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HEIL Europe Limited
Annual report for the year ended
31 December 2000

Registration no : 53003

**Directors' report
for the year ended 31 December 2000**

The directors present their report and the audited financial statements for the year ended 31 December 2000.

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 attached profit and loss account shows a loss after tax of £587,061 (1999: loss £1,194,490).

The directors do not recommend the payment of a dividend for the year (1999: Nil).

Directors

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

Glenn Chambers

Laurence F Gray

David H Owen – resigned 15 March 2001

Roy Cooper – appointed 1 March 2001

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

**Directors' report
for the year ended 31 December 2000 (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

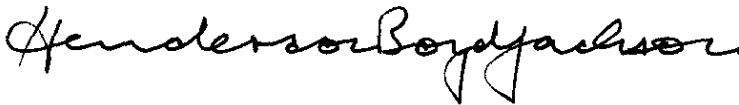
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

20 August 2001

Auditors' report to the members of HEIL Europe Limited

We have audited the financial statements on pages 4 to 14, 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. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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.

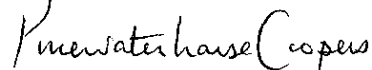
Basis of Audit Opinion

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 2000 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

20 August 2001

Profit and loss account for the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	2	16,950,196	13,597,211
Cost of sales		(15,577,981)	(13,025,020)
Gross profit		1,372,215	572,191
Administrative expenses		(2,196,688)	(2,218,901)
Operating loss		(824,473)	(1,646,710)
Interest receivable and similar income		11,583	8,902
Interest payable and similar charges	6	(574)	(2,023)
Loss on ordinary activities before taxation	3	(813,464)	(1,639,831)
Tax on profit on ordinary activities	7	226,403	445,341
Retained loss for the financial year	16	(587,061)	(1,194,490)

All the above figures relate to continuing activities.

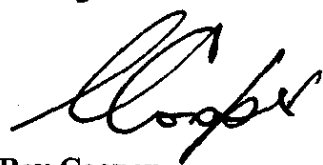
There were no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet at 31 December 2000

		2000 £	1999 £
Fixed assets			
Tangible assets	8	1,443,890	1,362,534
Current assets			
Stocks	9	3,498,725	2,490,360
Debtors	10	4,694,286	4,576,208
Bank and cash balances		151,109	65,224
		<u>8,344,120</u>	<u>7,131,792</u>
Creditors: amounts falling due within one year	11	<u>(8,896,025)</u>	<u>(7,001,852)</u>
Net current (liabilities) / assets		<u>(551,905)</u>	<u>129,940</u>
Total assets less current liabilities		891,985	1,492,474
Provisions for liabilities and charges	12	(67,016)	(80,444)
Net assets		<u>824,969</u>	<u>1,412,030</u>
Capital and reserves			
Share capital	14	15,000	15,000
Profit and loss account	15	809,969	1,397,030
Equity shareholders' funds	16	<u>824,969</u>	<u>1,412,030</u>

The financial statements on pages 4 to 14 were approved by the board of directors on 20 August 2001 and were signed on its behalf by:



Roy Cooper
Director

HEIL Europe Limited

Notes to the financial statements

for the year ended 31 December 2000

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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 including chassis & hoists in 2000.

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).**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

	2000 £	1999 £
UK	11,776,291	6,489,100
Other	5,173,905	7,108,111
	<u>16,950,196</u>	<u>13,597,211</u>

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

3 Loss on ordinary activities before taxation

	2000 £	1999 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration – current year	13,000	13,000
Auditors' remuneration – non-audit fees	19,671	29,964
Depreciation	363,837	241,221
Hire of plant and machinery	56,226	54,638
Operating lease rentals:		
Equipment	5,414	8,454
Buildings	89,800	84,000
Motor Vehicles	70,230	59,450
Foreign exchange losses	117,661	321,538

4 Directors' emoluments

	2000	1999
Aggregate emoluments	108,878	131,995

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:

	2000	1999
Production	145	144
Selling & distribution	11	9
Administration	18	16

5 Employee information (continued)

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	3,074,145	3,006,256
Social security costs	263,532	245,789
Pension contributions (note 20)	68,367	65,906
	<u>3,406,044</u>	<u>3,317,951</u>

