

HEIL Europe Limited
Annual report for the year ended
31 December 2002

Registration no : 53003



**Directors' report
for the year ended 31 December 2002**

The directors present their report and the audited financial statements for the year ended 31 December 2002.

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 £312,952, (2001: profit £105,474).

The directors are satisfied with the results for the year and of the future prospects of the company.

The directors do not recommend the payment of a dividend for the year (2001: Nil).

Directors

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

Glenn Chambers – resigned 21 October 2002
Laurence F Gray
Roy Cooper

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

**Directors' report
for the year ended 31 December 2002 (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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained under Note 1 "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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. 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 conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 12 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to re appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board

Henderson Boyd Jackson W.S.
Company Secretary
Edinburgh

26 March 2003

**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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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.

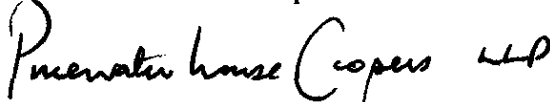
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors,
Edinburgh

28 March 2003

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	13,552,280	18,294,701
Cost of sales		(11,003,591)	(15,671,358)
Gross profit		2,548,689	2,623,343
Administrative expenses		(2,030,101)	(2,382,628)
Operating profit		518,588	240,715
Interest receivable and similar income	6	8,294	20,222
Interest payable and similar charges	7	(1,868)	(946)
Profit on ordinary activities before taxation	3	525,014	259,991
Tax on profit on ordinary activities	8	(212,062)	(154,517)
Retained profit for the financial year	17	312,952	105,474

All the above figures relate to continuing activities.

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

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

Balance sheet at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	9	1,287,969	1,528,099
Current assets			
Stocks	10	3,087,849	2,712,919
Debtors	11	1,845,042	3,950,976
Bank and cash balances		-	61,167
		<u>4,932,891</u>	<u>6,725,062</u>
Creditors: amounts falling due within one year	12	<u>(4,687,343)</u>	<u>(7,109,493)</u>
Net current liabilities		<u>(245,548)</u>	<u>(384,431)</u>
Total assets less current liabilities		1,533,517	1,143,668
Provisions for liabilities and charges	13	(290,122)	(213,225)
Net assets		<u>1,243,395</u>	<u>930,443</u>
Capital and reserves			
Share capital	15	15,000	15,000
Profit and loss account	16	1,228,395	915,443
Equity shareholders' funds	17	<u>1,243,395</u>	<u>930,443</u>

The financial statements on pages 4 to 18 were approved by the board of directors on 25 March 2003 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 over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings - leasehold	Straight Line over 20 Years
Plant and machinery	Straight Line over 5 to 9 Years
Office furniture and equipment	Straight Line over 3 Years
Computer equipment	Straight Line over 3 to 5 Years

During the period the company reduced the useful economic lives of Office furniture and equipment and Computer equipment from 5 years to 3 years to more accurately reflect the remaining economic lives of the assets concerned.

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

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future.

An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

Amounts payable and receivable in foreign currencies

Monetary assets 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.

Changes in accounting policy

The company has adopted FRS 19, "Deferred tax" in the financial statements. Although adoption of this new standard represents a change in accounting policy, results previously reported by the company have not been affected by its adoption.

2 Analysis of turnover

	2002 £	2001 £
UK	11,244,514	11,444,314
Other	2,307,766	6,850,387
	<u>13,552,280</u>	<u>18,294,701</u>

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

3 Profit on ordinary activities before taxation

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after charging:-		
Auditors' remuneration – current year	16,000	13,500
Auditors' remuneration – non-audit fees	14,650	29,105
Depreciation	441,521	362,420
Hire of plant and machinery	79,869	192,240
Foreign exchange (gains) / losses	(8,340)	31,129
Operating lease rentals:		
Equipment	777	3,495
Buildings	100,065	89,800
Motor Vehicles	69,486	81,526

4 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments	88,326	109,212
Compensation for loss of office	-	54,700
	<u>88,326</u>	<u>163,912</u>

Retirement benefits are accruing to one director, (2001: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:

	2002 Number	2001 Number
Production	137	154
Selling & distribution	8	11
Administration	15	17
	<u>160</u>	<u>182</u>

5 Employee information (continued)

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	2,926,081	3,268,226
Social security costs	232,511	287,706
Pension contributions (note 21)	116,949	94,606
	<u>3,275,541</u>	<u>3,650,538</u>

