

YALE MATERIALS HANDLING UK LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

Company Registration No. 1228726 (England and Wales)



YALE MATERIALS HANDLING UK LIMITED

COMPANY INFORMATION

Directors

R.Eklund
G.Lewis
R Close (Appointed 1 April 2002)
G Holyland (Appointed 1 March 2002)

Secretary

T O'connell

Company number

1228726

Registered office

Flagship House
Reading Road North
Fleet
Hampshire GU13 8WD

Auditors

Duncan Sheard Glass
Castle Chambers
43 Castle Street
Liverpool
L2 9TL

Bankers

Bank of Scotland

YALE MATERIALS HANDLING UK LIMITED

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YALE MATERIALS HANDLING UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

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

Principal activities and review of the business

The principal activities of the company in the year under review were the selling, servicing and hiring of fork lift trucks.

Results and dividends

The results for the year are set out on page 4.

Post balance sheet events

One of the company's property leases has been disposed of since the year end for £170,000.

The euro

The impact of the introduction of the euro on the company has been considered and is not believed to be significant.

Directors

The following directors have held office since 1 January 2002:

R.Eklund	
G.Lewis	
V.Rickey	(Resigned 1 April 2002)
D Whitney	(Resigned 1 April 2002)
R Close	(Appointed 1 April 2002)
G Holyland	(Appointed 1 March 2002)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2002	1 January 2002
R.Eklund	-	-
G.Lewis	-	-
R Close	-	-
G Holyland	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Duncan Sheard Glass be reappointed as auditors of the company will be put to the Annual General Meeting.

YALE MATERIALS HANDLING UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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. 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.

By order of the board



T O'Connell
Secretary
9 June 2003

YALE MATERIALS HANDLING UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF YALE MATERIALS HANDLING UK LIMITED

We have audited the financial statements of Yale Materials Handling UK Limited on pages 4 to 16 for the year ended 31 December 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Duncan Sheard Glass

Chartered Accountants
Registered Auditor

9 June 2003

Castle Chambers
43 Castle Street
Liverpool
L2 9TL

YALE MATERIALS HANDLING UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	18,855,032	24,581,684
Cost of sales		(16,748,550)	(22,493,215)
Gross profit		<u>2,106,482</u>	<u>2,088,469</u>
Administrative expenses		(2,621,774)	(5,415,989)
Operating loss	3	<u>(515,292)</u>	<u>(3,327,520)</u>
Exceptional item	3	<u>325,581</u>	<u>-</u>
Loss on ordinary activities before interest		(189,711)	(3,327,520)
Other interest receivable and similar income		20,339	41,850
Amounts written off investments	4	-	(60,000)
Interest payable and similar charges	5	(203,630)	(770,861)
Loss on ordinary activities before taxation		<u>(373,002)</u>	<u>(4,116,531)</u>
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation	16	<u><u>(373,002)</u></u>	<u><u>(4,116,531)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

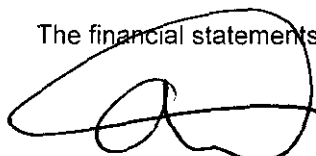
There are no recognised gains and losses other than those passing through the profit and loss account.

YALE MATERIALS HANDLING UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Intangible assets	7	1,812,532		2,218,768	
Tangible assets	8	1,561,266		1,468,840	
Investments	9	50,000		50,000	
		<u>3,423,798</u>		<u>3,737,608</u>	
Current assets					
Stocks	10	2,018,690		2,229,484	
Debtors	11	3,287,103		4,354,463	
Cash at bank and in hand		299,833		616,287	
		<u>5,605,626</u>		<u>7,200,234</u>	
Creditors: amounts falling due within one year	12	<u>(3,648,533)</u>		<u>(5,567,714)</u>	
Net current assets			<u>1,957,093</u>		<u>1,632,520</u>
Total assets less current liabilities			<u>5,380,891</u>		<u>5,370,128</u>
Creditors: amounts falling due after more than one year	13		<u>(2,287,528)</u>		<u>(1,903,763)</u>
			<u>3,093,363</u>		<u>3,466,365</u>
Capital and reserves					
Called up share capital	15		142		142
Share premium account	16		59,996		59,996
Other reserves	16		6,518,020		6,518,020
Profit and loss account	16		<u>(3,484,795)</u>		<u>(3,111,793)</u>
Shareholders' funds - equity interests	17		<u>3,093,363</u>		<u>3,466,365</u>

