000. No further dividend is proposed in respect of 2000.

3. Directors and Directors' Interests

The names of the directors holding office at the date of this Report and their beneficial interests in the ordinary share capital of the ultimate parent company, Johnston Group PLC, are as follows:-

	31st December 2000		1st January 2000 (or at date of appointment)	
	Ord. Shares 10p	Options Ord. Shares 10p	Ord. Shares 10p	Options Ord. Shares 10p
M.R.H. Jordan	3,276	30,000	2,436	30,480
A.D. Giles	13,937	30,000	10,500	33,437
J.M.S. Johnston	881,651	-	845,548	4,303
A.N. Yapp	1,693	781	1,199	1,275
P.G. Rhodes	-	-	-	-
C. Offley	930	488	436	982
R.H.G. Parr	-	-	-	-

A.J. Duthie retired as a director on 31st August 2000 upon taking early retirement.

4. Economic & Monetary Union

Whilst the UK has chosen not to join EMU at present, the company has a significant element of trade with countries which have already joined. The directors are currently considering the potential impact of, and opportunities arising from, trading in the Euro.

5. Research and Development

Research and development costs incurred by the company in the year amounted to £ 495,475.

6. **Employment Policies**

The company is committed to policies of non-discrimination to promote equal opportunities in employment regardless of gender, religion, race or ethnic origin. A brochure and twice yearly newsletter covering the Johnston Group and its subsidiary companies are distributed to all employees.

The employment of those who become disabled is continued wherever possible and opportunities are provided for the recruitment, training and career development of disabled people.

7. **Health and Safety at Work**

The company has a strong commitment to the safety and health of employees. The company has its own safety officer and there is a full-time group safety manager who advises on accident prevention and safety in the company's factories. The directors are kept regularly informed on all aspects of safety.

8. **Creditor Payment Policy**

The company does not follow any code or standard on payment practice, as it is the company's policy to settle creditors promptly on mutually agreed terms. These terms will vary from supplier to supplier and suppliers will be aware of the terms of payment. At the year end there were 59 days purchases in creditors.

9. **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



J.H. Falkner
Secretary

Johnston House
Hatchlands Road
Redhill
Surrey RH1 1BG

Date: 18th May 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

To the members of JOHNSTON ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 16 .

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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. We also report to you if, in our opinion, the directors' 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 directors' 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

22 May 2001

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

PROFIT AND LOSS ACCOUNT for the year ended 31st December 2000

	Notes	2000 £	1999 £
Turnover	1	49,771,538	44,629,026
Operating costs less other income	2	46,669,207	41,568,000
Operating profit		3,102,331	3,061,026
Net interest payable and similar charges	3	51,727	66,795
Profit on ordinary activities before taxation		3,050,604	2,994,231
Tax on profit on ordinary activities	4	963,177	1,089,256
Profit on ordinary activities after taxation		2,087,427	1,904,975
Dividends paid		1,000,000	1,000,000
Retained profit	13	1,087,427	904,975

A statement of movements on reserves is given in note 13.

The turnover and operating profit are derived from continuing operations.

BALANCE SHEET at 31st December 2000

	Notes	2000 £	1999 £
Fixed assets			
Intangible assets	5	34,612	72,941
Tangible assets	6	8,481,082	8,400,211
Investments	7	22,338,341	16,434,748
		30,854,035	24,907,900
Current assets			
Stocks	8	8,314,389	9,334,839
Debtors	9	8,915,194	7,457,345
Cash at bank and in hand		889,075	1,864,304
		18,118,658	18,656,488
Creditors due within one year	10	9,374,748	8,993,931
Net current assets		8,743,910	9,662,557
Total assets less current liabilities		39,597,945	34,570,457
Creditors due after one year	11	29,305,207	25,368,142
Provisions for liabilities and charges: deferred taxation	4	376,082	544,348
Net assets		9,916,656	8,657,967
Capital and reserves			
Called up share capital	12	8,000	8,000
Profit and loss account	13	9,787,082	8,560,277
Revaluation reserve	13	121,574	89,690
Equity shareholders' funds		9,916,656	8,657,967