6 Interest receivable and similar income

	2002	2001
	£	£
On bank deposits	8,294	20,222
	<u>8,294</u>	<u>20,222</u>

7 Interest payable and similar charges

	2002	2001
	£	£
On bank overdraft	1,868	946
	<u>1,868</u>	<u>946</u>

8 Taxation on profit for the year

	2002 £	2001 £
Current tax:		
UK corporation tax at 30%, (2001:30%), on the profit for the year on ordinary activities	214,993	160,138
Adjustment in respect of previous periods	(2,931)	36,395
Total current tax	<u>212,062</u>	<u>196,533</u>
Deferred taxation:		
Originating and reversal of timing differences (ACA and other)	-	(43,811)
Adjustment in respect of previous period	-	1,795
Total deferred tax (note 14)	<u>-</u>	<u>(42,016)</u>
Tax on profit on ordinary activities	<u>212,062</u>	<u>154,517</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	525,014	259,991
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001:30%)	157,504	77,997
Effects of:		
Expenses not deductible for tax purposes	1,693	19,287
Accelerated capital allowances and other timing differences	-	43,811
Adjustments to tax charge in respect of previous periods	(2,931)	36,395
Deferred tax asset not recognised	55,796	19,043
Current tax charge for the period	<u>212,062</u>	<u>196,533</u>

9 Tangible fixed assets

	Freehold land and buildings £	Plant & Machinery £	Office Furniture £	Motor Vehicles £	Computer Equipment £	Total £
Cost						
At 1 January 2002	1,109,272	2,187,925	136,122	17,850	657,089	4,108,258
Additions	39,659	135,161	3,500	-	23,071	201,391
Disposals	-	-	-	-	-	-
At 31 December 2002	1,148,931	2,323,086	139,622	17,850	680,160	4,309,649
Depreciation						
At 1 January 2002	581,807	1,523,270	108,152	16,297	350,633	2,580,159
Charge for year	59,846	219,115	21,340	1,553	139,667	441,521
At 31 December 2002	641,653	1,742,385	129,492	17,850	490,300	3,021,680
Net book value						
At 31 December 2002	507,278	580,701	10,130	-	189,860	1,287,969
At 31 December 2001	527,465	664,655	27,970	1,553	306,456	1,528,099

The cost of freehold land, which is not depreciated, is £10,890 (2001: £10,890).

10 Stock

	2002 £	2001 £
Raw materials and consumables	2,645,629	2,574,419
Finished goods	442,220	138,500
	3,087,849	2,712,919

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

11 Debtors

	2002 £	2001 £
Amounts falling due within one year		
Trade debtors	1,778,719	3,565,805
Prepayments & accrued income	45,952	74,229
Other debtors	20,371	106,117
Amounts due by other group companies	-	204,825
	<u>1,845,042</u>	<u>3,950,976</u>

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	11,994	-
Trade creditors	1,260,420	1,525,933
Amounts owed to immediate parent company	2,360,997	4,886,000
Amounts owed to fellow subsidiaries	-	74,080
Other tax and social security	295,417	79,121
Accruals and deferred income	543,522	337,221
Corporation tax	214,993	207,138
	<u>4,687,343</u>	<u>7,109,493</u>

13 Provisions for liabilities and charges

	Pension Provision	Warranty Provision	Deferred Taxation (Note 14)	Total
	£	£	£	£
At 1 January 2001	100,060	113,165	-	213,225
Profit and loss account	18,356	58,541	-	76,897
	<u>118,416</u>	<u>171,706</u>	<u>-</u>	<u>290,122</u>

The pension provision reflects the company's regular cost obligation under the terms of SSAP 24.

The warranty provision reflects the company's expected cost of meeting anticipated warranty claims for refuse collection equipment which is accounted for under the provisions of FRS 12.

14 Deferred tax

	Accelerated Capital Allowances £	Other Timing Differences £	Total £
Deferred tax / (tax relief) at beginning of year	47,601	(47,601)	-
Charged to profit and loss account in the year	<u>(44,728)</u>	<u>44,728</u>	<u>-</u>
Deferred tax at end of year	<u>2,873</u>	<u>(2,873)</u>	<u>-</u>

In addition to the above there is an unrecognised deferred tax asset in respect of short term timing differences of £76,157, (2001: £19,043).

