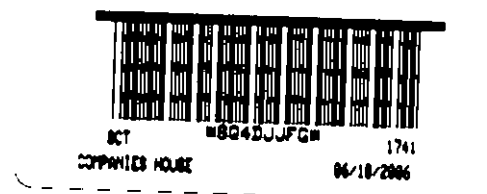


**HEIL Europe Limited**  
**Annual Report for the year ended**  
**31 December 2005**

**Registered no: 53003**



**Directors' report for the year ended 31 December 2005**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

**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 £948,947 (2004: profit £982,799).

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 (2004: Nil).

**Change in accounting policy**

The directors have adopted FRS17 "Retirement Benefits" in full during 2005. The impact of the adoption of this accounting standard is disclosed in notes 17 & 22 to the accounts.

**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 2005 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 2005 (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 ..... Alan Walker  
HBJGW Secretarial Limited

**HBJ Secretarial Limited**

Company Secretary

Edinburgh

29th May 2006

AW GW AW

**Independent auditors' report to the members of  
HEIL Europe Limited**

We have audited the financial statements for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

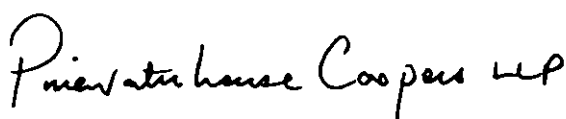
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

2nd June 2006

**Profit and loss account  
for the year ended 31 December 2005**

|                                                      | Notes | 2005<br>£               | 2004<br>(Restated)<br>£ |
|------------------------------------------------------|-------|-------------------------|-------------------------|
| <b>Turnover</b>                                      | 2     | <b>19,187,536</b>       | 20,193,100              |
| Cost of sales                                        |       | <u>(15,203,364)</u>     | <u>(16,693,381)</u>     |
| <b>Gross profit</b>                                  |       | <b>3,984,172</b>        | 3,499,719               |
| Administrative expenses                              |       | <u>(2,669,588)</u>      | <u>(2,545,337)</u>      |
| <b>Operating profit</b>                              |       | <b>1,314,584</b>        | 954,382                 |
| Interest receivable and similar income               | 6     | <b>24,553</b>           | 5,336                   |
| Interest payable and similar charges                 | 7     | <b>(2,621)</b>          | (31,733)                |
| Other finance income                                 | 22    | <u><b>8,000</b></u>     | <u>3,000</u>            |
| <b>Profit on ordinary activities before taxation</b> | 3     | <b>1,344,516</b>        | 930,985                 |
| Tax on profit on ordinary activities                 | 8     | <u><b>(395,569)</b></u> | <u>51,814</u>           |
| <b>Retained profit for the financial year</b>        | 17    | <u><b>948,947</b></u>   | <u>982,799</u>          |

All the above figures relate to continuing activities.

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.

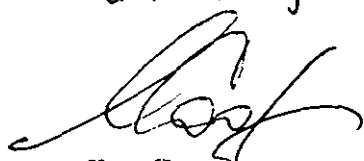
**Statement of Total Recognised Gains and Losses (STRGL)**

|                                                      | 2005                    | 2004                    |
|------------------------------------------------------|-------------------------|-------------------------|
|                                                      | £                       | (Restated)<br>£         |
| Profit for the financial year                        | 948,947                 | 982,799                 |
| Actuarial (loss)/gain on defined benefit pension     | (359,000)               | 121,000                 |
| Deferred tax associated with defined benefit pension | 100,500                 | 7,500                   |
|                                                      | <u>690,447</u>          | <u>1,111,299</u>        |
| Prior year adjustment for FRS17 (see note 17)        | 387,913                 | -                       |
| <b>Total recognised gains for the financial year</b> | <u><b>1,078,360</b></u> | <u><b>1,111,299</b></u> |