The accounts were approved by the Board on 18th May 2001 and were signed on its behalf by:

MRH Jordan Director



	2000 £	1999 £
<u>Statement of total recognised gains and losses</u>		
Profit after taxation	2,087,427	1,904,975
Translation adjustments	210,361	(184,733)
Total recognised gains and losses for the year	2,297,788	1,720,242
<u>Reconciliation of movements in shareholders' funds</u>		
Total recognised gains and losses for the year	2,297,788	1,720,242
Dividends paid on equity shares	(1,000,000)	(1,000,000)
Net increase in shareholders' funds	1,297,788	720,242
Shareholders' funds at beginning of year	8,657,967	7,937,725
Shareholders' funds at end of year	9,955,755	8,657,967
<u>Note of historical cost profits and losses</u>		
Profit on ordinary activities before taxation	3,050,604	2,994,231
Adjustment of depreciation to historical cost basis	(31,884)	(31,884)
Historical cost profit on ordinary activities before taxation	3,018,720	2,962,347
Historical cost retained profit	1,055,543	873,091

PRINCIPAL ACCOUNTING POLICIES

A summary of principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of Accounting

The accounts have been prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties and in accordance with applicable Accounting Standards. On implementation of FRS15, the company has decided not to adopt a policy of revaluing property assets. In accordance with transitional rules contained within the standard, the book amounts of properties that reflect previous valuations have been retained.

The company is exempt from the requirement of Financial Reporting Standard No.1 (revised) to include a cashflow statement as part of its accounts, as the company is a wholly owned subsidiary of Johnston Group PLC which publishes consolidated financial statements that include the company and which contain a group cash flow statement

Subsidiary Undertakings

The company's interest in subsidiary undertakings is shown at original sterling cost less amounts written off, with dividends received and receivable being recorded in the profit and loss account. As permitted by S228 of the Companies Act 1985, consolidated accounts have not been prepared since the company is a wholly owned subsidiary undertaking of another company registered in England and Wales which prepares consolidated accounts.

Turnover

Turnover is defined as the value of goods and services supplied, including machine rentals net of trade discounts, VAT and other sales related taxes.

Depreciation

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valuation of fixed assets over their estimated useful lives.

The rates generally in use are:

Freehold	- Land	not depreciated
	- Buildings	50 years
Long Leasehold		50 years
Plant and equipment	- Fixed	8 years
	- Mobile	4 years
Manufacturing know-how		5 years

Intangible Fixed Assets

Intangible fixed assets are valued at cost less accumulated amortisation.

PRINCIPAL ACCOUNTING POLICIES (Continued)

Currency Translation

With the exception of the company's investment in the share capital of subsidiary undertakings which is included at original sterling cost less amounts written off, all assets and liabilities denominated in foreign currencies are included in the balance sheet using the closing rate method. Foreign currency transactions of the company have been converted to sterling at rates of exchange ruling on the date of transaction.

Translation differences arising from the company's investment in overseas subsidiaries denominated in foreign currencies are dealt with in reserves. All other translation adjustments arising are dealt with in the profit and loss account.

Research and Development

All research and development expenditure is written off as incurred, as is expenditure in respect of patents and trademarks.

Stocks

Stocks are valued at the lower of net realisable value and cost, which includes production overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. The company's policy continues to be to make provision for deferred taxation at the anticipated rate of corporation tax, to the extent it is probable that an asset or liability will crystallise. In previous years, deferred tax has as a result been provided in full.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term. Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its estimated useful life. Finance charges are allocated to accounting periods over the term of the lease to produce a constant rate of return on the outstanding balance.

