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Deloitte Touche
Tohmatsu
International



Company Registration No. 970239

SPECIALIST VEHICLES LIMITED

Report and Financial Statements

31 January 1997

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





REPORT AND FINANCIAL STATEMENTS 1997

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 1997.

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 £11,145,000 (1996 - £9,443,000). The directors recommend the payment of a dividend amounting to £4,000,000 (1996 - £15,604,000) leaving a surplus of £7,145,000 (1996 - deficit of £6,161,000) 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	(appointed 29 October 1996)
D W Berry	
C J Blakemore	
R A Bryson	
J W Callow	(resigned 31 January 1997)
R J Coombes	
P B Geary	
R A Heard	
E Holt	
P T Langham	
A McClafferty	(appointed 2 January 1997)
J F Millar	
R T Owen	(resigned 31 January 1997)
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, and J I Smith are directors of Trinity Holdings 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 1997 in the shares of Trinity Holdings plc are as follows:

	31 January 1997 10p Ordinary shares	31 January 1996 10p Ordinary shares
J W Benjamin	-	-
D W Berry	500	500
C J Blakemore	-	-
R A Bryson	137,602	157,300
R J Coombes	3,200	-
R A Heard	67,040	70,240
E Holt	112,859	121,993
P T Langham	-	-
A McClafferty	-	-
J F Millar	-	-
R M Rawlinson	49,610	53,010
N K Thoday	54,946	59,537
M J Underhill	44,310	48,710

The Trinity Executive Share Option Scheme and Save As You Earn Option Scheme allows executive directors and other executives to subscribe for ordinary shares in Trinity 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
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 Longham	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	-	-	-

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, Trinity Holdings plc, has been established for the benefit of senior executives together with a savings-related share options scheme which is available to all employees.



DIRECTORS' REPORT

CREDITORS PAYMENT POLICY

It is the company's policy to abide by the terms of payment agreed with its suppliers.

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

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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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

14 July 1997





PROFIT AND LOSS ACCOUNT
Year ended 31 January 1997

	Note	1997 £000	1996 £000
TURNOVER	2	179,965	161,213
Cost of sales		(130,580)	(117,093)
Gross profit		49,385	44,120
Distribution costs		(11,321)	(10,307)
Administrative expenses		(20,563)	(19,015)
OPERATING PROFIT	3	17,501	14,798
Other interest receivable and similar income		28	15
Interest payable and similar charges	4	(834)	(932)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,695	13,881
Tax on profit on ordinary activities	5	(5,550)	(4,438)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		11,145	9,443
Dividend	6	(4,000)	(15,604)
RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL YEAR	15	7,145	(6,161)

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 1997

	Note	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	7	15,290	14,486
Investments	8	647	627
		<u>15,937</u>	<u>15,113</u>
CURRENT ASSETS			
Stocks	9	18,147	19,472
Debtors	10	58,294	44,065
Cash at bank and in hand		2,521	-
		<u>78,962</u>	<u>63,537</u>
CREDITORS: amounts falling due within one year	11	<u>(61,302)</u>	<u>(52,083)</u>
NET CURRENT ASSETS		<u>17,660</u>	<u>11,454</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,597</u>	<u>26,567</u>
CREDITORS: amounts falling due after more than one year	12	<u>(404)</u>	<u>(519)</u>
TOTAL NET ASSETS		<u><u>33,193</u></u>	<u><u>26,048</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	19,989	12,844
EQUITY SHAREHOLDERS' FUNDS	16	<u><u>33,193</u></u>	<u><u>26,048</u></u>

The financial statements were approved by the Board of Directors on 23 April 1997.

Signed on behalf of the Board of Directors


R M Rawlinson

Director



NOTES TO THE ACCOUNTS
Year ended 31 January 1997

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 1997 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

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.

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.



NOTES TO THE ACCOUNTS

Year ended 31 January 1997

1. ACCOUNTING POLICIES (continued)

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.