## Balance Sheet as at 31 December 2005

|                                                       | Notes | 2005               | 2004<br>(Restated) |
|-------------------------------------------------------|-------|--------------------|--------------------|
|                                                       |       | £                  | £                  |
| <b>Fixed assets</b>                                   |       |                    |                    |
| Tangible assets                                       | 9     | 740,081            | 702,285            |
| <b>Current assets</b>                                 |       |                    |                    |
| Stocks                                                | 10    | 2,865,562          | 2,478,428          |
| Debtors                                               | 11    | 4,214,273          | 2,379,668          |
|                                                       |       | <u>7,079,835</u>   | <u>4,858,096</u>   |
| <b>Creditors: amounts falling due within one year</b> | 12    | <u>(3,698,361)</u> | <u>(2,369,583)</u> |
| <b>Net current assets</b>                             |       | <u>3,381,474</u>   | <u>2,488,513</u>   |
| <b>Total assets less current liabilities</b>          |       | 4,121,555          | 3,190,798          |
| <b>Provisions for liabilities and charges</b>         | 13    | <u>(678,238)</u>   | <u>(672,428)</u>   |
| <b>Net assets excluding net pension asset</b>         |       | 3,443,317          | 2,518,370          |
| Net pension asset                                     |       | <u>23,800</u>      | <u>258,300</u>     |
| <b>Net assets including net pension asset</b>         |       | <u>3,467,117</u>   | <u>2,776,670</u>   |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Share capital                                         | 15    | 15,000             | 15,000             |
| Profit and loss account                               | 16    | <u>3,452,117</u>   | <u>2,761,670</u>   |
| <b>Equity shareholder's funds</b>                     | 17    | <u>3,467,117</u>   | <u>2,776,670</u>   |

The financial statements on pages 4 to 20 were approved by the board of directors on  
29th May 2006 and were signed on its behalf by:



**Roy Cooper**  
Director

**Notes to the financial statements  
for the year ended 31 December 2005**

**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.

**Change in accounting policy**

The company has adopted FRS17 "Retirement Benefits" in full for 2005. In prior years the Company had complied with the transitional disclosure requirements of this standard. Details of the effects of fully adopting FRS17 are given in note 17 & 22.

**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.

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**1 Accounting policies (continued)**

**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.

**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. In accordance with FSR17 "Retirement Benefits", the operating and financing costs of pensions are charged to the profit and loss account in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumption, is recognised in the statement of recognised gains and losses. Pension costs are assessed in accordance with the advice of a qualified actuary.

**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.

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**2 Analysis of turnover - by destination**

|       | 2005              | 2004              |
|-------|-------------------|-------------------|
|       | £                 | £                 |
| UK    | 16,213,810        | 17,250,373        |
| Other | 2,973,726         | 2,942,727         |
|       | <u>19,187,536</u> | <u>20,193,100</u> |

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

**3 Profit on ordinary activities before taxation**

|                                                                                                 | 2005    | 2004     |
|-------------------------------------------------------------------------------------------------|---------|----------|
|                                                                                                 | £       | £        |
| <b>Profit on ordinary activities before<br/>taxation is stated after charging/(crediting):-</b> |         |          |
| Auditors' remuneration – current year                                                           | 19,100  | 18,000   |
| Auditors' remuneration – non-audit fees                                                         | 19,000  | 14,150   |
| Depreciation                                                                                    | 220,422 | 361,666  |
| Hire of plant and machinery                                                                     | 41,023  | 120,974  |
| Foreign exchange losses/(gains)                                                                 | 32,075  | (15,585) |
| Operating lease rentals:                                                                        |         |          |
| Buildings                                                                                       | 98,100  | 98,595   |
| Motor vehicles                                                                                  | 91,744  | 85,517   |

**4 Directors' emoluments**

|                      | 2005           | 2004          |
|----------------------|----------------|---------------|
|                      | £              | £             |
| Aggregate emoluments | <u>104,851</u> | <u>98,365</u> |

Retirement benefits are accruing to one director, (2004: one), under the company's defined benefit scheme.