Pensions

The company participates in the Johnston Management Holdings Limited Pension and Life Assurance Scheme. The scheme, which is a defined benefit scheme, is funded with the assets being held by the Trustees completely separate from those of Johnston Group PLC. In the accounts of Johnston Group PLC, the Group's contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. It is impractical to apportion this spread of costs between all the companies participating in the scheme, so contributions are charged on a payable basis in the company's accounts. Further details of the scheme are given in the accounts of the ultimate parent company.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

NOTES TO THE ACCOUNTS

1. Geographical analysis of turnover by destination

	2000 £	1999 £
Europe, & Middle East	43,724,608	38,334,502
Asia, Africa, Australia & New Zealand	2,004,491	2,521,850
Americas	4,042,439	3,772,674
	49,771,538	44,629,026

2. Operating costs less other income

	2000 £	1999 £
Change in stocks of finished goods and work-in-progress	1,020,713	(681,581)
Other operating income	(124,074)	(58,655)
Raw materials and consumables	26,821,866	24,834,445
Other external charges	5,398,974	5,220,885
Staff costs (see below)	12,650,723	11,424,947
Depreciation of owned assets	800,463	729,114
Depreciation of assets held under finance leases	41,659	58,169
Amortisation of intangible fixed assets	57,807	44,152
Loss / (profit) on disposal of fixed assets	1,076	(3,476)
	46,669,207	41,568,000
Staff costs (including directors)		
Wages and salaries	11,274,089	10,299,148
Social security costs	809,331	725,519
Other pension costs	567,303	400,280
	12,650,723	11,424,947
Operating Profit is after charging / (crediting) :		
Plant and equipment - operating lease rentals	270,242	285,055
Other operating lease rentals	288,449	251,407
Translation adjustment	(2,929)	17,768
Research and development costs	495,475	355,488
Audit fees - Audit	30,109	27,805
Audit fees - Non Audit	56,927	19,396

3. Net interest payable and similar charges

	2000 £	1999 £
Interest element of finance lease rental payments	1,228	444
Sundry interest received	(17,768)	(6,762)
Sundry interest / charges paid	661	159
Interest on secured loan	67,606	72,954
	51,727	66,795

NOTES TO THE ACCOUNTS (continued)

4. Taxation	2000	1999
	£	£
Corporation tax charge @ 30% (1999, 30.25%)	1,155,577	683,454
Overseas Tax @ 32%	40,121	27,033
Group relief @ 30% (1999, 30.25%)	(64,255)	144,635
Transfer to deferred taxation account	(168,266)	234,134
	963,177	1,089,256
Provisions for liabilities and charges : Deferred taxation due to the difference between capital allowances and book depreciation and other timing differences		
Balance at 1st January	544,348	310,214
Transfer (to) / from profit and loss account	(168,266)	234,134
Balance at 31st December	376,082	544,348
Deferred taxation has been calculated using a corporation tax rate of 30%. There is no unprovided deferred taxation.		
5. Intangible fixed assets		Manufacturing know-how
		£
Cost 1st January 2000		208,401
Additions		20,120
Translation adjustment		2,222
At 31st December 2000		230,743
Depreciation 1st January 2000		135,460
Charge for year		57,807
Translation adjustment		2,864
At 31st December 2000		196,131
Net book value 31st December 2000		34,612
Net book value 31st December 1999		72,941

NOTES TO THE ACCOUNTS (continued)

6. Tangible fixed assets	Land and buildings £	Plant and equipment £	Assets under construction £	Total £
Cost or valuation 1st January 2000	5,958,321	7,398,979	193,926	13,551,226
Additions	123,087	756,565	40,961	920,613
Translation adjustments	3,178	5,447	-	8,625
Disposals	-	(62,588)	-	(62,588)
Reclassification	13,500	180,426	(193,926)	-
At 31st December 2000	6,098,086	8,278,829	40,961	14,417,876
Comprising :				
At professional valuation	5,954,179	-	-	5,954,179
At cost	143,907	8,278,829	40,961	8,463,697
Depreciation 1st January 2000	116,276	5,034,739	-	5,151,015
Charge for year	100,355	741,767	-	842,122
Translation adjustments	397	2,514	-	2,911
Disposals	-	(59,254)	-	(59,254)
At 31st December 2000	217,028	5,719,766	-	5,936,794
Net book value 31st December 2000	5,881,058	2,559,063	40,961	8,481,082
Net book value 31st December 1999	5,842,045	2,364,240	193,926	8,400,211

The net book value of fixed assets includes £8,346 (1999 - £50,005) in respect of Plant & Machinery held under finance leases.

