

**HEIL Europe Limited**  
**Annual Report for the year ended**  
**31 December 2004**

**Registered no: 53003**



**Directors' report for the year ended 31 December 2004**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

**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 £1,122,484 (2003: profit £22,878).

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 (2003: Nil).

**Directors**

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

Roy Cooper  
Michael Jobe

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 2004 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.

# HEIL Europe Limited

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## Directors' report for the year ended 31 December 2004 (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

Director   
HBJ Secretarial Limited

### HBJ Secretarial Limited

Company Secretary

Edinburgh

29 April 2005

**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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors,  
Edinburgh

3 May

2005

**Profit and loss account  
for the year ended 31 December 2004**

|                                                      | Notes | 2004<br>£               | 2003<br>£            |
|------------------------------------------------------|-------|-------------------------|----------------------|
| Turnover                                             | 2     | 20,193,100              | 19,348,674           |
| Cost of sales                                        |       | <u>(16,693,381)</u>     | <u>(17,011,038)</u>  |
| <b>Gross profit</b>                                  |       | <b>3,499,719</b>        | <b>2,337,636</b>     |
| Administrative expenses                              |       | <u>(2,402,652)</u>      | <u>(2,303,701)</u>   |
| <b>Operating profit</b>                              |       | <b>1,097,067</b>        | <b>33,935</b>        |
| Interest receivable and similar income               | 6     | 5,336                   | 902                  |
| Interest payable and similar charges                 | 7     | <u>(31,733)</u>         | <u>(2,230)</u>       |
| <b>Profit on ordinary activities before taxation</b> | 3     | <b>1,070,670</b>        | <b>32,607</b>        |
| Tax on profit on ordinary activities                 | 8     | <u>51,814</u>           | <u>(9,729)</u>       |
| <b>Retained profit for the financial year</b>        | 17    | <u><b>1,122,484</b></u> | <u><b>22,878</b></u> |

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.

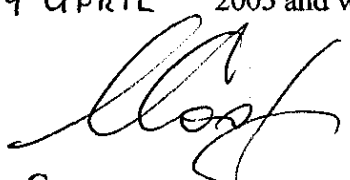
# HEIL Europe Limited

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## Balance sheet as at 31 December 2004

|                                                       | Notes | 2004<br>£          | 2003<br>£          |
|-------------------------------------------------------|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |       |                    |                    |
| Tangible assets                                       | 9     | <u>702,285</u>     | <u>943,930</u>     |
| <b>Current assets</b>                                 |       |                    |                    |
| Stocks                                                | 10    | 2,478,428          | 3,103,827          |
| Debtors                                               | 11    | <u>2,379,668</u>   | <u>2,325,606</u>   |
|                                                       |       | <u>4,858,096</u>   | <u>5,429,433</u>   |
| <b>Creditors: amounts falling due within one year</b> | 12    | <u>(2,383,853)</u> | <u>(4,504,278)</u> |
| <b>Net current assets</b>                             |       | <u>2,474,243</u>   | <u>925,155</u>     |
| <b>Total assets less current liabilities</b>          |       | <b>3,176,528</b>   | <b>1,869,085</b>   |
| <b>Provisions for liabilities and charges</b>         | 13    | <u>(787,771)</u>   | <u>(602,812)</u>   |
| <b>Net assets</b>                                     |       | <u>2,388,757</u>   | <u>1,266,273</u>   |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Share capital                                         | 15    | 15,000             | 15,000             |
| Profit and loss account                               | 16    | <u>2,373,757</u>   | <u>1,251,273</u>   |
| <b>Equity shareholder's funds</b>                     | 17    | <u>2,388,757</u>   | <u>1,266,273</u>   |

The financial statements on pages 4 to 19 were approved by the board of directors on  
29 APRIL 2005 and were signed on its behalf by:



Roy Cooper  
Director

**Notes to the financial statements  
for the year ended 31 December 2004****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 2004 (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**

|       | 2004              | 2003              |
|-------|-------------------|-------------------|
|       | £                 | £                 |
| UK    | 17,250,373        | 16,559,512        |
| Other | 2,942,727         | 2,789,162         |
|       | <u>20,193,100</u> | <u>19,348,674</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 2004 (continued)**