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**5 Employee information**

The average monthly number of persons (including executive directors) employed by the company during the year was:

|                        | 2005       | 2004       |
|------------------------|------------|------------|
|                        | Number     | Number     |
| Production             | 149        | 149        |
| Selling & distribution | 8          | 8          |
| Administration         | 17         | 16         |
|                        | <u>174</u> | <u>173</u> |

The aggregate payroll costs of these persons were as follows:

|                                 | 2005             | 2004             |
|---------------------------------|------------------|------------------|
|                                 | £                | (Restated)<br>£  |
| Wages and salaries              | 3,480,323        | 3,350,329        |
| Social security costs           | 320,223          | 309,227          |
| Pension contributions (note 22) | 291,000          | 241,000          |
|                                 | <u>4,091,546</u> | <u>3,900,556</u> |

**6 Interest receivable and similar income**

|                | 2005          | 2004         |
|----------------|---------------|--------------|
|                | £             | £            |
| Inter-company  | 24,205        | -            |
| Inland revenue | -             | 5,137        |
| Bank and other | 348           | 199          |
|                | <u>24,553</u> | <u>5,336</u> |

**7 Interest payable and similar charges**

|                | 2005         | 2004          |
|----------------|--------------|---------------|
|                | £            | £             |
| Inter-company  | -            | 30,532        |
| Bank and other | 2,621        | 1,201         |
|                | <u>2,621</u> | <u>31,733</u> |

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**8 Taxation on profit for the year**

|                                                                                          | 2005           | 2004            |
|------------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                          | £              | £               |
| <b>Current tax:</b>                                                                      |                |                 |
| UK corporation tax at 30%, (2004:30%), on the profit for the year on ordinary activities | 383,478        | -               |
| Adjustments to tax charge in respect of previous periods                                 | 12,091         | (51,814)        |
| <b>Tax on profit on ordinary activities</b>                                              | <u>395,569</u> | <u>(51,814)</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:

|                                                                                    | 2005             | 2004            |
|------------------------------------------------------------------------------------|------------------|-----------------|
|                                                                                    | £                | Restated<br>£   |
| <b>Profit on ordinary activities before tax</b>                                    | <u>1,344,516</u> | <u>930,985</u>  |
| Profit on ordinary activities multiplied by standard rate in the UK 30% (2004:30%) | 403,355          | 279,296         |
| Effects of:                                                                        |                  |                 |
| Expenses not deductible for tax purposes                                           | (11,605)         | 36,841          |
| Adjustments to tax charge in respect of previous periods                           | 12,091           | (51,814)        |
| Movement in potential deferred tax asset not recognised                            | (8,272)          | 41,841          |
| Group relief not paid for                                                          | -                | (357,978)       |
| <b>Current tax charge for the period</b>                                           | <u>395,569</u>   | <u>(51,814)</u> |

**Notes to the financial statements  
for the year ended 31 December 2005 (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 2005          | 1,148,931                              | 2,466,993                 | 27,728                   | 730,211                    | 21,045                            | 4,394,908        |
| Additions                  | -                                      | 180,291                   | -                        | 28,102                     | 49,825                            | 258,218          |
| Disposals                  | (360,955)                              | (1,688,787)               | (25,478)                 | (295,031)                  | -                                 | (2,370,251)      |
| <b>At 31 December 2005</b> | <b>787,976</b>                         | <b>958,497</b>            | <b>2,250</b>             | <b>463,282</b>             | <b>70,870</b>                     | <b>2,282,875</b> |
| <b>Depreciation</b>        |                                        |                           |                          |                            |                                   |                  |
| At 1 January 2005          | 778,906                                | 2,197,214                 | 27,728                   | 688,775                    | -                                 | 3,692,623        |
| Charge for year            | 53,350                                 | 146,245                   | -                        | 20,827                     | -                                 | 220,422          |
| Disposals                  | (360,955)                              | (1,688,787)               | (25,478)                 | (295,031)                  | -                                 | (2,370,251)      |
| <b>At 31 December 2005</b> | <b>471,301</b>                         | <b>654,672</b>            | <b>2,250</b>             | <b>414,571</b>             | <b>-</b>                          | <b>1,542,794</b> |
| <b>Net book value</b>      | <b>316,675</b>                         | <b>303,825</b>            | <b>-</b>                 | <b>48,711</b>              | <b>70,870</b>                     | <b>740,081</b>   |
| <b>At 31 December 2005</b> |                                        |                           |                          |                            |                                   |                  |
| At 31 December 2004        | 370,025                                | 269,779                   | -                        | 41,436                     | 21,045                            | 702,285          |

The cost of freehold land, which is not depreciated, is £10,890 (2004: £10,890).