The depreciation charged on assets held under finance leases during the year is disclosed in Note 2.

Land and buildings includes £1,437,216 of assets that are not depreciated.

NOTES TO THE ACCOUNTS (continued)

6. Tangible fixed assets (continued)

Land and buildings comprise :

	Freehold £	Long leasehold £	Total £
Cost or valuation 1st January 2000	5,098,321	860,000	5,958,321
Additions	136,587	-	136,587
Translation adjustments	3,178	-	3,178
At 31st December 2000	5,238,086	860,000	6,098,086
Comprising			
At professional valuation	5,094,178	860,000	5,954,178
At cost	143,908	-	143,908
Depreciation 1st January 2000	91,712	24,564	116,276
Charge for year	75,791	24,564	100,355
Translation Adjustment	397	-	397
At 31st December 2000	167,900	49,128	217,028
Net book value 31st December 2000	5,070,186	810,872	5,881,058
Net book value 31st December 1999	5,006,609	835,436	5,842,045

The company's freehold and leasehold interests in land and buildings in the United Kingdom were valued by Messrs. Gerald Eve , Chartered Surveyors as at 31st December 1998. The valuations were prepared in accordance with the Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors (the Red Book) on the basis of existing use. The valuations were incorporated into the balance sheet at 31 December 1998; following the introduction of FRS 15, the valuations will be retained at their current carrying amounts.

Comparable historical cost amounts for the company's land and buildings included in tangible fixed assets were :

At 31st December 2000	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Original cost	5,403,291	1,038,891	123,350	6,565,532
Less aggregate depreciation	854,637	444,728	29,829	1,329,194
Net book value	4,548,654	594,163	93,521	5,236,338
At 31st December 1999	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Original cost	5,266,724	1,038,891	123,350	6,428,965
Less aggregate depreciation	754,546	415,052	27,357	1,196,955
Net book value	4,512,178	623,839	95,993	5,232,010

NOTES TO THE ACCOUNTS (continued)

7. Fixed asset investments

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
Cost at 1st January 2000	2,847,502	14,013,373	16,860,875
Translation adjustment	-	989,870	989,870
Additions	4,617,975	-	4,617,975
At 31st December 2000	7,465,477	15,003,243	22,468,720
Amounts written off 1st January 2000	81,195	344,932	426,127
Reclassification from current account provision	-	(295,748)	(295,748)
At 31st December 2000	81,195	49,184	130,379
Net book value 31st December 2000	7,384,282	14,954,059	22,338,341
Net book value 31st December 1999	2,766,307	13,668,441	16,434,748

The company has an interest in the unlisted subsidiary undertakings below

Name and country of incorporation if not Great Britain	Proportion of nominal value of issued shares held by the company %	Activity
Johnston Sweeper Company (USA)	100	
MacDonald Johnston Engineering Co. Pty Limited (Australia)	100	Manufacture of road cleaners and other municipal equipment
Pfau Johnston GmbH (Germany)	74	
Madvac Inc.(Canada)	100	(acquired on 1 June 2000)
Johnston Sweepers Limited	100	Dormant

8. Stocks

	2000 £	1999 £
Raw materials and consumables	1,432,219	1,559,024
Manufacturing work-in-progress	3,675,182	4,461,369
Finished goods and goods for resale	3,206,988	3,314,446
	8,314,389	9,334,839

