

HEIL Europe Limited
Annual report for the year ended
31 December 2003

Registration no : 53003



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Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

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 £22,878, (2002: profit £312,952). Due a group-wide reassessment of inventory holdings an additional provision of £310,000 was made in 2003. The warranty provision was also reassessed taking into account the introduction of new product models in 2003 and the increased number of units in operation.

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 (2002: Nil).

Directors

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

Laurence F Gray – resigned 25 September 2003

Roy Cooper

Michael Jobe – appointed 25 September 2003

None of the directors had any interest in the shares of the company or in any shares or debentures of any group undertaking during the year, such as would require to be disclosed to the company in accordance with the provisions of Section 324 of the Companies Act 1985. No director had any interest in any contract entered into by the company during the year.

Statement of 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 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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 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.

Directors' report for the year ended 31 December 2003 (continued)

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

A handwritten signature in black ink, appearing to read 'Ian M. Dwyer, Director'.

HBJ Secretarial Limited

Company Secretary

Edinburgh

14 April 2004

**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.

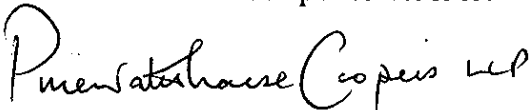
Basis of audit opinion

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 2003 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

19 April 2004

**Profit and loss account
for the year ended 31 December 2003**

	Notes	2003 £	2002 £
Turnover	2	19,348,674	13,552,280
Cost of sales		(17,011,038)	(11,003,591)
Gross profit		2,337,636	2,548,689
Administrative expenses		(2,303,701)	(2,030,101)
Operating profit		33,935	518,588
Interest receivable and similar income	6	902	8,294
Interest payable and similar charges	7	(2,230)	(1,868)
Profit on ordinary activities before taxation	3	32,607	525,014
Tax on profit on ordinary activities	8	(9,729)	(212,062)
Retained profit for the financial year	17	22,878	312,952

All the above figures relate to continuing activities.

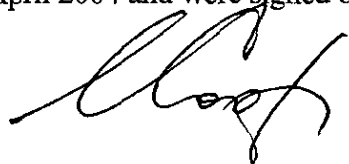
There were no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

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 as at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	9	<u>943,930</u>	<u>1,287,969</u>
Current assets			
Stocks	10	3,103,827	3,087,849
Debtors	11	<u>2,325,606</u>	<u>1,845,042</u>
		<u>5,429,433</u>	<u>4,932,891</u>
Creditors: amounts falling due within one year	12	<u>(4,504,278)</u>	<u>(4,687,343)</u>
Net current assets / (liabilities)		<u>925,155</u>	<u>(245,548)</u>
Total assets less current liabilities		1,869,085	1,533,517
Provisions for liabilities and charges	13	<u>(602,812)</u>	<u>(290,122)</u>
Net assets		<u>1,266,273</u>	<u>1,243,395</u>
Capital and reserves			
Share capital	15	15,000	15,000
Profit and loss account	16	<u>1,251,273</u>	<u>1,228,395</u>
Equity shareholder's funds	17	<u>1,266,273</u>	<u>1,243,395</u>

The financial statements on pages 4 to 18 were approved by the board of directors on 19 April 2004 and were signed on its behalf by:



Roy Cooper
Director

**Notes to the financial statements
for the year ended 31 December 2003****1 Accounting policies**

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

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
Building improvements	Straight line over 3 to 10 years
Plant and machinery	Straight line over 5 years
Office furniture and equipment	Straight line over 3 years
Computer equipment	Straight line over 3 to 5 years

Research and development expenditure

Expenditure in respect of research and development 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.

Notes to the financial statements for the year ended 31 December 2003 (continued)

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 and liabilities 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.

Warranties

The company has made a provision in respect of the estimated warranty costs which will be incurred over the standard warranty period. Where extended warranty cover has been purchased by customers the revenue is amortised over the extended warranty period.

2 Analysis of turnover - by destination

	2003	2002
	£	£
UK	16,559,512	11,244,514
Other	2,789,162	2,307,766
	<u>19,348,674</u>	<u>13,552,280</u>

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

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

3 Profit on ordinary activities before taxation

	2003	2002
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):-		
Auditors' remuneration – current year	16,750	16,000
Auditors' remuneration – non-audit fees	12,200	14,650
Depreciation	439,021	441,521
Hire of plant and machinery	149,863	79,869
Foreign exchange gains	(2,657)	(8,340)
Operating lease rentals:		
Equipment	-	777
Buildings	97,993	100,065
Motor vehicles	65,194	69,486

4 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	94,685	88,326

Retirement benefits are accruing to one director, (2002: 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:

	2003	2002
	Number	Number
Production	142	137
Selling & distribution	8	8
Administration	16	15
	166	160

