

HEIL Europe Limited
Annual report for the year ended
31 December 1998

Registration No: 53003



**Directors' report
for the year ended 31 December 1998**

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

Principal Activities

The profit and loss account for the year is set out on page 4.

The principal activity of the company is the manufacture of refuse collection equipment.

Review of the business and future developments

The association with Jack Allen (Sales & Service) Ltd, who acted as the UK distributor for Heil Europe products, was terminated as of 31 December 1998 and in future Heil Europe Ltd will sell directly to UK end customers.

The attached profit and loss account shows a loss after tax of £76,535, (1997: profit £492,671).

It is anticipated that the company will regain profitability in 1999.

The directors do not recommend the payment of a dividend for the year (1997: Nil).

Directors

The directors who held office during the year were as follows:

Glenn Chambers
Laurence F Gray
David H Owen
John Allen (resigned 24 April 1998)

The directors have no interest in the shares of the company.

Year 2000

Year 2000 compliance has been addressed throughout the company to ensure that its systems and services continue to operate over the millennium. The directors are satisfied that no material loss will be incurred by the company.

**Directors' report
for the year ended 31 December 1998 (continued)****Directors' responsibilities statement**

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 and of the profit or loss 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;
- 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 1985. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. 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.

Auditors

Following the merger of Coopers & Lybrand and Price Waterhouse, Coopers & Lybrand resigned as auditors and the directors appointed the new firm, PricewaterhouseCoopers to fill the casual vacancy thus arising. PricewaterhouseCoopers have indicated their willingness to continue in office and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Henderson Boyd Jackson W.S.
Company Secretary
Edinburgh

12 July 1999

Report of the auditors to the members of HEIL Europe Limited

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

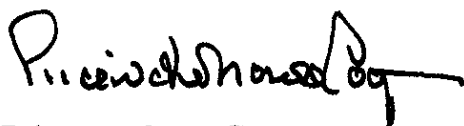
Basis of Audit Opinion

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 at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh

14 July 1999

**Profit and loss account
for the year ended 31 December 1998**

	Notes	1998 £	1997 £
Turnover	2	11,411,836	10,297,906
Cost of sales		(9,170,784)	(7,727,560)
Gross profit		2,241,052	2,570,346
Administrative expenses		(2,271,424)	(1,840,223)
Operating (loss)/profit		(30,372)	730,123
Interest receivable and similar income		6,678	31,169
Interest payable and similar charges	6	(18,941)	(21,134)
(Loss)/profit on ordinary activities before taxation	3	(42,635)	740,158
Tax on profit on ordinary activities	7	(33,900)	(247,487)
Retained (loss)/profit for the financial year	16	(76,535)	492,671

All the above figures relate to continuing activities.

There were no recognised gains or losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the years stated above, and their historical cost equivalents.

Balance sheet at 31 December 1998

		1998 £	1997 £
Fixed assets			
Tangible assets	8	1,066,902	1,137,295
Current assets			
Stocks	9	2,474,653	1,197,816
Debtors	10	2,470,900	2,009,796
Bank and cash balances		11,220	109,044
		<u>4,956,773</u>	<u>3,316,656</u>
Creditors: amounts falling due within one year	11	<u>(3,323,364)</u>	<u>(1,646,550)</u>
Net current assets		<u>1,633,409</u>	<u>1,670,106</u>
Total assets less current liabilities		2,700,311	2,807,401
Provisions for liabilities and charges	12	(93,791)	(120,846)
Accruals and deferred income	14	-	(3,500)
Net assets		<u>2,606,520</u>	<u>2,683,055</u>
Capital and reserves			
Share capital	15	15,000	15,000
Profit and loss account	16	2,591,520	2,668,055
Equity shareholders' funds	17	<u>2,606,520</u>	<u>2,683,055</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 12 July 1999 and were signed on its behalf by:



David Owen
Director

HEIL Europe Limited

Notes to the financial statements

for the year ended 31 December 1998

6

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage of the exemptions conferred by FRS 1 (Revised) where a subsidiary undertaking, 90 percent or more of whose voting rights are controlled within a group, is exempt from producing a cash flow statement.

Turnover

Turnover represents the net invoiced value of goods sold.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Freehold land is not depreciated.

Buildings (freehold & leasehold)	5%pa (straight line)
Plant and machinery	15%pa (straight line)
Office furniture and equipment	15%pa (straight line)
Computer equipment	20%pa (straight line)
Motor vehicles	25%pa (reducing balance)

Research and development expenditure

Expenditure of this nature is charged against profits in the year in which it is incurred.