9. Debtors

	2000 £	1999 £
Trade debtors	6,569,612	5,764,445
Amounts owed by group undertakings	2,013,258	979,738
Other debtors	122,487	529,247
Prepayments and accrued income	209,837	183,915
	8,915,194	7,457,345

NOTES TO THE ACCOUNTS (continued)

10. Creditors due within one year	2000 £	1999 £
Secured loans	23,706	21,845
Bank loans and overdrafts	86,077	443,227
Obligations under finance leases	-	17,468
Trade creditors	5,169,440	4,968,917
Amounts owed to group undertakings	593,259	423,071
Other creditors	1,371,547	909,471
Taxation and social security	628,800	646,577
Accruals and deferred income	1,501,919	1,563,355
	9,374,748	8,993,931

11. Creditors due after one year	2000 £	1999 £
Secured loans repayable between one and two years	25,531	23,527
Secured loans repayable between two and five years	89,006	82,019
Secured loans repayable in over five years	171,811	202,171
Obligations under finance leases repayable within five years	-	-
Other Creditors due after one year	218,000	-
Amounts owed to group undertakings	28,800,859	25,060,425
	29,305,207	25,368,142

The 'secured' loans are secured on the company's freehold property in Denmark. The interest rate on loans repayable over five years is between 7.3 and 7.6% per annum.

12. Share capital	2000 £	1999 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
8,000 ordinary shares of £1 each	8,000	8,000

13. Reserves	Revaluation Reserve £	Profit and Loss Account £
At 1st January 2000	89,690	8,560,277
Retained profit for the year	-	1,087,427
Revaluation	31,884	(31,884)
Translation adjustment on overseas assets	-	210,361
Tax on Translation adjustment	-	(39,099)
At 31st December 2000	121,574	9,787,082

14. Commitments	2000 £	1999 £
Capital commitments contracted for	248,178	276,500

	Land and buildings		Plant and equipment	
	2000 £	1999 £	2000 £	1999 £
Annual commitment under non cancellable operating leases				
Leases expiring :				
Within one year	10,502	21,184	87,753	39,974
Within two to five years	25,550	25,000	161,969	88,681
After five years	247,500	244,200	-	-
	283,552	290,384	249,722	128,655

NOTES TO THE ACCOUNTS (continued)**15. Government Grants**

	2000	1999
Balance at 1st January	135,009	66,852
Grant Received / Receivable during the Year	-	100,000
Released to the profit and loss account	(77,212)	(31,843)
Balance at 31st December	57,797	135,009

16. Contingent liabilities

The company has jointly and severally guaranteed the indebtedness of the Parent Company and certain subsidiaries to their bankers.

There are also contingent liabilities in respect of performance bonds and undertakings entered into in the ordinary course of business.

17. Average number of persons employed

	2000 No.	1999 No.
Direct	277	281
Indirect	254	257
Total	531	538

18. Directors' remuneration

	2000 £	1999 £
Directors' emoluments	518,951	430,537

The aggregate emoluments of the highest paid director were £129,692 (1999, £148,825). He is a member of the Johnston Management Holdings Limited Pension and Life Assurance defined benefit Scheme under which his accrued annual pension at the year end was £10,582.

	2000	1999
Retirement benefits are accruing to the following number of directors under :		
The Johnston Management Holdings Limited Pension and Life Assurance defined benefit Scheme.	8	7
Number of directors who exercised share options under the Johnston Group 1994 Sharesave Scheme was:	6	-

19. Related parties

The company is exempt from the requirement of Financial Reporting Standard No. 8 to disclose transactions with other group subsidiaries on the grounds that the company is wholly owned by Johnston Group PLC which publishes consolidated financial statements (Note 20).

The company's ultimate controlling party is Johnston Group PLC

20. Ultimate parent company

The only group in which the accounts of the company are consolidated is that headed by its ultimate parent company, Johnston Group PLC, a company registered in England and Wales. Consolidated accounts are available from Johnston House, Hatchlands Road, Redhill, Surrey RH1 1BG.