



HEIL Europe Limited Annual report
for the year ended 31 December 2001
Registered no : 53003

**Directors' report
for the year ended 31 December 2001**

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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 profit after tax of £105,474 (2000: loss £587,061).

The directors do not recommend the payment of a dividend for the year (2000: 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 2001 (continued)****Directors' responsibilities statement**

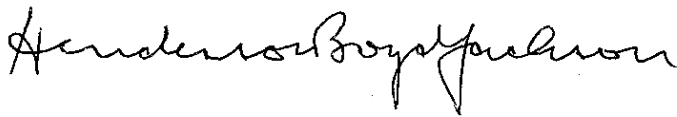
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- 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

27 June 2002

Independent auditors' report to the members of HEIL Europe Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors,
Edinburgh

1 July 2002

Profit and loss account for the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	2	18,294,701	16,950,196
Cost of sales		(15,671,358)	(15,577,981)
Gross profit		2,623,343	1,372,215
Administrative expenses		(2,382,628)	(2,196,688)
Operating profit / (loss)		240,715	(824,473)
Interest receivable and similar income		20,222	11,583
Interest payable and similar charges	6	(946)	(574)
Profit / (loss) on ordinary activities before taxation	3	259,991	(813,464)
Tax on profit / (loss) on ordinary activities	7	(154,517)	226,403
Retained profit /(loss) for the financial year	16	105,474	(587,061)

All the above figures relate to continuing activities.

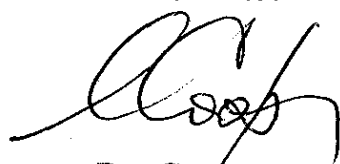
There were no recognised gains or losses other than the profit / (loss) above and therefore no separate statement of total recognised gains and losses has been presented.

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

**Balance sheet
at 31 December 2001**

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	1,528,099	1,443,890
Current assets			
Stocks	9	2,712,919	3,498,725
Debtors	10	3,950,976	4,694,286
Bank and cash balances		61,167	151,109
		<u>6,725,062</u>	<u>8,344,120</u>
Creditors: amounts falling due within one year	11	<u>(7,109,493)</u>	<u>(8,896,025)</u>
Net current liabilities		<u>(384,431)</u>	<u>(551,905)</u>
Total assets less current liabilities		1,143,668	891,985
Provisions for liabilities and charges	12	(213,225)	(67,016)
Net assets		<u>930,443</u>	<u>824,969</u>
Capital and reserves			
Share capital	14	15,000	15,000
Profit and loss account	15	915,443	809,969
Equity shareholders' funds	16	<u>930,443</u>	<u>824,969</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 27 June 2002 and were signed on its behalf by:



Roy Cooper
Director

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 units, spares and services sold including, where applicable, chassis, hoists and other third party supplied goods. Turnover is recognised when the goods are dispatched to the contracted point of delivery.

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.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings - 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)

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 re-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. Pension costs charged in the financial statements are calculated so as to spread the cost of pensions over the employees' working lives with the company.

2 Analysis of turnover

	2001 £	2000 £
UK	11,444,314	11,776,291
Other	6,850,387	5,173,905
	<u>18,294,701</u>	<u>16,950,196</u>

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

3 Profit / (loss) on ordinary activities before taxation

	2001 £	2000 £
Profit / (loss) on ordinary activities before taxation is stated after charging:-		
Auditors' remuneration – current year	13,500	13,000
Auditors' remuneration – non-audit fees	29,105	19,671
Depreciation	362,420	363,837
Hire of plant and machinery	192,240	56,226
Operating lease rentals:		
Equipment	3,495	5,414
Buildings	89,800	89,800
Motor Vehicles	81,526	70,230
Foreign exchange losses	31,129	117,661

4 Directors' emoluments

	2001	2000
Aggregate emoluments	109,212	108,878
Compensation for loss of office	54,700	-
	163,912	108,878

Retirement benefits are accruing to two directors, (2000:one), 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:

	2001 Number	2000 Number
Production	154	145
Selling & distribution	11	11
Administration	17	18

5 Employee information (continued)

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	3,268,226	3,074,145
Social security costs	287,706	263,532
Pension contributions (note 20)	94,606	68,367
	<u>3,650,538</u>	<u>3,406,044</u>

6 Interest payable and similar charges

	2001	2000
	£	£
On bank overdraft	946	574
	<u>946</u>	<u>574</u>

7 Tax on profit / (loss) on ordinary activities

	2001	2000
	£	£
UK corporation tax at 30%, (2000:30%), on the profit / (loss) for the year on ordinary activities	160,138	(194,220)
Deferred taxation	(42,016)	(29,229)
	<u>118,122</u>	<u>223,449</u>
Adjustments relating to an earlier year:		
Corporation tax	36,395	(6,476)
Deferred tax	-	3,522
	<u>36,395</u>	<u>(2,954)</u>
	<u>154,517</u>	<u>(226,403)</u>

8 Tangible fixed assets

	Freehold land and buildings £	Plant & Machinery £	Office Furniture £	Motor Vehicles £	Computer Equipment £	Total £
Cost						
At 1 January 2001	984,517	1,971,559	120,207	17,850	567,496	3,661,629
Additions	124,755	216,366	15,915	-	90,834	447,870
Disposals	-	-	-	-	(1,241)	(1,241)
At 31 December 2001	1,109,272	2,187,925	136,122	17,850	657,089	4,108,258
Depreciation						
At 1 January 2001	527,807	1,332,270	94,352	14,677	248,633	2,217,739
Charge for year	54,000	191,000	13,800	1,620	102,000	362,420
At 31 December 2001	581,807	1,523,270	108,152	16,297	350,633	2,580,159
Net book value						
At 31 December 2001	527,465	664,655	27,970	1,553	306,456	1,528,099
At 31 December 2000	456,710	639,289	25,855	3,173	318,863	1,443,890

The cost of freehold land, which is not depreciated, is £10,890 (2000 : £10,890).