	1997 £000	1996 £000
Geographical analysis of turnover:		
United Kingdom	124,287	115,346
Europe	15,791	6,446
Middle East and Africa	5,765	3,057
Far East and Australasia	34,122	36,364
	<u>179,965</u>	<u>161,213</u>

3. OPERATING PROFIT

	1997 £000	1996 £000
Operating profit is after charging:		
Research and development	900	901
Depreciation		
- Owned assets	808	778
- Leased assets	498	461
Hire of plant and machinery	142	100
Operating lease rentals - land and buildings	908	978
Auditors' remuneration:		
audit fees	36	38
	<u>36</u>	<u>38</u>



NOTES TO THE ACCOUNTS
Year ended 31 January 1997

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£000	£000
To parent undertaking	733	836
To others	101	96
	<u>834</u>	<u>932</u>
On loan and overdrafts repayable:		
within 5 years not by instalments	733	836
On finance leases:		
terminating within 5 years	101	96
	<u>834</u>	<u>932</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	£000	£000
Corporation tax at 33% (1996 - 33%) on profits for the year	5,550	4,438

No provision has been made for deferred taxation. Unprovided deferred taxation at 33%, is as follows:

	1997	1996
	£000	£000
Accelerated capital allowances	517	497
Short term timing differences	(178)	(182)
	<u>339</u>	<u>315</u>

6. DIVIDEND

	1997	1996
	£000	£000
Ordinary:		
Final proposed: £0.33 (1996 - £1.30) per share	4,000	15,604



NOTES TO THE ACCOUNTS
Year ended 31 January 1997

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant and equipment £000	Leased plant and equipment £000	Total £000
Cost				
At 1 February 1996	11,133	6,824	3,142	21,099
Additions	585	1,179	568	2,332
Disposals	(204)	(95)	(225)	(524)
Inter company addition	-	-	35	35
Inter company disposal	-	-	(31)	(31)
At 31 January 1997	11,514	7,908	3,489	22,911
Depreciation				
At 1 February 1996	751	3,994	1,868	6,613
Charge for the year	185	623	498	1,306
Disposals	(38)	(77)	(168)	(283)
Inter company addition	-	-	4	4
Inter company disposal	-	-	(19)	(19)
At 31 January 1997	898	4,540	2,183	7,621
Net book value				
At 31 January 1997	10,616	3,368	1,306	15,290
At 31 January 1996	10,382	2,830	1,274	14,486

The value of freehold land at 31 January 1997 was £5,489,000 (1996 - £5,489,000) on which no depreciation is charged.

Capital commitments

	1997 £000	1996 £000
Contracted for but not provided	1,239	73


NOTES TO THE ACCOUNTS
Year ended 31 January 1997
8. FIXED ASSET INVESTMENTS

	1996 £
Investments in subsidiaries	
Cost	
At 1 February 1996	627
Additions	20
	<hr/>
At 31 January 1997	647
	<hr/>
Net book value	
At 31 January 1997	647
	<hr/>
At 31 January 1996	627
	<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 1997

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 France SARL	France	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 1997

9. STOCKS

	1997	1996
	£000	£000
Raw materials and consumables	7,765	9,365
Work in progress	4,061	4,776
- payments on account	(98)	(185)
Finished goods and goods for resale	6,419	5,516
	<u>18,147</u>	<u>19,472</u>

10. DEBTORS

	1997	1996
	£000	£000
Trade debtors	44,513	36,316
Amounts owed by group undertakings	8,079	6,508
Amount owed by associated undertaking	4,312	-
Other debtors	576	278
Prepayments and accrued income	814	813
Directors loan (note 20)	-	150
	<u>58,294</u>	<u>44,065</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
	£000	£000
Bank overdraft	-	5,388
Obligations under finance leases (note 13)	505	455
Payments on account of long-term contracts	2,768	688
Trade creditors	31,807	26,882
Bills of exchange payable	-	-
Amounts owed to group undertakings	11,686	6,369
Amount owed to associated undertaking	48	-
Corporation tax	4,606	3,566
Other taxes and social security costs	3,855	2,301
Other creditors	2,703	4,221
Accruals and deferred income	3,324	2,213
	<u>61,302</u>	<u>52,083</u>

The bank overdraft is unsecured but is subject to a cross guarantee of £1,153,000 between the trading subsidiaries of Trinity Holdings plc.



