

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

Business review and principal activities

The principal activity of the company is the manufacture and service of refuse collection equipment. The principal activity of the company remained unchanged throughout the year and the directors do not anticipate any change in the principal activity in the foreseeable future. The directors are satisfied with the performance of the company for the year under review.

The results for the company show a profit before tax of £1,616,852, (2006: £1,930,020) for the year and sales of £16,314,465, (2006: £22,205,576).

The company has net assets of £6,272,154, (2006: £5,133,567).

Principal risks and uncertainties

The principal risks affecting the company are the continuing increase in global demand for steel leading to increasing steel prices.

Future outlook

The order book is expected to grow in early 2008; however, the increase in lead time for chassis will have an impact on deliveries in the first half of 2008.

Key performance indicators

The directors believe that the use of key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company.

Directors

The directors who held office during the year and up to the date of this report were as follows:

Roy Cooper – resigned 5 September 2008

Michael Jobe

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 2007 and that applicable accounting standards have been followed.



Directors' report for the year ended 31 December 2007 (continued)**Statement of directors' responsibilities (continued)**

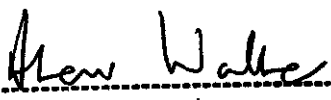
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 
HBJGW Secretarial Limited

HBJGW Secretarial Limited
Company Secretary
Edinburgh

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

We have audited the financial statements for the year ended 31 December 2007 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

The directors' responsibilities for the preparing of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 1985 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 whether, in our opinion, the information given in the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors,

Edinburgh

10 September 2008

**Profit and loss account
for the year ended 31 December 2007**

	Notes	2007	2006
		£	£
Turnover	2	16,314,465	22,205,576
Cost of sales		<u>(12,231,837)</u>	<u>(17,471,619)</u>
Gross profit		4,082,628	4,733,957
Administrative expenses		<u>(2,716,607)</u>	<u>(2,937,766)</u>
Operating profit		1,366,021	1,796,191
Interest receivable and similar income	6	258,112	121,369
Interest payable and similar charges	7	(281)	(550)
Other finance (expense) / income	22	<u>(7,000)</u>	<u>13,000</u>
Profit on ordinary activities before taxation	3	1,616,852	1,930,010
Tax on profit on ordinary activities	8	<u>(501,305)</u>	<u>(194,960)</u>
Retained profit for the financial year	16	<u>1,115,547</u>	<u>1,735,050</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)

	2007	2006
	£	£
Profit for the financial year	1,115,547	1,735,050
Actuarial gain / (loss) on defined benefit pension	32,000	(98,000)
Deferred tax associated with defined benefit pension	(8,960)	29,400
Total recognised gains for the financial year	1,138,587	1,666,450

Balance Sheet as at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	9	415,188	578,784
Current assets			
Stocks	10	2,829,342	2,277,547
Debtors	11	8,396,204	6,576,879
		<u>11,225,546</u>	<u>8,854,426</u>
Creditors amounts falling due within one year	12	<u>(4,347,158)</u>	<u>(3,270,643)</u>
Net current assets		<u>6,878,388</u>	<u>5,583,783</u>
Total assets less current liabilities		7,293,576	6,162,567
Provisions for liabilities and charges	13	<u>(878,142)</u>	<u>(976,500)</u>
Net assets excluding net pension liability		6,415,434	5,186,067
Net pension liability	22	<u>(143,280)</u>	<u>(52,500)</u>
Net assets including net pension liability		<u>6,272,154</u>	<u>5,133,567</u>
Capital and reserves			
Share capital	15	15,000	15,000
Profit and loss account	16	<u>6,257,154</u>	<u>5,118,567</u>
Equity shareholder's funds	17	<u>6,272,154</u>	<u>5,133,567</u>

The financial statements on pages 5 to 20 were approved by the board of directors on 5 September 2008 and were signed on its behalf by.



Michael Jobe
Director

**Notes to the financial statements
for the year ended 31 December 2007****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

**Notes to the financial statements
for the year ended 31 December 2007 (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 2007 (continued)**

2 Analysis of turnover - by destination

	2007	2006
	£	£
UK	10,878,475	19,000,298
Other	5,435,990	3,205,278
	<u>16,314,465</u>	<u>22,205,576</u>

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

3 Profit on ordinary activities before taxation

	2007	2006
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration – current year	19,255	21,000
Auditors' remuneration – non audit fees	19,688	15,250
Depreciation	180,519	209,734
Hire of plant and machinery	134,599	54,010
Foreign exchange gains	(3,695)	(14,241)
Operating lease rentals		
Buildings	108,100	94,269
Motor vehicles	83,870	84,160

4 Directors' emoluments

	2007	2006
	£	£
Aggregate emoluments	<u>116,504</u>	<u>112,128</u>

Retirement benefits are accruing to one director, (2006: one), under the company's defined benefit scheme

