

# **Alfa Laval Finance Limited**

## **Report and Financial Statements**

31 December 2005



# Alfa Laval Finance Limited

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Registered No: 252009

## **Directors**

N M Patel

N Gaul

## **Secretary**

N Gaul

## **Auditors**

Ernst & Young LLP

Wessex House

19 Threefield Lane

Southampton

SO14 3QB

## **Bankers**

Nordea Bank Finland plc

19 Thomas Moore Street

London

E1 W1YS

## **Registered office**

Alfa House

Doman Road

Camberley

Surrey

GU15 3DN

## Directors' report

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

### Results and dividends

The profit for the year, after taxation, amounted to £959,000. The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activity of the company during the year was to provide finance to subsidiary companies of Alfa Laval Limited. The directors are satisfied with the current financial status of the company and its future prospects.

### Financial Risk Management

Given that the activities of the company are limited to receiving and paying interest on intercompany loans, the directors consider that there is very little financial risk to the company. The loans are denominated in sterling and the interest rate is fixed, so there is no exposure to either exchange rate or interest rate risk.

### Directors

The directors who served the company during the year were as follows:

N M Patel

N Gaul (appointed 1 August 2005)

There are no directors' interests requiring disclosure under the Companies Act 1985.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



N Gaul  
Director

6th  
July 2006

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent auditors' report**

### **to the members of Alfa Laval Finance Limited**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Balance Sheet, Profit and Loss Account, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

#### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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).

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 other 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.

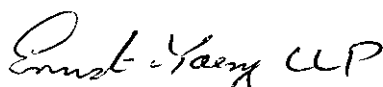
#### **Basis of audit opinion**

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 judgments 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.



**Ernst & Young LLP**  
**Registered auditor**  
**Southampton**

*12 July 2006*

## Profit and loss account

for the year ended 31 December 2005

	<i>Notes</i>	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
Interest receivable and similar income	5	<b>2,202</b>	2,069
Interest payable and similar charges	6	<b>(812)</b>	(806)
		<u><b>1,390</b></u>	<u>1,263</u>
<b><i>Profit on ordinary activities before taxation</i></b>			
Tax on profit on ordinary activities	7	<b>(431)</b>	(415)
		<u><b>959</b></u>	<u>848</u>
<b><i>Profit on ordinary activities after taxation</i></b>			
<b><i>Profit retained for the financial year</i></b>		<u><b>959</b></u>	<u>848</u>

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £959,000 attributable to the shareholders for the year ended 31 December 2005 (2004 - profit of £848,000).

# **Balance sheet** at 31 December 2005

	Notes	2005 £000	2004 £000
<b>Current assets</b>			
Debtors	8	38,615	36,435
Cash		-	19
<b>Creditors: amounts falling due within one year</b>	9	(34,602)	(33,400)
<b>Net current assets</b>		<u>4,013</u>	<u>3,054</u>
<b>Total assets less current liabilities</b>		<u>4,013</u>	<u>3,054</u>
<b>Capital and reserves</b>			
Called up share capital	11	856	856
Profit and loss account	12	3,157	2,198
<b>Equity shareholders' funds</b>	12	<u>4,013</u>	<u>3,054</u>



N Gaul  
Director

6<sup>th</sup> July 2006

# Notes to the financial statements

at 31 December 2005

## 1. Accounting policies

### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the company has adopted FRS 21 'Events after the balance sheet date' and the presentation requirements of FRS 25 'Financial instruments: Disclosure and presentation'. Adoption of FRS 21 and FRS 25 has not required any revisions to the financial statements in either the current or prior years.

### *Cash flow statement*

The company has taken advantage of the concession in FRS 1 "Cash Flow Statements" which exempts a company from the requirement to prepare a statement of cash flows on the grounds that the company is small as defined in companies legislation.

### *Related parties transactions*

The company is a wholly owned subsidiary of Alfa Laval Limited, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Alfa Laval AB group.

### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### *Finance lease receivables*

Income from finance leases is recognised over the primary period of the lease in proportion to the net funds invested.