6 Interest payable and similar charges

	2000	1999
	£	£
On bank overdraft	574	2,023
	<u>574</u>	<u>2,023</u>

7 Tax on loss on ordinary activities

	2000	1999
	£	£
UK corporation tax at 30% on the loss for the year on ordinary activities	(194,220)	(495,545)
Deferred taxation	(29,229)	51,182
	<u>(223,449)</u>	<u>(444,363)</u>
Adjustments relating to an earlier year:		
Corporation tax	(6,476)	127
Deferred tax	3,522	(1,105)
	<u>(2,954)</u>	<u>(978)</u>
	<u>(226,403)</u>	<u>(445,341)</u>

8 Tangible fixed assets

	Freehold land and buildings £	Plant & Machinery £	Office furniture £	Motor Vehicles £	Computer Equipment £	Total £
Cost						
At 1 January 2000	952,122	1,688,787	115,621	35,350	437,275	3,229,155
Additions	32,395	282,772	4,586	-	130,221	449,974
Disposals	-	-	-	(17,500)	-	(17,500)
At 31 December 2000	984,517	1,971,559	120,207	17,850	567,496	3,661,629
Depreciation						
At 1 January 2000	478,307	1,128,270	71,851	24,560	163,633	1,866,621
Charge for year	49,500	204,000	22,501	2,836	85,000	363,837
Disposals	-	-	-	(12,719)	-	(12,719)
At 31 December 2000	527,807	1,332,270	94,352	14,677	248,633	2,217,739
Net book value						
At 31 December 2000	456,710	639,289	25,855	3,173	318,863	1,443,890
At 31 December 1999	473,815	560,517	43,770	10,790	273,642	1,362,534

The cost of freehold land, which is not depreciated, is £10,890 (1999 : £10,890).

9 Stock

	2000 £	1999 £
Raw materials and consumables	3,405,902	2,245,027
Finished goods	92,823	245,333
	3,498,725	2,490,360

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

10 Debtors

	2000 £	1999 £
Amounts falling due within one year		
Trade debtors	3,710,509	3,897,791
Prepayments & accrued income	154,417	81,921
Other debtors	133,119	100,928
Amounts due by other group companies	696,241	495,568
	<u>4,694,286</u>	<u>4,576,208</u>

11 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	2,066,066	1,246,618
Amounts owed to immediate parent company	6,344,629	5,336,629
Amounts owed to fellow subsidiary	9,675	18,085
Other tax and social security	95,298	89,067
Accrued charges	380,357	311,453
	<u>8,896,025</u>	<u>7,001,852</u>

12 Provisions for liabilities and charges

	Warranty Provision £	Deferred Taxation (see below) £	Total £
At 1 January 2000	12,721	67,723	80,444
Profit and loss account	12,279	(25,707)	(13,428)
At 31 December 2000	<u>25,000</u>	<u>42,016</u>	<u>67,016</u>

Warranty costs are expensed as incurred, however, a provision for an estimated one month worth of general warranty claims from customers net of estimated amounts recoverable from suppliers for faulty parts has been made.

13 Deferred tax

	Accelerated Capital Allowances £	Other Timing Differences £	Total £
Deferred tax / (tax relief) at beginning of year	71,539	(3,816)	67,723
Prior year adjustments	(294)	3,816	3,522
Deferred tax for year (note 7)	(13,448)	(15,781)	(29,229)
Deferred tax at end of year	57,797	(15,781)	42,016

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

14 Share capital

	2000 £	1999 £
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

15 Profit and loss account

	£
At 1 January 2000	1,397,030
Loss for the year	(587,061)
At 31 December 2000	809,969

16 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Opening shareholders' funds	1,412,030	2,606,520
Loss for the financial year	(587,061)	(1,194,490)
Closing shareholders' funds	824,969	1,412,030

17 Contingent liabilities

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

18 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements at 31 December 2000 amounted to £24,357 (1999 : £11,241).

19 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 £89,800 (1999: £84,000) and the leases are renegotiable every five year, with the exception of a fourth unit which is currently being leased on an annual basis.

(ii) Other

At 31 December 2000 the company had minimum annual commitments under operating leases expiring within the following periods:

	2000 £	1999 £
Within one year	17,604	6,395
From two to five years	78,470	121,606
	<u>96,074</u>	<u>128,001</u>

20 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 projected unit method. The most recent valuation is dated 6 April 1998 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 1998 was £1,883,319 which represented 162% 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 1998 have been 4.5% 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 next triennial valuation is due on 6th April 2001 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 £68,367, (1999 : £65,906).

As at 31 December 2000, £52,603 was included within accruals in respect of the pension scheme.

21 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 group.