**3 Profit on ordinary activities before taxation**

|                                                                                             | 2004     | 2003    |
|---------------------------------------------------------------------------------------------|----------|---------|
|                                                                                             | £        | £       |
| <b>Profit on ordinary activities before taxation is stated after charging/(crediting):-</b> |          |         |
| Auditors' remuneration – current year                                                       | 18,000   | 16,750  |
| Auditors' remuneration – non-audit fees                                                     | 14,150   | 12,200  |
| Depreciation                                                                                | 361,666  | 439,021 |
| Hire of plant and machinery                                                                 | 120,974  | 149,863 |
| Foreign exchange gains                                                                      | (15,585) | (2,657) |
| Operating lease rentals:                                                                    |          |         |
| Buildings                                                                                   | 98,595   | 97,993  |
| Motor vehicles                                                                              | 85,517   | 65,194  |

**4 Directors' emoluments**

|                      | 2004   | 2003   |
|----------------------|--------|--------|
|                      | £      | £      |
| Aggregate emoluments | 98,365 | 94,685 |

Retirement benefits are accruing to one director, (2003: 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:

|                        | 2004   | 2003   |
|------------------------|--------|--------|
|                        | Number | Number |
| Production             | 149    | 142    |
| Selling & distribution | 8      | 8      |
| Administration         | 16     | 16     |
|                        | 173    | 166    |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)****5 Employee information (continued)**

The aggregate payroll costs of these persons were as follows:

|                                 | 2004             | 2003             |
|---------------------------------|------------------|------------------|
|                                 | £                | £                |
| Wages and salaries              | 3,350,329        | 3,143,652        |
| Social security costs           | 309,227          | 283,996          |
| Pension contributions (note 22) | 130,944          | 127,346          |
|                                 | <u>3,790,500</u> | <u>3,554,994</u> |

**6 Interest receivable and similar income**

|                | 2004         | 2003       |
|----------------|--------------|------------|
|                | £            | £          |
| Inland revenue | 5,137        | -          |
| Bank and other | 199          | 902        |
|                | <u>5,336</u> | <u>902</u> |

**7 Interest payable and similar charges**

|                | 2004          | 2003         |
|----------------|---------------|--------------|
|                | £             | £            |
| Inter-company  | 30,532        | -            |
| Bank and other | 1,201         | 2,230        |
|                | <u>31,733</u> | <u>2,230</u> |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**8 Taxation on profit for the year**

|                                                                                          | 2004                   | 2003                |
|------------------------------------------------------------------------------------------|------------------------|---------------------|
|                                                                                          | £                      | £                   |
| <b>Current tax:</b>                                                                      |                        |                     |
| UK corporation tax at 30%, (2003:30%), on the profit for the year on ordinary activities | -                      | 51,814              |
| Adjustments to tax charge in respect of previous periods                                 | <u>(51,814)</u>        | <u>(42,085)</u>     |
| <b>Tax on profit on ordinary activities</b>                                              | <u><b>(51,814)</b></u> | <u><b>9,729</b></u> |

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

|                                                                                    | 2004                    | 2003                 |
|------------------------------------------------------------------------------------|-------------------------|----------------------|
|                                                                                    | £                       | £                    |
| <b>Profit on ordinary activities before tax</b>                                    | <u><b>1,070,670</b></u> | <u><b>32,607</b></u> |
| Profit on ordinary activities multiplied by standard rate in the UK 30% (2003:30%) | <b>321,201</b>          | <b>9,782</b>         |
| Effects of:                                                                        |                         |                      |
| Expenses not deductible for tax purposes                                           | <b>(5,064)</b>          | <b>(11,125)</b>      |
| Adjustments to tax charge in respect of previous periods                           | <b>(51,814)</b>         | <b>(42,085)</b>      |
| Deferred tax asset not recognised                                                  | <b>41,841</b>           | <b>53,157</b>        |
| Group relief not paid for                                                          | <u><b>(357,978)</b></u> | <u><b>-</b></u>      |
| <b>Current tax charge for the period</b>                                           | <u><b>(51,814)</b></u>  | <u><b>9,729</b></u>  |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**9 Tangible fixed assets**