Inventories

Finished goods are valued at cost of labour and materials plus an addition for factory overheads, or at estimated net realisable value, if lower.

Raw materials are valued at the lower of cost and estimated net realisable value.

1 Accounting policies (continued)**Regional development grants**

Regional development grants are written back into the profit and loss account in equal monthly instalments over four years, commencing in the month grants were received.

Deferred taxation

Provision is made for tax or tax relief deferred by timing differences to the extent that it is likely to become payable/recoverable in the foreseeable future. The full amount of taxation deferred by all timing differences, and the extent to which provision has been made, is disclosed in the notes to the financial statements.

Amounts payable and receivable in foreign currencies

These are translated into pounds sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Operating leases

Operating lease payments are charged against profits in the year in which they are incurred.

Pensions

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates used. Pension costs are charged to the profit and loss account to either cost of sales or administration as appropriate.

2 Analysis of turnover

	1998 £	1997 £
UK	7,982,806	8,354,717
Other	3,429,030	1,943,189
	<u>11,411,836</u>	<u>10,297,906</u>

Turnover was entirely attributable to the manufacture and sale of refuse collection equipment.

3 (Loss)/Profit on ordinary activities before taxation

	1998 £	1997 £
(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration – current year	13,000	-
Auditors' remuneration – prior year	12,473	12,200
Other accounting services	12,050	-
Depreciation	207,821	191,386
Hire of plant and machinery	-	16,470
Operating lease rentals:		
Equipment	8,454	7,723
Buildings	68,432	61,086
Motor Vehicles	14,284	-
Foreign exchange gains	(19,651)	(74,963)
Regional development grants	(3,500)	(42,000)
Loss on sale of fixed assets	(5,039)	-

Administrative expenses include an exceptional cost item of £234,993 which relates to strategic development.

4 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments	110,008	78,470

Retirement benefits are accruing to one director under the company's defined benefit scheme.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1998	1997
Production	112	87
Selling & distribution	2	2
Administration	15	18

5 Employee information (continued)

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	2,326,051	1,608,049
Social security costs	210,093	131,600
Pension contributions (note 21)	111,820	192,966
	<u>2,647,964</u>	<u>1,932,615</u>

6 Interest payable and similar charges

	1998 £	1997 £
On bank overdraft	18,941	8,981
On parent company loan	-	12,153
	<u>18,941</u>	<u>21,134</u>

7 Tax on profit on ordinary activities

	1998 £	1997 £
UK corporation tax at 31% (1997: 33%) on the profit for the year on ordinary activities	65,934	224,039
Deferred taxation	(58,169)	244
	<u>7,765</u>	<u>224,283</u>
Adjustments relating to an earlier year:		
Corporation tax	14,926	27,229
Deferred tax	11,209	(4,025)
	<u>26,135</u>	<u>23,204</u>
	<u>33,900</u>	<u>247,487</u>

8 Tangible fixed assets

	Freehold land and buildings £	Plant & machinery £	Office furniture £	Motor Vehicles £	Computer Equipment £	Total £
Cost						
At 1 January 1998	863,480	1,395,824	82,856	74,321	168,192	2,584,673
Additions	18,055	58,026	10,764	—	59,755	146,600
Disposals	-	-	-	(38,971)	-	(38,971)
At 31 December 1998	881,535	1,453,850	93,620	35,350	227,947	2,692,302
Depreciation						
At 1 January 1998	390,839	851,959	52,030	42,456	110,094	1,447,378
Charge for year	42,768	127,487	8,005	8,395	21,166	207,821
Disposals	-	-	-	(29,799)	-	(29,799)
At 31 December 1998	433,607	979,446	60,035	21,052	131,260	1,625,400
Net book value						
At 31 December 1998	447,928	474,404	33,585	14,298	96,687	1,066,902
At 31 December 1997	472,641	543,865	30,826	31,865	58,098	1,137,295

The cost of freehold land, which is not depreciated, is £10,890 (1997: £10,890).

9 Stock

	1998 £	1997 £
Raw materials and consumables	2,396,217	1,142,711
Finished goods	78,436	55,105
	2,474,653	1,197,816

The replacement cost of stock was not materially different from book value.