9 Stock

	2001 £	2000 £
Raw materials and consumables	2,574,419	3,405,902
Finished goods	138,500	92,823
	2,712,919	3,498,725

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

10 Debtors

	2001 £	2000 £
Amounts falling due within one year		
Trade debtors	3,565,805	3,710,509
Prepayments & accrued income	74,229	154,417
Other debtors	106,117	133,119
Amounts due by other group companies	<u>204,825</u>	<u>696,241</u>
	<u>3,950,976</u>	<u>4,694,286</u>

11 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	1,525,933	2,066,066
Amounts owed to immediate parent company	4,886,000	6,344,629
Amounts owed to fellow subsidiary	74,080	9,675
Other tax and social security	79,121	95,298
Accrued charges	337,221	380,357
Corporation tax	<u>207,138</u>	<u>-</u>
	<u>7,109,493</u>	<u>8,896,025</u>

12 Provisions for liabilities and charges

	Pension Provision	Warranty Provision	Deferred Taxation (Note 13)	Total
		£	£	£
At 1 January 2001	-	25,000	42,016	67,016
Profit and loss account	100,060	88,165	(42,016)	146,209
At 31 December 2001	<u>100,060</u>	<u>113,165</u>	<u>-</u>	<u>213,225</u>

Warranty costs are expensed as incurred, however, a provision based on an estimate of one month of claims together with an estimate of specific known claims from customers net of estimated amounts recoverable from suppliers for faulty parts has been made. An additional provision has also been made where a customer has purchased an extended warranty over and above the standard warranty.

The pension provision reflects the company's regular cost obligation under the terms of SSAP 24. The company is currently on a contributions holiday.

13 Deferred tax

	Accelerated Capital Allowances £	Other Timing Differences £	Total £
Deferred tax / (tax relief) at beginning of year	57,797	(15,781)	42,016
Deferred tax for year (note 7)	(10,196)	(31,820)	(42,016)
Deferred tax at end of year	47,601	(47,601)	-

In addition to the above there is an unrecognised deferred tax asset in respect of short term timing differences of £19,043, (2000:nil).

14 Share capital

	2001 £	2000 £
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 2001	809,969
Profit for the year	105,474
At 31 December 2001	915,443

16 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	824,969	1,412,030
Profit / (Loss) for the financial year	105,474	(587,061)
Closing shareholders' funds	930,443	824,969

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 2001 amounted to £89,916 (2000 : £24,357).

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 (2000: £89,800) and the leases are renegotiable every five years, with the exception of a fourth unit which is currently being leased on an annual basis.

(ii) Other

At 31 December 2001 the company had minimum annual commitments under operating leases expiring within the following periods:

	2001	2000
	£	£
Within one year	18,697	17,604
From two to five years	78,033	78,470
	96,730	96,074

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 2001 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 2001 was £2,353,922 which represented 148% of the benefits accrued to members, after allowing for expected increases in earnings. On the advice of the actuary the contribution rate of the company and employees since 6 April 2001 should be 4.9% 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 next triennial valuation is due on 6th April 2004.

The pension cost for the year charged to the profit and loss account is £94,606, (2000:£68,367).

As at 31 December 2001, £47,146, (2000:£52,603), was included within accruals and £100,060, (2000:nil), was included in provisions in respect of the pension scheme.

Pensions – FRS17 Retirement Benefits

The valuation used for FRS17 disclosures has been based on the most recent valuation at 6 April 2001 and updated by Scottish Life Assurance Company, to take account of the requirements of FRS17 in order to assess the liabilities of the Scheme at 31 December 2001. Scheme assets are stated at their market value at 31 December 2001. Details of this update are given below.

The major assumptions used by the actuary were:

Rate of increase in salaries	5%
Rate of increases to pensions in payment	3%
Discount rate	6%
Rate of inflation	3%
Rate of revaluation for pensions in deferment	3%

20 Pensions Arrangements (continued)
Pensions – FRS17 Retirement Benefits (continued)

The assets in the Scheme and the expected rates of return were:

	Long-term rate of return Expected at 31.12.2001	Valuation at 31.12.2001
		£
Other	5.25%	3,342,118

The following amounts at 31 December 2001 were measured in accordance with the requirements of FRS 17:

	£
Total market value of assets	3,342,118
Present value of Scheme liabilities	<u>(2,142,096)</u>
Surplus in the Scheme	1,200,022
Related deferred tax liability	<u>(360,007)</u>
Net Pension Asset	<u>840,015</u>

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 December 2001 would be as follows:

	£
Net assets excluding pension asset	930,443
Pension asset	<u>840,015</u>
Net assets including pension asset	<u>1,770,458</u>
Profit and loss reserve excluding pension asset	915,443
Pension reserve	<u>840,015</u>
Profit and loss reserve	<u>1,755,458</u>

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.