**Notes to the financial statements
for the year ended 31 December 2003 (continued)****5 Employee information (continued)**

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	3,143,652	2,926,081
Social security costs	283,996	232,511
Pension contributions (note 21)	127,346	116,949
	<u>3,554,994</u>	<u>3,275,541</u>

6 Interest receivable and similar income

	2003	2002
	£	£
On bank deposits	<u>902</u>	<u>8,294</u>

7 Interest payable and similar charges

	2003	2002
	£	£
On bank overdraft	<u>2,230</u>	<u>1,868</u>

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

8 Taxation on profit for the year

	2003 £	2002 £
Current tax:		
UK corporation tax at 30%, (2002:30%), on the profit for the year on ordinary activities	51,814	214,993
Adjustment in respect of previous periods	(42,085)	(2,931)
Total current tax	<u>9,729</u>	<u>212,062</u>
Deferred taxation:		
Originating and reversal of timing differences (ACA and other)	-	-
Adjustment in respect of previous period	-	-
Total deferred tax (note 14)	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>9,729</u>	<u>212,062</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:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>32,607</u>	<u>525,014</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2002:30%)	9,782	157,504
Effects of:		
Expenses not deductible for tax purposes	(11,125)	1,693
Adjustments to tax charge in respect of previous periods	(42,085)	(2,931)
Deferred tax asset not recognised	53,157	55,796
Current tax charge for the period	<u>9,729</u>	<u>212,062</u>

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

9 Tangible fixed assets

	Freehold land and buildings £	Plant & Machinery £	Office Furniture £	Motor Vehicles £	Computer Equipment £	Total £
Cost						
At 1 January 2003	1,148,931	2,323,086	139,622	17,850	680,160	4,309,649
Additions	-	78,877	-	-	16,105	94,982
Disposals	-	-	-	(17,850)	-	(17,850)
At 31 December 2003	1,148,931	2,401,963	139,622	-	696,265	4,386,781
Depreciation						
At 1 January 2003	641,653	1,742,385	129,492	17,850	490,300	3,021,680
Charge for year	68,626	258,193	4,780	-	107,422	439,021
Disposals	-	-	-	(17,850)	-	(17,850)
At 31 December 2003	710,279	2,000,578	134,272	-	597,722	3,442,851
Net book value						
At 31 December 2003	438,652	401,385	5,350	-	98,543	943,930
At 31 December 2002	507,278	580,701	10,130	-	189,860	1,287,969

The cost of freehold land, which is not depreciated, is £10,890 (2002: £10,890).

10 Stock

	2003 £	2002 £
Raw materials and consumables	1,685,155	2,645,629
Finished goods	1,418,672	442,220
	3,103,827	3,087,849

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

11 Debtors

	2003 £	2002 £
Amounts falling due within one year		
Trade debtors	2,240,119	1,778,719
Prepayments & accrued income	57,496	45,952
Other debtors	27,991	20,371
	2,325,606	1,845,042

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	161,877	11,994
Trade creditors	1,758,804	1,260,420
Amounts owed to immediate parent company	1,059,536	2,360,997
Amounts owed to fellow subsidiaries	261	-
Other tax and social security	176,974	295,417
Accruals and deferred income	1,295,012	543,522
Corporation tax	51,814	214,993
	<u>4,504,278</u>	<u>4,687,343</u>

13 Provisions for liabilities and charges

	Pension provision	Warranty provision	Deferred taxation (Note 14)	Share options	Total
	£	£	£	£	£
At 1 January 2003	118,416	171,706	-	-	290,122
Profit and loss account	(3,073)	311,276	-	4,487	312,690
At 31 December 2003	<u>115,343</u>	<u>482,982</u>	<u>-</u>	<u>4,487</u>	<u>602,812</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.

The share option provision represents the difference between the 31 December 2003 closing price and the option exercise price for options in Dover Corporations stock granted to 2 employees of Heil Europe Limited.

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

14 Deferred tax

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

In addition to the above there is an unrecognised deferred tax asset in respect of short term timing differences of £38,336 (2002: £76,157), and £50,731 (2002: Nil) in respect of accelerated capital allowances.

15 Share capital

	2003 £	2002 £
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

	2003 £	2002 £
At 1 January	1,228,395	915,443
Profit for the year	22,878	312,952
At 31 December	<u>1,251,273</u>	<u>1,228,395</u>

17 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Opening shareholder's funds	1,243,395	930,443
Profit for the financial year	22,878	312,952
Closing shareholder's funds	<u>1,266,273</u>	<u>1,243,395</u>

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

18 Contingent liabilities

The company has granted a guarantee to the Commissioners of Customs & Excise for £50,000 (2002: £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 2003 amounted to £Nil (2002: £18,559).