10 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	2,254,727	1,709,730
Prepayments & accrued income	52,017	124,552
Amounts owed by immediate parent company	-	133,709
Other debtors	164,156	41,805
	<u>2,470,900</u>	<u>2,009,796</u>

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	1,082,794	942,583
Amounts owed to immediate parent company	1,386,629	-
Amounts owed to fellow subsidiary	87,344	-
Corporation tax	79,832	214,270
Other tax and social security	73,865	188,860
Accrued charges	612,900	300,837
	<u>3,323,364</u>	<u>1,646,550</u>

12 Provisions for liabilities and charges

	Warranty Provision £	Deferred Taxation (see below) £	Total £
At 1 January 1998	56,240	64,606	120,846
Profit and loss account	19,905	(46,960)	(27,055)
At 31 December 1998	<u>76,145</u>	<u>17,646</u>	<u>93,791</u>

13 Deferred tax

	Accelerated Capital Allowances	Other Timing Differences	Total
	£	£	£
Deferred tax/(tax relief) at beginning of year	59,564	5,042	64,606
Prior year adjustments	11,209	-	11,209
Deferred tax for year (note 7)	(6,442)	(51,727)	(58,169)
Deferred tax at end of year	64,331	(46,685)	17,646

The deferred tax provided in the financial statements above relates to the total potential liability.

14 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Regional Development Grants		
At 1 January 1998	3,500	45,500
Transferred to profit & loss account	(3,500)	(42,000)
At 31 December 1998	--	3,500

15 Share capital

	1998 £	1997 £
Authorised		
15,000 Ordinary shares of £1 each	15,000	15,000
Allotted, Called up and fully paid		
15,000 Ordinary shares of £1 each	15,000	15,000

16 Profit and loss account

	£
At 1 January 1998	2,668,055
Loss for the year	(76,535)
At 31 December 1998	2,591,520

17 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	2,683,055	2,190,384
(Loss)/Profit for the financial year	(76,535)	492,671
Closing shareholders' funds	2,606,520	2,683,055

18 Contingent liabilities

The company has granted a guarantee to the Commissioners of Customs & Excise for £50,000.

19 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements at 31 December 1998 amounted to £88,892 (1997:£Nil).

20 Leases**(i) Land and buildings**

In 1983, the company entered into a 20 year lease of an additional factory unit, in 1986 a further unit was leased on a 20 year term and in February 1993 a third unit was leased on a 20 year lease. The total annual rental cost is £68,432 (1997: £61,086) and the leases are renegotiable every five years.

(ii) Other

At 31 December 1998 the company had minimum annual commitments under operating leases expiring within the following periods:

	1998	1997
	£	£
Within one year	17,188	-
From two to five years	39,283	13,885
	56,471	13,885

21 Pension arrangements

The company contributes to a defined benefit pension scheme operated by the Scottish Life Assurance Company. All employees are entitled to join subject to age requirements. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the aggregate method. The most recent valuation is dated 6 April 1995 and relates to service by members up to that date. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would exceed the rate of increase in salaries by 1.5% per annum.

The market value of the scheme's assets as at 6 April 1995 was £1,224,121 which represented 168% of the benefits accrued to members, after allowing for expected increases in earnings. On the advice of the actuary the contributions of the company and employees since 6 April 1995 have been 5.9% and 3% respectively of pensionable earnings, which reflects amortisation of the surplus in the scheme over the average remaining service lives of the members.

The triennial valuation which was due 6th April 1998 is in the process of being completed and the directors will consider the implications of the valuation on future funding when it becomes available.

The pension cost for the year charged to the profit and loss account is £111,820 (1997:£192,966).

22 Director's interest in contracts

The company's UK distributor was Jack Allen (Sales and Service) Limited. John Allen is a director and shareholder in that company. All dealings with Jack Allen (Sales and Service) Limited are on an arm's length basis. Sales to Jack Allen (Sales and Service) Limited in the year amounted to £7,824,374 (1997:£8,339,362). Debts outstanding at the year end were £1,022,003 (1997:£1,112,815). All outstanding monies due from Jack Allen (Sales & Service) Ltd as at 31st December 1998 have since been collected.

The distributorship agreement between Heil Europe Ltd and Jack Allen (Sales and Service) Ltd was terminated on 31st December 1998.

23 Parent undertaking

The company's immediate parent is Dover UK Holdings Limited. Copies of its financial statements can be obtained from Dover UK Holdings Ltd, 11 Albany Road, Granby Industrial Estate, Weymouth, Dorset, DT4 9TH. Its ultimate parent undertaking and ultimate controlling party is the Dover Corporation incorporated in the United States of America. Copies of its financial statements can be obtained from Dover Corporation, 280 Park Avenue, Floor 38-W, New York, N710017, USA. Under the terms of Financial Reporting Standard No 8, the company is exempt from disclosing transactions and balances with related parties in the Dover Corporation.