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**
5 Employee information

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

	2007	2006
	Number	Number
Production	158	159
Selling & distribution	6	8
Administration	19	19
	<u>183</u>	<u>186</u>

The aggregate payroll costs of these persons were as follows

	2007	2006
	£	£
Wages and salaries	3,754,877	3,781,585
Social security costs	332,092	338,729
Pension costs (note 22)	363,000	337,000
	<u>4,449,969</u>	<u>4,457,314</u>

6 Interest receivable and similar income

	2007	2006
	£	£
Inter company	257,615	121,358
Bank and other	497	11
	<u>258,112</u>	<u>121,369</u>

7 Interest payable and similar charges

	2007	2006
	£	£
Bank and other	281	550
	<u>281</u>	<u>550</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

8 Taxation on profit for the year

	2007	2006
	£	£
Current tax:		
UK corporation tax at 30%, (2006 30%), on the profit for the year on ordinary activities	532,637	581,738
Adjustments to tax charge in respect of previous periods for Group Relief not paid	10,848	(383,478)
Current tax charge for the period	543,485	198,260
Deferred tax:		
Pension credit	(42,180)	(3,300)
Tax on profit on ordinary activities	501,305	194,960

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

	2007	2006
	£	£
Profit on ordinary activities before tax	1,616,852	1,930,010
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	485,056	579,003
Effects of		
Expenses not deductible for tax purposes	2,834	(5,063)
Movement in potential deferred tax asset not recognised	(2,053)	7,798
Pension charge in excess of pension relief	46,800	
Adjustments to tax charge in respect of previous periods for Group Relief not paid	10,848	(383,478)
Current tax charge for the period	543,485	198,260

From 1 April 2008 the UK rate of Corporation Tax has been reduced from 30% to 28%

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

9 Tangible fixed assets

	Freehold land and buildings £	Plant & machinery £	Office furniture £	Computer equipment £	Total £
Cost					
At 1 January 2007	787,976	981,742	2,250	559,344	2,331,312
Additions		16,923			16,923
At 31 December 2007	787,976	998,665	2,250	559,344	2,348,235
Depreciation					
At 1 January 2007	524,651	761,794	2,250	463,833	1,752,528
Charge for year	53,349	82,485		44,685	180,519
At 31 December 2007	578,000	844,279	2,250	508,518	1,933,047
Net book value					
At 31 December 2007	209,976	154,386		50,826	415,188
At 31 December 2006	263,325	219,948		95,511	578,784

The cost of freehold land, which is not depreciated, is £10,890 (2006 £10,890)

10 Stock

	2007 £	2006 £
Raw materials and consumables	2,531,811	2,010,577
Finished goods	297,531	266,970
	2,829,342	2,277,547

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

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

11 Debtors

	2007	2006
	£	£
Amounts falling due within one year		
Trade debtors	2,045,274	1,798,113
Amounts owed by immediate parent company	6,200,554	4,649,442
Prepayments and accrued income	105,925	101,983
Other debtors	44,451	27,341
	<u>8,396,204</u>	<u>6,576,879</u>

12 Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank overdraft	61,329	133,770
Trade creditors	2,004,663	1,711,671
Amounts owed to fellow subsidiaries	35,539	43,080
Other tax and social security	101,777	245,937
Accruals and deferred income	1,018,627	554,447
Corporation tax	1,125,223	581,738
	<u>4,347,158</u>	<u>3,270,643</u>

13 Provisions for liabilities and charges

	Warranty provision	Deferred taxation (Note 14)	Share options	Total
	£	£	£	£
At 1 January 2007	965,255		11,245	976,500
Profit and loss account	(95,332)		(3,026)	(98,358)
At 31 December 2007	869,923		8,219	878,142

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 2007 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 2007 (continued)**

14 Deferred tax

	2007		2006	
	Recognised	Unrecognised	Recognised	Unrecognised
	£	£	£	£
Accelerated capital allowances		74,501		84,135
Other timing differences		2,301		3,374
Deferred taxation excluding deferred tax on pension asset		76,802		87,509
Pension liability	55,720		22,500	
Total deferred taxation	55,720	76,802	22,500	87,509

From 1 April 2008 the UK rate of Corporation Tax from 30% to 28% therefore all potential deferred tax balances have been recalculated at the new rate

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

	2007	2006
	£	£
Authorised		
15,000 Ordinary shares of £1 each	15,000	15,000
Allotted, called up and fully paid		
15,000 Ordinary shares of £1 each	15,000	15,000

16 Profit and loss account

	2007	2006
	£	£
At 1 January	5,118,567	3,452,117
Profit for the financial year	1,115,547	1,735,050
Pension related gains / (losses)	23,040	(68,600)
At 31 December	6,257,154	5,118,567

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

17 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
At 1 January	5,133,567	3,467,117
Profit for the financial year	1,115,547	1,735,050
Pension related gains / (losses)	23,040	(68,600)
At 31 December	<u>6,272,154</u>	<u>5,133,567</u>

18 Contingent liabilities

The company has granted a guarantee to the Commissioners of Customs & Excise for £50,000 (2006 £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 2007 amounted to £Nil, (2006 £Nil).