**10 Stock**

|                               | 2005<br>£        | 2004<br>£        |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 2,374,013        | 1,889,312        |
| Finished goods                | 491,549          | 589,116          |
|                               | <u>2,865,562</u> | <u>2,478,428</u> |

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

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**11 Debtors**

|                                            | 2005             | 2004             |
|--------------------------------------------|------------------|------------------|
|                                            | £                | £                |
| <b>Amounts falling due within one year</b> |                  |                  |
| Trade debtors                              | 2,083,718        | 2,056,118        |
| Amounts owed by immediate parent company   | 2,013,582        | 193,097          |
| Prepayments & accrued income               | 95,105           | 108,233          |
| Other debtors                              | 21,868           | 22,220           |
|                                            | <u>4,214,273</u> | <u>2,379,668</u> |

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

|                                     | 2005             | 2004             |
|-------------------------------------|------------------|------------------|
|                                     | £                | (Restated)<br>£  |
| Bank overdraft                      | 43,460           | 14,855           |
| Trade creditors                     | 1,755,433        | 1,519,966        |
| Amounts owed to fellow subsidiaries | 77,176           | 34,197           |
| Other tax and social security       | 308,509          | 262,319          |
| Accruals and deferred income        | 1,130,305        | 538,246          |
| Corporation tax                     | 383,478          | -                |
|                                     | <u>3,698,361</u> | <u>2,369,583</u> |

**13 Provisions for liabilities and charges**

|                              | Warranty<br>provision | Deferred<br>taxation<br>(Note 14) | Share<br>options | Total          |
|------------------------------|-----------------------|-----------------------------------|------------------|----------------|
|                              | £                     | £                                 | £                | £              |
| At 1 January 2005 (Restated) | 666,498               | -                                 | 5,930            | 672,428        |
| Profit and loss account      | 3,103                 | -                                 | 2,707            | 5,810          |
| <b>At 31 December 2005</b>   | <u>669,601</u>        | <u>-</u>                          | <u>8,637</u>     | <u>678,238</u> |

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 FRS12.

The share option provision represents the difference between the 31 December 2005 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 2005 (continued)**

**14 Deferred tax**

|                                                              | 2005       |              | 2004                     |              |
|--------------------------------------------------------------|------------|--------------|--------------------------|--------------|
|                                                              | Recognised | Unrecognised | (Restated)<br>Recognised | Unrecognised |
|                                                              | £          | £            | £                        | £            |
| Accelerated capital allowances                               | -          | 93,124       | -                        | 92,145       |
| Other timing differences                                     | -          | 2,591        | -                        | 40,663       |
| Deferred taxation excluding<br>deferred tax on pension asset | -          | 95,715       | -                        | 132,808      |
| Pension liability                                            | (10,200)   | -            | (110,770)                | -            |
| Total deferred taxation                                      | (10,200)   | 95,715       | (110,770)                | 132,808      |

The unrecognised 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**

|                                           | 2005          | 2004          |
|-------------------------------------------|---------------|---------------|
|                                           | £             | £             |
| <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**

|                                    | 2005             | 2004             |
|------------------------------------|------------------|------------------|
|                                    | £                | (Restated)<br>£  |
| At 1 January                       | 2,761,670        | 1,650,371        |
| Profit for the financial year      | 948,947          | 982,799          |
| Pension related gains and (losses) | (258,500)        | 128,500          |
| At 31 December                     | <u>3,452,117</u> | <u>2,761,670</u> |