NOTES TO THE ACCOUNTS

Year ended 31 January 1997

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £000	1996 £000
Obligations under finance leases (note 13)	404	519

The finance lease obligations are secured on the assets concerned.

13. OBLIGATIONS UNDER FINANCE LEASES

The net obligations under finance leases are repayable as follows:

	1997 £000	1996 £000
In one year or less	505	455
Between one and two years	282	448
Between two and five years	122	71
	909	974

14. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
Ordinary shares of £1 each	12,500,000	12,500,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	12,004,262	12,004,262

15. PROFIT AND LOSS ACCOUNT

	1997 £000	1996 £000
1 February 1996	12,844	19,005
Retained profit/(deficit) for the year	7,145	(6,161)
31 January 1997	19,989	12,844


NOTES TO THE ACCOUNTS
Year ended 31 January 1997
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £000	1996 £000
Profit for the financial year	11,145	9,443
Dividend	(4,000)	(15,604)
Issue of ordinary share capital	-	12,004
Net addition to shareholders' funds	7,145	5,843
Opening shareholders' funds	26,048	20,205
Closing shareholders' funds	33,193	26,048

17. CONTINGENT LIABILITIES

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

	1997 £000	1996 £000
Forward exchange contracts	2,165	1,081
Acceptances and guarantees given by banks including performance bonds	219	190
Guarantees of customers' obligations under third party leases	341	341
	2,725	1,612

18. FINANCIAL COMMITMENTS

At 31 January 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £000	Other assets £000
Within one year	-	-
Between two and five years	90	-
After five years	1,102	-
	1,192	-



NOTES TO THE ACCOUNTS

Year ended 31 January 1997

19. PENSION COSTS

The company is a subsidiary of Trinity Holdings 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).

Specialist Vehicles' employees are members of both schemes 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 £731,000 (1996 - £617,000) is based on contributions across the group.

Details of the latest actuarial valuation are noted in the financial statements of Trinity Holdings plc.

20. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £000	1996 £000
Emoluments		
The emoluments of directors of the company were:		
Emoluments (including pension contributions and benefits in kind)	701	677

Emoluments disclosed above (excluding pension contributions) include amounts paid to:

	1997 £000	1996 £000
The chairman	-	-
The highest paid director	74	75

Emoluments of the other directors, excluding pension contributions, were within the following scales:

	No	No
£Nil - £ 5,000	4	4
£ 5,001 - £10,000	1	-
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£40,001 - £45,000	2	3
£45,001 - £50,000	4	3
£50,001 - £55,000	2	-
£55,001 - £60,000	-	1
£60,001 - £65,000	2	1
£65,001 - £70,000	1	2

Employees

	1997 No	1996 No
Average number of persons employed by the company in the year:		
Manufacturing	624	595
Distribution and selling	204	173
Administration	342	344
	1,170	1,112



NOTES TO THE ACCOUNTS
Year ended 31 January 1997

20. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

Staff costs incurred during the year in respect of these employees were:	1997 £000	1996 £000
Wages and salaries	23,227	20,681
Social security costs	2,230	2,018
Pension costs	731	617
	<u>26,188</u>	<u>23,316</u>

Directors loan/house purchase

In accordance with the company's policy of providing housing assistance to staff who are required to relocate, R J Coombes was in receipt of interest free housing finance from the company of £150,000 which was repaid on 19 March 1996. The company purchased this directors property for £177,500 on 19 March 1996 and subsequently sold it to a third party on 1 November 1996 for £165,000.

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Trinity Holdings 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.