20 Claims against the company

In 2003 the directors had received a claim for £260,000 in respect of breach of contract. The directors took legal advice and refuted this claim and as five years have elapsed without any action being raised the directors consider this closed.

21 Leases

(i) Land and buildings

At 31 December 2007 the company had minimum annual commitments under operating leases expiring within the following periods

	2007	2006
	£	£
From one to two years	108,100	108,100
	<u>108,100</u>	<u>108,100</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

21 Leases (continued)

(ii) Other

At 31 December 2007 the company had minimum annual commitments under operating leases expiring within the following periods

	2007	2006
	£	£
Within one year	23,261	29,441
From one to two years	47,389	61,944
From two to five years	72,477	74,349
	<u>143,127</u>	<u>165,734</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" was fully adopted for 2005. Under FRS 17 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.

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 2007. Scheme assets are stated at their market value at 31 December 2007. Details of this update are given below.

The major assumptions used by the actuary were

	2007	2006	2005
Rate of increase in salaries	4.4%	4.2%	3.8%
Rate of increases to pensions in payment			
Accruing pre 6 April 1997	3.0%	3.0%	3.0%
Accruing post 5 April 1997	3.4%	3.2%	2.8%
Discount rate	5.6%	5.0%	4.7%
Rate of inflation	3.4%	3.2%	2.8%

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

22 Pension arrangements (continued)

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

	At 31 Dec 2007	At 31 Dec 2006	At 31 Dec 2005
Expected long term rate of return	5.0%	5 0%	5 0%
Scheme valuation	£5,351,000	£5,030,000	£4,491,000

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

	2007	2006	2005
		£	£
Total market value of assets	5,351,000	5,105,000	4,491,000
Present value of scheme liabilities	(5,550,000)	(5,030,000)	(4,457,000)
(Deficit) / surplus in the scheme	(199,000)	(75,000)	34,000
Related deferred tax asset / (liability)	55,720	22,500	(10,200)
Net pension (liability) / asset	(143,280)	(52,500)	23,800

Analysis of the amounts charged to operating profit

	2007	2006
	£	£
Current service cost	(363,000)	(337,000)
Total operating charge	(363,000)	(337,000)

Analysis of the amount credited to other financial income

	2007	2006
Expected return on pension scheme assets	257,000	230,000
Interest on pension scheme liabilities	(264,000)	(217,000)
Net financial return	(7,000)	13,000

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**
22 Pension arrangements (continued)
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2007	2006
	£	£
Actual return less expected return on pension scheme assets	(198,000)	8,000
Experience gains / (losses) arising on the scheme liabilities	139,000	(80,000)
Changes in assumptions underlying the present value of the scheme liabilities	91,000	(26,000)
Actuarial gain / (loss) recognised in the STRGL	<u>32,000</u>	<u>(98,000)</u>

Movements in (deficit) / surplus during the year

	2007	2006
	£	£
(Deficit) / Surplus at beginning of the year	(75,000)	34,000
Movement in year		
Current service cost	(363,000)	(337,000)
Contributions	214,000	313,000
Other financial (expense) / income	(7,000)	13,000
Actuarial gain / (loss)	32,000	(98,000)
Deficit in scheme at end of year	<u>(199,000)</u>	<u>(75,000)</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

22 Pension arrangements (continued)

History of experience gains and losses

	2007	2006	2005	2004	2003
	£	£	£	£	£
Difference between the expected and actual return on scheme assets:					
Amount	(198,000)	8,000	318,000	99,000	(12,000)
Percentage of scheme assets	(4%)	0%	7%	3%	(0%)
Experience gains / (losses) on scheme liabilities:					
Amount	(139,000)	80,000	26,000	(38,000)	(101,000)
Percentage of the present value of scheme liabilities	3%	2%	1%	(1%)	(3%)
Changes in assumptions underlying the present value of the scheme liabilities					
Amount	91,000	(26,000)	(703,000)	60,000	(261,000)
Percentage of the present value of scheme liabilities	2%	(1%)	(16%)	2%	8%
Total amount recognised in the statement of total recognised gains and losses:					
Amount	32,000	(98,000)	(359,000)	121,000	(374,000)
Percentage of the present value of scheme liabilities	0%	2%	8%	4%	(11%)

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.