|                                               | Freehold<br>land and<br>buildings<br>£ | Plant &<br>machinery<br>£ | Office<br>furniture<br>£ | Computer<br>equipment<br>£ | Assets under<br>construction<br>£ | Total<br>£       |
|-----------------------------------------------|----------------------------------------|---------------------------|--------------------------|----------------------------|-----------------------------------|------------------|
| <b>Cost</b>                                   |                                        |                           |                          |                            |                                   |                  |
| At 1 January 2004                             | 1,148,931                              | 2,401,963                 | 139,622                  | 696,265                    | -                                 | 4,386,781        |
| Additions                                     | -                                      | 65,030                    | -                        | 33,946                     | 21,045                            | 120,021          |
| Disposals                                     | -                                      | -                         | (111,894)                | -                          | -                                 | (111,894)        |
| <b>At 31 December 2004</b>                    | <b>1,148,931</b>                       | <b>2,466,993</b>          | <b>27,728</b>            | <b>730,211</b>             | <b>21,045</b>                     | <b>4,394,908</b> |
| <b>Depreciation</b>                           |                                        |                           |                          |                            |                                   |                  |
| At 1 January 2004                             | 710,279                                | 2,000,578                 | 134,272                  | 597,722                    | -                                 | 3,442,851        |
| Charge for year                               | 68,627                                 | 196,636                   | 5,350                    | 91,053                     | -                                 | 361,666          |
| Disposals                                     | -                                      | -                         | (111,894)                | -                          | -                                 | (111,894)        |
| <b>At 31 December 2004</b>                    | <b>778,906</b>                         | <b>2,197,214</b>          | <b>27,728</b>            | <b>688,775</b>             | <b>-</b>                          | <b>3,692,623</b> |
| <b>Net book value<br/>At 31 December 2004</b> | <b>370,025</b>                         | <b>269,779</b>            | <b>-</b>                 | <b>41,436</b>              | <b>21,045</b>                     | <b>702,285</b>   |
| <b>At 31 December 2003</b>                    | <b>438,652</b>                         | <b>401,385</b>            | <b>5,350</b>             | <b>98,543</b>              | <b>-</b>                          | <b>943,930</b>   |

The cost of freehold land, which is not depreciated, is £10,890 (2003: £10,890).

**10 Stock**

|                               | 2004<br>£        | 2003<br>£        |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 1,889,312        | 1,685,155        |
| Finished goods                | 589,116          | 1,418,672        |
|                               | <b>2,478,428</b> | <b>3,103,827</b> |

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

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**11 Debtors**

|                                            | 2004             | 2003             |
|--------------------------------------------|------------------|------------------|
|                                            | £                | £                |
| <b>Amounts falling due within one year</b> |                  |                  |
| Trade debtors                              | 2,056,118        | 2,240,119        |
| Amounts owed by immediate parent company   | 193,097          | -                |
| Prepayments & accrued income               | 108,233          | 57,496           |
| Other debtors                              | 22,220           | 27,991           |
|                                            | <u>2,379,668</u> | <u>2,325,606</u> |

**12 Creditors: amounts falling due within one year**

|                                          | 2004             | 2003             |
|------------------------------------------|------------------|------------------|
|                                          | £                | £                |
| Bank overdraft                           | 14,855           | 161,877          |
| Trade creditors                          | 1,519,966        | 1,758,804        |
| Amounts owed to immediate parent company | -                | 1,059,536        |
| Amounts owed to fellow subsidiaries      | 34,197           | 261              |
| Other tax and social security            | 262,319          | 176,974          |
| Accruals and deferred income             | 552,516          | 1,295,012        |
| Corporation tax                          | -                | 51,814           |
|                                          | <u>2,383,853</u> | <u>4,504,278</u> |

**13 Provisions for liabilities and charges**

|                         | Pension<br>provision | Warranty<br>provision | Deferred<br>taxation<br>(Note 14) | Share<br>options | Total          |
|-------------------------|----------------------|-----------------------|-----------------------------------|------------------|----------------|
|                         | £                    | £                     | £                                 | £                | £              |
| At 1 January 2004       | 115,343              | 482,982               | -                                 | 4,487            | 602,812        |
| Profit and loss account | -                    | 183,516               | -                                 | 1,443            | 184,959        |
| At 31 December 2004     | <u>115,343</u>       | <u>666,498</u>        | <u>-</u>                          | <u>5,930</u>     | <u>787,771</u> |

## Notes to the financial statements for the year ended 31 December 2004 (continued)

### 13 Provisions for liabilities and charges (continued)

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 2004 closing price and the option exercise price for options in Dover Corporations stock granted to 1 employee of Heil Europe Limited.