## 2. Operating profit

This is stated after charging:

	2005	2004
	£000	£000
Auditors' remuneration - audit services	—	—
- non-audit services	—	—
	<u>—</u>	<u>—</u>

Auditors' remuneration is borne by the immediate parent company, Alfa Laval Limited.

## Notes to the financial statements

at 31 December 2005

### 3. Staff costs

The company has no employees.

### 4. Directors' emoluments

None of the directors received remuneration during the year.

### 5. Interest receivable

	2005 £000	2004 £000
Bank interest receivable	22	12
Interest from group undertakings	2,180	2,057
	<u>2,202</u>	<u>2,069</u>

### 6. Interest payable and similar charges

	2005 £000	2004 £000
Bank interest payable	2	2
Interest payable to group companies	810	804
	<u>812</u>	<u>806</u>

## Notes to the financial statements

at 31 December 2005

### 7. Taxation on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £000	2004 £000
<i>Current tax:</i>		
Adjustment in respect of prior years	14	36
Group relief payable	417	308
Total current tax (note 7(b))	<u>431</u>	<u>344</u>

(b) Factors affecting current tax charge

The differences are reconciled below:

	2005 £000	2004 £000
Profit on ordinary activities before taxation	<u>1,390</u>	<u>1,263</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	417	379
Depreciation in excess of capital allowances	-	(71)
Adjustment in respect of prior years	14	36
Other timing differences	-	-
Total current tax (note 7(a))	<u>431</u>	<u>344</u>

(c) Deferred tax

The deferred taxation asset recognised in the financial statements is as follows:

	2005 £000	2004 £000
Brought forward at beginning of year	100	100
Transferred to fellow subsidiary	(100)	-
Carried forward at end of year	<u>-</u>	<u>100</u>

The deferred tax asset was transferred to Alfa Laval Limited, the parent company.

## Notes to the financial statements

at 31 December 2005

### 8. Debtors

	2005 £000	2004 £000
Amounts owed by group undertakings	38,615	36,335
Corporation tax repayable	-	-
Other debtors	-	-
Deferred taxation (note 7)	-	100
	<u>38,615</u>	<u>36,435</u>

### 9. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	-	9,405
Amounts owed to group undertakings	33,360	23,170
Group relief payable	1,242	825
	<u>34,602</u>	<u>33,400</u>

The bank overdraft is secured upon the assets of the company and other UK based group companies via an unlimited multilateral guarantee. The bank overdraft is part of a cash pooling arrangement whereby the overdraft in Alfa Laval Finance is offset against surplus cash in other UK based group companies. At the balance sheet date the cash pool was in overall surplus.

### 10. Contingent liability

The company has entered into an unlimited multilateral guarantee arrangement guaranteeing the bank borrowing of other group undertakings, from which it is anticipated no material liability will arise.

### 11. Share capital

		Authorised	
		2005 £000	2004 £000
Ordinary shares of £1 each		<u>1,000</u>	<u>1,000</u>
		Allotted, called up and fully paid	
		2005 £000	2004 £000
No.		No.	
Ordinary shares of £1 each	856,000	<u>856</u>	<u>856</u>

## Notes to the financial statements

at 31 December 2005

### 12. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £000	<i>Profit and loss</i> <i>account</i> £000	<i>Total share-</i> <i>holders' funds</i> £000
At 1 January 2004	856	1,350	2,206
Profit for the year	—	848	848
At 31 December 2004	856	2,198	3,054
Profit for the year	—	959	959
At 31 December 2005	<u>856</u>	<u>3,157</u>	<u>4,013</u>

### 13. Ultimate parent company

The company's immediate parent undertaking is Alfa Laval Ltd, which in turn is wholly owned by Alfa Laval Holdings Limited. Both companies are registered in England and Wales.

The directors consider that the ultimate parent undertaking is Alfa Laval AB, a company incorporated in Sweden. Alfa Laval AB incorporates the company in its group financial statements which are both the smallest and largest financial statements in which the results of the group are incorporated. Copies of the group financial statements are available from PO Box 73, SE/221-00, Lund, Sweden.