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

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

|                                         | 2005      | 2004      |
|-----------------------------------------|-----------|-----------|
|                                         | £         | £         |
| Opening balance as previously stated    | 2,388,757 | 1,266,273 |
| Previous year restatement (see note 22) | 387,913   | 399,098   |
| Opening balance (restated)              | 2,776,670 | 1,665,371 |
| Profit & loss                           | 948,947   | 982,799   |
| Pension related gains & (losses)        | (258,500) | 128,500   |
| Closing balance                         | 3,467,117 | 2,776,670 |

**18 Contingent liabilities**

The company has granted a guarantee to the Commissioners of Customs & Excise for £50,000 (2004: £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 2005 amounted to £Nil, (2004: £64,213).

**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 2005 the company had minimum annual commitments under operating leases expiring within the following periods:

|                       | 2005   | 2004   |
|-----------------------|--------|--------|
|                       | £      | £      |
| Within one year       | 40,875 | -      |
| From one to two years | -      | 98,100 |
|                       | 40,875 | 98,100 |

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 21 Leases (continued)

#### (ii) Other

At 31 December 2005 the company had minimum annual commitments under operating leases expiring within the following periods:

|                        | 2005           | 2004          |
|------------------------|----------------|---------------|
|                        | £              | £             |
| Within one year        | 22,869         | 21,903        |
| From one to two years  | 66,263         | 12,657        |
| From two to five years | 53,818         | 41,334        |
|                        | <u>142,950</u> | <u>75,894</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. The most recent valuation is dated 6 April 2004 and relates to service by members up to that date.

FRS 17, "Retirement benefits" has been fully adopted for 2005. The adoption of FRS 17 has required a change to the accounting treatment of defined benefit pension arrangements, such that the group includes the assets and liabilities of these arrangements in the Group's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Prior period results have been restated as follows.

|                                               | Operating Profit | Net Interest Receivable | Taxation      | Profit for the Year |
|-----------------------------------------------|------------------|-------------------------|---------------|---------------------|
|                                               | £                | £                       | £             | £                   |
| Year to 31 December 2004 as previously stated | 1,097,067        | (26,397)                | 51,814        | 1,122,484           |
| Adoption of FRS17                             | (142,685)        | 3,000                   | -             | (139,685)           |
| <b>Year to 31 December 2004 restated</b>      | <b>954,382</b>   | <b>(23,397)</b>         | <b>51,814</b> | <b>(982,799)</b>    |

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**22 Pension arrangements (continued)**

|                                             | Net Pension<br>Asset | Profit and<br>Loss<br>Account |
|---------------------------------------------|----------------------|-------------------------------|
| Balance Sheet                               | £                    | £                             |
| As at 31 December 2004 as previously stated | -                    | 2,373,757                     |
| Adoption of FRS17                           | 258,300              | 387,913                       |
| <b>As at 31 December 2004 restated</b>      | <b>258,300</b>       | <b>2,761,670</b>              |

The costs for the scheme are assessed in accordance with advice of professionally qualified actuaries. The most recent formal actuarial valuation of the scheme was on 6 April 2004. The valuation has been 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 2005. Scheme assets are stated at their market value at 31 December 2005. Details of this update are given below.

The major assumptions used by the actuary were:

|                                            | 2005 | 2004 | 2003 |
|--------------------------------------------|------|------|------|
| Rate of increase in salaries               | 3.8% | 3.9% | 4.4% |
| Rate of increases to pensions in payment:- |      |      |      |
| Accruing pre 6 April 1997                  | 3.0% | 3.0% | 3.0% |
| Accruing post 5 April 1997                 | 2.8% | 2.9% | 2.9% |
| Discount rate                              | 4.7% | 5.3% | 5.4% |
| Rate of inflation                          | 2.8% | 2.9% | 2.9% |

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

|                                   | At<br>31 Dec<br>2005 | At<br>31 Dec<br>2004 | At<br>31 Dec<br>2003 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Expected long term rate of return | 5.0%                 | 5.0%                 | 5.0%                 |
| Scheme valuation                  | £4,491,000           | £3,660,000           | £3,654,000           |