15 Share capital

	2002 £	2001 £
Authorised		
15,000 Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
Allotted, Called up and fully paid		
15,000 Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

16 Profit and loss account

	2002 £	2001 £
At 1 January	915,443	809,969
Profit for the year	312,952	105,474
At 31 December	<u>1,228,395</u>	<u>915,443</u>

17 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Opening shareholders' funds	930,443	824,969
Profit for the financial year	312,952	105,474
Closing shareholders' funds	<u>1,243,395</u>	<u>930,443</u>

18 Contingent liabilities

The company has granted a guarantee to the Commissioners of Customs & Excise for £50,000 (2001: £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 2002 amounted to £18,559 (2001: £89,916).

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

At 31 December 2002 the company had minimum annual commitments under operating leases expiring within the following periods:

	2002 £	2001 £
Within one year	33,338	22,504
From one to two years	-	32,084
From two to five years	157,162	203,162
	<u>190,500</u>	<u>257,750</u>

(ii) Other

At 31 December 2002 the company had minimum annual commitments under operating leases expiring within the following periods:

	2002 £	2001 £
Within one year	7,341	18,697
From one to two years	67,376	7,341
From two to five years	64,463	70,692
	<u>139,180</u>	<u>96,730</u>

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 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 £116,949, (2001: £94,606).

As at 31 December 2002 £16,908, (2001: £47,146), was included within accruals and £118,416, (2001: £100,060), was included in provisions in respect of the pension scheme.

Pensions – FRS17 Retirement Benefits

The valuation used for FRS17 disclosures has been based in 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 2002. Scheme assets are stated at their market value at 31 December 2002. Details of this update are given below.

The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	4.0%	5.0%
Rate of increases to pensions in payment:-		
Accruing pre 6 April 1997	3.0%	3.0%
Accruing post 5 April 1997	5.0%	3.0%
Discount rate	5.5%	6.0%
Rate of inflation	2.5%	3.0%

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

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

	at 31.12.2002	at 31.12.2001
Expected long-term rate of return	5.0%	5.25%
Scheme Valuation	£3,344,000	£3,342,118

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

	2002 £	2001 £
Total market value of assets	3,344,000	3,342,118
Present value of Scheme liabilities	(2,542,000)	(2,142,096)
Surplus in the Scheme	802,000	1,200,022
Related deferred tax liability	(240,600)	(360,007)
Net Pension Asset	<u>561,400</u>	<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 would be as follows:

	2002 £	2001 £
Net assets excluding pension asset	1,243,395	930,443
Pension asset	561,400	840,015
Net assets including pension asset	<u>1,804,795</u>	<u>1,770,458</u>
Profit and loss reserve excluding pension asset	1,228,395	915,443
Pension asset	561,400	840,015
Profit and loss reserve including pension asset	<u>1,789,795</u>	<u>1,755,458</u>

21 Pensions Arrangements (continued)**Pensions – FRS17 Retirement Benefits (continued)****Analysis of the amounts charged to operating profit**

	2002
	£
Current Service Cost	(195,022)
Total Operating Charge	<u>(195,022)</u>

Analysis of the amount credited to other financial income

Expected Return on Pension Scheme Assets	177,000
Interest on Pension Scheme Liabilities	(134,000)
Net Return	<u>43,000</u>

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2002
	£
Actual return less expected return on pension scheme assets	(239,000)
Experience losses arising on the scheme liabilities	(97,000)
Changes in assumptions underlying the present value of the scheme liabilities	16,000
Actuarial loss recognised in the STRGL	<u>(320,000)</u>

Movements in Surplus during the year

Surplus at beginning of the year	1,200,022
Movement in year:	
Current Service cost	(195,022)
Contributions	74,000
Other financial income	43,000
Actuarial Loss	(320,000)
Surplus in Scheme at end of year	<u>802,000</u>

21 Pensions Arrangements (continued)

Pensions – FRS17 Retirement Benefits (continued)

History of experience gains and losses

	2002
	£
Difference between the expected and actual return on scheme assets:	
Amount	(239,000)
Percentage of scheme assets	(7.1%)
Experience losses on scheme liabilities:	
Amount	(97,000)
Percentage of the present value of scheme liabilities	(3.8%)
Changes in assumptions underlying the present value of the scheme liabilities	
Amount	16,000
Percentage of the present value of scheme liabilities	0.6%
Total amount recognised in the statement of total recognised gains and losses:	
Amount	(320,000)
Percentage of the present value of scheme liabilities	(12.6%)

22 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.