### 14 Deferred tax

|                                | 2004       |              | 2003       |              |
|--------------------------------|------------|--------------|------------|--------------|
|                                | Recognised | Unrecognised | Recognised | Unrecognised |
|                                | £          | £            | £          | £            |
| Accelerated capital allowances | -          | (92,145)     | -          | (50,731)     |
| Other timing differences       | -          | (40,663)     | -          | (38,336)     |
|                                | -          | (132,808)    | -          | (89,067)     |

The deferred tax assets have not been recognised as the directors consider that they are unlikely to be recoverable in the foreseeable future.

### 15 Share capital

|                                           | 2004          | 2003          |
|-------------------------------------------|---------------|---------------|
|                                           | £             | £             |
| <b>Authorised</b>                         |               |               |
| 15,000 Ordinary shares of £1 each         | <u>15,000</u> | <u>15,000</u> |
| <b>Allotted, called up and fully paid</b> |               |               |
| 15,000 Ordinary shares of £1 each         | <u>15,000</u> | <u>15,000</u> |

### 16 Profit and loss account

|                               | 2004             | 2003             |
|-------------------------------|------------------|------------------|
|                               | £                | £                |
| At 1 January                  | 1,251,273        | 1,228,395        |
| Profit for the financial year | <u>1,122,484</u> | <u>22,878</u>    |
| At 31 December                | <u>2,373,757</u> | <u>1,251,273</u> |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**17 Reconciliation of movements in shareholders' funds**

|                               | 2004             | 2003             |
|-------------------------------|------------------|------------------|
|                               | £                | £                |
| Opening shareholder's funds   | 1,266,273        | 1,243,395        |
| Profit for the financial year | 1,122,484        | 22,878           |
| Closing shareholder's funds   | <u>2,388,757</u> | <u>1,266,273</u> |

**18 Contingent liabilities**

The company has granted a guarantee to the Commissioners of Customs & Excise for £50,000 (2003: £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 2004 amounted to £64,213 (2003: £Nil).

**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.

**21 Leases**

**(i) Land and buildings**

At 31 December 2004 the company had minimum annual commitments under operating leases expiring within the following periods:

|                        | 2004          | 2003           |
|------------------------|---------------|----------------|
|                        | £             | £              |
| Within one year        | -             | 79,795         |
| From one to two years  | 98,100        | -              |
| From two to five years | -             | 127,212        |
|                        | <u>98,100</u> | <u>207,007</u> |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**21 Leases (continued)**

**(ii) Other**

At 31 December 2004 the company had minimum annual commitments under operating leases expiring within the following periods:

|                        | 2004          | 2003          |
|------------------------|---------------|---------------|
|                        | £             | £             |
| Within one year        | 21,903        | 14,345        |
| From one to two years  | 12,657        | 46,887        |
| From two to five years | 41,334        | 28,763        |
|                        | <u>75,894</u> | <u>89,995</u> |

**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 2004 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 2004 was £3,775,000 which represented 122% 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 2004 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 2007.

The pension cost for the year charged to the profit and loss account is £130,944 (2003: £127,346).

As at 31 December 2004 £14,270 (2003: £7,955), was included within accruals and £115,343 (2003: £115,343), was included in provisions in respect of the pension scheme.

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**22 Pension arrangements (continued)**

**Pensions – FRS17 Retirement Benefits**

The valuation used for FRS17 disclosures has been based in the most recent valuation at 6 April 2004 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 2004. Scheme assets are stated at their market value at 31 December 2004. Details of this update are given below.

The major assumptions used by the actuary were:

|                                            | 2004 | 2003 | 2002 |
|--------------------------------------------|------|------|------|
| Rate of increase in salaries               | 3.9% | 4.4% | 4.0% |
| 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% | 2.9% | 5.0% |
| Discount rate                              | 5.3% | 5.4% | 5.5% |
| Rate of inflation                          | 2.9% | 2.9% | 2.5% |

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

|                                   | At<br>31 Dec<br>2004 | At<br>31 Dec<br>2003 | At<br>31 Dec<br>2002 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Expected long term rate of return | 5.0%                 | 5.0%                 | 5.0%                 |
| Scheme valuation                  | £3,660,000           | £3,654,000           | £3,344,000           |