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

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**22 Pension arrangements (continued)**

|                                     | 2005        | 2004        | 2003        |
|-------------------------------------|-------------|-------------|-------------|
|                                     |             | £           | £           |
| Total market value of assets        | 4,491,000   | 3,660,000   | 3,654,000   |
| Present value of scheme liabilities | (4,457,000) | (3,291,000) | (3,260,000) |
| Surplus in the scheme               | 34,000      | 369,000     | 394,000     |
| Related deferred tax liability      | (10,200)    | (110,700)   | (118,200)   |
| Net pension asset                   | 23,800      | 258,300     | 275,800     |

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

|                        | 2005      | 2004      |
|------------------------|-----------|-----------|
|                        | £         | £         |
| Current service cost   | (291,000) | (241,000) |
| Total operating charge | (291,000) | (241,000) |

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

|                                          | 2005      | 2004      |
|------------------------------------------|-----------|-----------|
|                                          | £         | £         |
| Expected return on pension scheme assets | 191,000   | 176,000   |
| Interest on pension scheme liabilities   | (183,000) | (173,000) |
| Net financial return                     | 8,000     | 3,000     |

**Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)**

|                                                                               | 2005      | 2004     |
|-------------------------------------------------------------------------------|-----------|----------|
|                                                                               | £         | £        |
| Actual return less expected return on pension scheme assets                   | 318,000   | 99,000   |
| Experience gains / (losses) arising on the scheme liabilities                 | 26,000    | (38,000) |
| Changes in assumptions underlying the present value of the scheme liabilities | (703,000) | 60,000   |
| Actuarial (loss)/gain recognised in the STRGL                                 | (359,000) | 121,000  |

**Notes to the financial statements  
for the year ended 31 December 2005 (continued)**

**22 Pension arrangements (continued)**

**Movements in surplus during the year**

|                                  | 2005          | 2004           |
|----------------------------------|---------------|----------------|
|                                  | £             | £              |
| Surplus at beginning of the year | 369,000       | 394,000        |
| Movement in year:                |               |                |
| Current service cost             | (291,000)     | (241,000)      |
| Contributions                    | 307,000       | 92,000         |
| Other financial income           | 8,000         | 3,000          |
| Actuarial (loss)/gain            | (359,000)     | 121,000        |
| Surplus in scheme at end of year | <u>34,000</u> | <u>369,000</u> |

**History of experience gains and losses**

|                                                                            | 2005    | 2004   | 2003     | 2002      |
|----------------------------------------------------------------------------|---------|--------|----------|-----------|
|                                                                            | £       | £      | £        | £         |
| <b>Difference between the expected and actual return on scheme assets:</b> |         |        |          |           |
| Amount                                                                     | 318,000 | 99,000 | (12,000) | (239,000) |
| Percentage of scheme assets                                                | 7%      | 3%     | (0%)     | (7%)      |

**Experience gains / (losses) on scheme liabilities:**

|                                                       |        |          |           |          |
|-------------------------------------------------------|--------|----------|-----------|----------|
| Amount                                                | 26,000 | (38,000) | (101,000) | (97,000) |
| Percentage of the present value of scheme liabilities | 1%     | (1%)     | (3%)      | (4%)     |

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

|                                                       |           |        |           |        |
|-------------------------------------------------------|-----------|--------|-----------|--------|
| Amount                                                | (703,000) | 60,000 | (261,000) | 16,000 |
| Percentage of the present value of scheme liabilities | (16%)     | (2%)   | 8%        | 1%     |

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

|                                                       |           |         |           |           |
|-------------------------------------------------------|-----------|---------|-----------|-----------|
| Amount                                                | (359,000) | 121,000 | (374,000) | (320,000) |
| Percentage of the present value of scheme liabilities | 8%        | 4%      | (11%)     | (13%)     |

**Notes to the financial statements  
for the year ended 31 December 2005 (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.