20 Claims against the company

The directors have received a claim for £260,000 in respect of breach of contract. The directors have taken legal advice and refute this claim. The directors also believe that £100,000 of any such successful claim would be covered by insurance.

21 Leases

(i) Land and buildings

At 31 December 2003 the company had minimum annual commitments under operating leases expiring within the following periods:

	2003	2002
	£	£
Within one year	79,795	33,338
From one to two years	-	-
From two to five years	127,212	157,162
	<u>207,007</u>	<u>190,500</u>

(ii) Other

At 31 December 2003 the company had minimum annual commitments under operating leases expiring within the following periods:

	2003	2002
	£	£
Within one year	14,345	7,341
From one to two years	46,887	67,376
From two to five years	28,763	64,463
	<u>89,995</u>	<u>139,180</u>

Notes to the financial statements for the year ended 31 December 2003 (continued)

22 Pension arrangements

The company contributes to a defined benefit pension scheme operated by the Scottish Life Assurance Company. All employees are entitled to join the scheme 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 6 April 2004.

The pension cost for the year charged to the profit and loss account is £127,346 (2002: £116,949).

As at 31 December 2003 £7,955, (2002: £16,908), was included within accruals and £115,343, (2002: £118,416), 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 2003. Scheme assets are stated at their market value at 31 December 2003. Details of this update are given below.

The major assumptions used by the actuary were:

	2003	2002	2001
Rate of increase in salaries	4.4%	4.0%	5.0%
Rate of increases to pensions in payment:-			
Accruing pre 6 April 1997	3.0%	3.0%	3.0%
Accruing post 5 April 1997	2.9%	5.0%	3.0%
Discount rate	5.4%	5.5%	6.0%
Rate of inflation	2.9%	2.5%	3.0%

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

21 Pension arrangements (continued)

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

	at 31.12.2003	at 31.12.2002	at 31.12.2001
Expected long-term rate of return	5.0%	5.0%	5.25%
Scheme valuation	£3,654,000	£3,344,000	£3,342,118

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

	2003 £	2002 £	2001 £
Total market value of assets	3,654,000	3,344,000	3,342,118
Present value of scheme liabilities	(3,260,000)	(2,542,000)	(2,142,096)
Surplus in the scheme	394,000	802,000	1,200,022
Related deferred tax liability	(118,200)	(240,600)	(360,007)
Net pension asset	275,800	561,400	840,015

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:

	2003 £	2002 £
Net assets excluding pension asset	1,266,273	1,243,395
Pension asset	275,800	561,400
Net assets including pension asset	1,542,073	1,804,795
Profit and loss reserve excluding pension asset	1,251,273	1,228,395
Pension asset	275,800	561,400
Profit and loss reserve including pension asset	1,527,073	1,789,795

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

21 Pension arrangements (continued)

Analysis of the amounts charged to operating profit

	2003	2002
	£	£
Current service cost	(152,000)	(195,022)
Total operating charge	<u>(152,000)</u>	<u>(195,022)</u>

Analysis of the amount credited to other financial income

Expected return on pension scheme assets	171,000	177,000
Interest on pension scheme liabilities	(146,000)	(134,000)
Net return	<u>25,000</u>	<u>43,000</u>

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

	2003	2002
	£	£
Actual return less expected return on pension scheme assets	(12,000)	(239,000)
Experience losses arising on the scheme liabilities	(101,000)	(97,000)
Changes in assumptions underlying the present value of the scheme liabilities	(261,000)	16,000
Actuarial loss recognised in the STRGL	<u>(374,000)</u>	<u>(320,000)</u>

Movements in surplus during the year

Surplus at beginning of the year	802,000	1,200,022
Movement in year:		
Current service cost	(152,000)	(195,022)
Contributions	93,000	74,000
Other financial income	25,000	43,000
Actuarial loss	(374,000)	(320,000)
Surplus in scheme at end of year	<u>394,000</u>	<u>802,000</u>

**Notes to the financial statements
for the year ended 31 December 2003 (continued)**

21 Pensions arrangements (continued)

History of experience gains and losses

	2003	2002
	£	£
Difference between the expected and actual return on scheme assets:		
Amount	(12,000)	(239,000)
Percentage of scheme assets	(0%	(7%
Experience losses on scheme liabilities:		
Amount	(101,000)	(97,000)
Percentage of the present value of scheme liabilities	(3%	(4%
Changes in assumptions underlying the present value of the scheme liabilities		
Amount	(261,000)	16,000
Percentage of the present value of scheme liabilities	8%	1%
Total amount recognised in the statement of total recognised gains and losses:		
Amount	(374,000)	(320,000)
Percentage of the present value of scheme liabilities	(11%	(13%

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.