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

|                                     | 2004<br>£   | 2003<br>£   | 2002<br>£   |
|-------------------------------------|-------------|-------------|-------------|
| Total market value of assets        | 3,660,000   | 3,654,000   | 3,344,000   |
| Present value of scheme liabilities | (3,291,000) | (3,260,000) | (2,542,000) |
| Surplus in the scheme               | 369,000     | 394,000     | 802,000     |
| Related deferred tax liability      | (110,700)   | (118,200)   | (240,600)   |
| Net pension asset                   | 258,300     | 275,800     | 561,400     |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**22 Pension arrangements (continued)**

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:

|                                                 | 2004             | 2003             | 2002             |
|-------------------------------------------------|------------------|------------------|------------------|
|                                                 |                  | £                | £                |
| Net assets excluding pension asset              | 2,388,757        | 1,266,273        | 1,243,395        |
| Pension asset                                   | 258,300          | 275,800          | 561,400          |
| Net assets including pension asset              | <u>2,647,057</u> | <u>1,542,073</u> | <u>1,804,795</u> |
| Profit and loss reserve excluding pension asset | 2,373,757        | 1,251,273        | 1,228,395        |
| Pension asset                                   | 258,300          | 275,800          | 561,400          |
| Profit and loss reserve including pension asset | <u>2,632,057</u> | <u>1,527,073</u> | <u>1,787,795</u> |

**Analysis of the amounts charged to operating profit**

|                        | 2004             | 2003             |
|------------------------|------------------|------------------|
|                        | £                | £                |
| Current service cost   | (241,000)        | (152,000)        |
| Total operating charge | <u>(241,000)</u> | <u>(152,000)</u> |

**Analysis of the amount credited to other financial income**

|                                          | 2004         | 2003          |
|------------------------------------------|--------------|---------------|
|                                          | £            | £             |
| Expected return on pension scheme assets | 176,000      | 171,000       |
| Interest on pension scheme liabilities   | (173,000)    | (146,000)     |
| Net return                               | <u>3,000</u> | <u>25,000</u> |

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

|                                                                               | 2004           | 2003             |
|-------------------------------------------------------------------------------|----------------|------------------|
|                                                                               | £              | £                |
| Actual return less expected return on pension scheme assets                   | 99,000         | (12,000)         |
| Experience losses arising on the scheme liabilities                           | (38,000)       | (101,000)        |
| Changes in assumptions underlying the present value of the scheme liabilities | 60,000         | (261,000)        |
| Actuarial gain / (loss) recognised in the STRGL                               | <u>121,000</u> | <u>(374,000)</u> |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)**

**22 Pension arrangements (continued)**

**Movements in surplus during the year**

|                                  | 2004           | 2003           |
|----------------------------------|----------------|----------------|
|                                  | £              | £              |
| Surplus at beginning of the year | 394,000        | 802,000        |
| Movement in year:                |                |                |
| Current service cost             | (241,000)      | (152,000)      |
| Contributions                    | 92,000         | 93,000         |
| Other financial income           | 3,000          | 25,000         |
| Actuarial gain / (loss)          | 121,000        | (374,000)      |
| Surplus in scheme at end of year | <u>369,000</u> | <u>394,000</u> |

**History of experience gains and losses**

|                                                                                | 2004   | 2003     | 2002      |
|--------------------------------------------------------------------------------|--------|----------|-----------|
|                                                                                | £      | £        | £         |
| <b>Difference between the expected<br/>and actual return on scheme assets:</b> |        |          |           |
| Amount                                                                         | 99,000 | (12,000) | (239,000) |
| Percentage of scheme assets                                                    | 3%     | (0%)     | (7%)      |

**Experience losses on scheme liabilities:**

|                                                       |          |           |          |
|-------------------------------------------------------|----------|-----------|----------|
| Amount                                                | (38,000) | (101,000) | (97,000) |
| Percentage of the present value of scheme liabilities | (1%)     | (3%)      | (4%)     |

**Changes in assumptions underlying the  
present value of the scheme liabilities**

|                                                       |        |           |        |
|-------------------------------------------------------|--------|-----------|--------|
| Amount                                                | 60,000 | (261,000) | 16,000 |
| Percentage of the present value of scheme liabilities | (2%)   | 8%        | 1%     |

**Total amount recognised in the statement  
of total recognised gains and losses:**

|                                                       |         |           |           |
|-------------------------------------------------------|---------|-----------|-----------|
| Amount                                                | 121,000 | (374,000) | (320,000) |
| Percentage of the present value of scheme liabilities | 4%      | (11%)     | (13%)     |

**Notes to the financial statements  
for the year ended 31 December 2004 (continued)****23 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.