The financial statements were approved by the Board on 9 June 2003



G Holyland
Director

YALE MATERIALS HANDLING UK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001	
	£	£	£	£
Net cash outflow from operating activities		(492,075)		(3,560,755)
Returns on investments and servicing of finance				
Interest received	20,339		41,850	
Interest paid	(203,630)		(770,861)	
Net cash outflow for returns on investments and servicing of finance		(183,291)		(729,011)
Taxation		33,585		-
Capital expenditure and financial investment				
Payments to acquire intangible assets	-		(2,281,268)	
Payments to acquire tangible assets	(541,837)		(1,893,555)	
Receipts from sales of tangible assets	65,791		761,795	
Net cash outflow for capital expenditure		(476,046)		(3,413,028)
Net cash outflow before management of liquid resources and financing		(1,117,827)		(7,702,794)
Financing				
Capital contribution from parent company	-		6,518,020	
Other new short term loans	1,119,993		1,497,471	
Capital element of hire purchase contracts	(318,620)		(49,100)	
Net cash (outflow)/inflow from financing		801,373		7,966,391
(Decrease)/increase in cash in the year		(316,454)		263,597

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

1	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2002		2001	
		£		£	
	Operating loss	(515,292)		(3,327,520)	
	Depreciation of tangible assets	448,537		680,072	
	Amortisation of intangible assets	406,236		62,496	
	Profit on disposal of tangible assets	(64,917)		(200,801)	
	Decrease/(increase) in stocks	210,794		(1,835,916)	
	Decrease/(increase) in debtors	1,067,360		(3,720,397)	
	(Decrease)/Increase in creditors within one year	(2,044,793)		4,781,311	
	Net cash inflow/(outflow) from operating activities	(492,075)		(3,560,755)	
2	Analysis of net debt	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	616,287	(316,454)	-	299,833
	Debt:				
	Finance leases	(659,329)	318,620	-	(340,709)
	Debts falling due after one year	(1,497,471)	(721,297)	-	(2,218,768)
		(2,156,800)	(402,677)	-	(2,559,477)
	Net debt	(1,540,513)	(719,131)	-	(2,259,644)
3	Reconciliation of net cash flow to movement in net debt	2002		2001	
		£		£	
	(Decrease)/increase in cash in the year	(316,454)		263,597	
	Cash inflow from increase in debt and lease financing	(402,677)		(1,448,367)	
	Movement in net debt in the year	(719,131)		(1,184,770)	
	Opening net debt	(1,540,513)		(355,743)	
	Closing net debt	(2,259,644)		(1,540,513)	

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Goodwill

Goodwill represents the excess purchase price paid over the fair value of the net assets acquired.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	Between 20 and 40 years. Improvements at 5%-6.67%
Plant and machinery	Between 10% and 66.67% straight line
Office furniture and fittings	14.29% to 33% straight line
Motor vehicles	25% straight line
Other assets	Between 20% and 33.33% straight line

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is determined under the last-in, first-out (LIFO) method for manufactured inventories in the United States and for certain retail inventories. The first-in, first-out (FIFO) method is used with respect for all other inventories.

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

1 Accounting policies

(continued)

1.9 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2002	2001
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	406,236	62,496
Depreciation of tangible assets	448,537	680,072
Operating lease rentals	72,707	291,875
Auditors' remuneration	7,300	7,000
and after crediting:		
Profit on disposal of tangible assets	(64,917)	(200,801)
Exceptional item	(325,581)	-

The exceptional income has arisen due to a change in accounting policy concerning the recognition of deferred maintenance costs. Previously maintenance costs were provided for so as to spread their cost over the useful life of leased trucks. Maintenance costs are now charged against profits as incurred. The impact upon the profit and loss account of the policy change is a credit of £325,581.

4 Amounts written off investments

	2002	2001
	£	£
Amounts written off fixed asset investments:		
- permanent diminution in value	-	60,000

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

5	Interest payable	2002	2001
		£	£
	On bank loans and overdrafts	183,884	750,043
	Hire purchase interest	19,746	20,818
		<u>203,630</u>	<u>770,861</u>
6	Taxation		
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(373,002)	(4,116,531)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001 : 30.00%)	(111,901)	(1,234,959)
	Effects of:		
	Non deductible expenses	(65,926)	93,494
	Depreciation	256,432	162,530
	Capital allowances	(293,835)	(6,921)
	Tax losses utilised	215,230	985,856
		<u>111,901</u>	<u>1,234,959</u>
	Current tax charge	-	-
7	Intangible fixed assets		
			Goodwill
			£
	Cost		
	At 1 January 2002 & at 31 December 2002		2,500,000
	Amortisation		
	At 1 January 2002		281,232
	Charge for the year		406,236
	At 31 December 2002		<u>687,468</u>
	Net book value		
	At 31 December 2002		<u>1,812,532</u>
	At 31 December 2001		<u>2,218,768</u>

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

8 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Office furniture and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2002	538,677	2,268,686	193,964	1,278,804	4,280,131
Additions	7,558	528,789	5,490	-	541,837
Disposals	-	-	-	(766,274)	(766,274)
Reclassified	-	(120,206)	120,206	-	-
At 31 December 2002	546,235	2,677,269	319,660	512,530	4,055,694
Depreciation					
At 1 January 2002	186,879	1,212,721	151,635	1,260,057	2,811,292
On disposals	-	-	-	(765,401)	(765,401)
Charge for the year	44,109	349,610	36,944	17,874	448,537
Reclassified	-	(63,972)	63,972	-	-
At 31 December 2002	230,988	1,498,359	252,551	512,530	2,494,428
Net book value					
At 31 December 2002	315,247	1,178,910	67,109	-	1,561,266
At 31 December 2001	351,798	1,055,965	42,330	18,747	1,468,840

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 December 2002	162,840
At 31 December 2001	263,397
Depreciation charge for the year	
31 December 2002	77,647
31 December 2001	140,563

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

9 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2002 & at 31 December 2002	<u>50,000</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Mach (Sales & Hire) Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit/(loss) for the year
Mach (Sales & Hire) Limited	<u>50,000</u>	<u>-</u>

Mach (Sales & Hire) Limited was dormant throughout the year.

10 Stocks and work in progress

	2002 £	2001 £
Work in progress	84,419	94,775
Finished goods and goods for resale	<u>1,934,271</u>	<u>2,134,709</u>
	<u>2,018,690</u>	<u>2,229,484</u>

11 Debtors

	2002 £	2001 £
Trade debtors	3,000,838	3,395,791
Other debtors	<u>286,265</u>	<u>958,672</u>
	<u>3,287,103</u>	<u>4,354,463</u>

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

12 Creditors: amounts falling due within one year	2002	2001
	£	£
Net obligations under hire purchase contracts	271,949	253,037
Trade creditors	1,406,852	2,764,429
Amounts owed to parent and fellow subsidiary undertakings	398,696	-
Corporation tax	33,585	-
Other taxes and social security costs	346,864	358,884
Other creditors	-	980,775
Accruals and deferred income	1,190,587	1,210,589
	<u>3,648,533</u>	<u>5,567,714</u>
Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.		
13 Creditors: amounts falling due after more than one year	2002	2001
	£	£
Net obligations under hire purchase contracts	68,760	406,292
Amounts owed to group undertakings and undertakings in which the company has a participating interest	2,218,768	1,497,471
	<u>2,287,528</u>	<u>1,903,763</u>
Analysis of loans		
Wholly repayable within five years	2,218,768	1,497,471
	<u>2,218,768</u>	<u>1,497,471</u>
Loan maturity analysis		
In more than two years but not more than five years	2,218,768	1,497,471
	<u>2,218,768</u>	<u>1,497,471</u>
Net obligations under hire purchase contracts		
Repayable within one year	271,949	253,037
Repayable between one and five years	68,760	406,292
	<u>340,709</u>	<u>659,329</u>
Included in liabilities falling due within one year	(271,949)	(253,037)
	<u>68,760</u>	<u>406,292</u>

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

14 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2002 £	2001 £
Contributions payable by the company for the year	94,173	63,225

15 Share capital

	2002 £	2001 £
Authorised		
50,000 Ordinary shares of £ 1 each	50,000	50,000
Allotted, called up and fully paid		
142 Ordinary shares of £ 1 each	142	142

16 Statement of movements on reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2002	59,996	6,518,020	(3,111,793)
Retained loss for the year	-	-	(373,002)
Balance at 31 December 2002	59,996	6,518,020	(3,484,795)
Other reserves			
Capital contribution from parent company			
Balance at 1 January 2002 & at 31 December 2002		6,518,020	

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

17 Reconciliation of movements in shareholders' funds	2002 £	2001 £
Loss for the financial year	(373,002)	(4,116,531)
Movements on other reserves	-	6,518,020
Net (depletion in)/addition to shareholders' funds	(373,002)	2,401,489
Opening shareholders' funds	3,466,365	1,064,876
Closing shareholders' funds	3,093,363	3,466,365

18 Contingent liabilities

The company has entered into an unlimited cross company guarantee in favour of Mach (Sales and Hire) Limited.

19 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	2002	2001	2002	Other 2001
	£	£	£	£
Expiry date:				
Within one year	-	-	540,526	208,847
Between two and five years	-	-	1,812,578	2,343,732
In over five years	244,690	319,318	83,391	92,464
	<u>244,690</u>	<u>319,318</u>	<u>2,436,495</u>	<u>2,645,043</u>

20 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	66,637	-
Company pension contributions to money purchase schemes	1,771	-
	<u>68,408</u>	<u>-</u>

YALE MATERIALS HANDLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Sales	21	32
Rental	6	7
Parts	12	17
Service	132	187
Administration	16	21
	<u>187</u>	<u>264</u>

Employment costs

	£	£
Wages and salaries	1,987,847	2,935,741
Social security costs	179,130	286,336
Other pension costs	94,173	63,225
	<u>2,261,150</u>	<u>3,285,302</u>

22 Control

The ultimate parent company is NACCO Industries Inc, a company incorporated in the State of Delaware U.S.A. Under the conditions of FRS 8 the company is exempt in relation to related party disclosures in respect of group transactions on the grounds that details of the subsidiary are included in publicly available consolidated accounts, which are available from 5875 Landerbrook Drive, Mayfield Heights, Ohio 44124.