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Alfa Laval Finance Limited

Report and Financial Statements

31 December 2002



Alfa Laval Finance Limited

Registered No: 252009

Directors

N M Patel
J M A Ball

Secretary

J M A Ball

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 2002.

Results and dividends

The profit for the year, after taxation, amounted to £256,000. Ordinary dividends of £500,000 were paid during the year.

Principal activities and review of the business

The principal activity of the company during the year was to operate as a leasing business and provide finance to subsidiary companies of Alfa Laval Limited.

Directors

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

N M Patel

J M A Ball

A J Melhuish

(Appointed 1 December 2002)

(Retired 1 December 2002)

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



J M A Ball
Secretary

28/11 2004

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 year. In preparing those financial statements, the directors are 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 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of 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

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 United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company 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 United Kingdom 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.

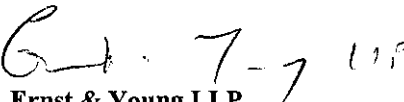
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

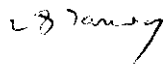
Independent auditors' report

to the members of Alfa Laval Finance Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 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

 28 January 2004

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000 (restated)
Turnover		—	—
Administrative expenses		—	4
Operating loss	2	—	(4)
Loss on disposal of tangible fixed asset investments	3	(1)	—
		(1)	(4)
Interest receivable and similar income	5	2,073	2,518
Interest payable and similar charges	6	(1,706)	(2,157)
		367	361
Profit on ordinary activities before taxation		366	357
Tax on profit on ordinary activities	7	110	107
Profit on ordinary activities after taxation		256	250
Dividends:			
ordinary dividends on equity shares	8	500	—
(Loss)/profit retained for the financial year		(244)	250

Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002 £000	2001 £000
Profit for the financial year	256	250
Total recognised gains and losses relating to the year	256	250
Prior year adjustment (note 1)	204	—
Total recognised gains and losses since the last annual report	460	250

Balance sheet

at 31 December 2002

	Notes	2002 £000	2001 £000 (restated)
Fixed assets			
Investments	9	—	1
Current assets			
Debtors	10	32,702	31,340
Creditors: amounts falling due within one year	11	31,510	29,905
Net current assets		1,192	1,435
Total assets less current liabilities		1,192	1,436
Capital and reserves			
Called up share capital	13	856	856
Profit and loss account	14	336	580
Equity shareholders' funds	14	1,192	1,436



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J M A Ball
Director

28/1 / 2004

Notes to the financial statements

at 31 December 2002

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 FRS19 'Deferred Tax' which has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in future without replacement.

As a result of this change in accounting policy the profit for the year ended 31 December 2001 has been increased by £204,000 and a deferred tax asset of £204,000 has been recognised in the balance sheet at 31 December 2001. The profit of the company for the year ended 31 December 2002 has been decreased by £8,000 as a result of this change in accounting policy.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the ultimate parent company prepares a cash flow statement that includes the results of the company.

Related parties transactions

The company is a wholly owned subsidiary of Alfa Laval AB, the consolidated accounts 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 loss

This is stated after charging:

	2002 £000	2001 £000
Auditors' remuneration - audit services	—	—
Auditors' remuneration is borne by the immediate parent company, Alfa Laval Limited.		
Directors' emoluments	—	—

Notes to the financial statements

at 31 December 2002

3. Exceptional items

	2002 £000	2001 £000
Loss on disposal of fixed asset investments	(1)	—

4. Staff costs

No salaries or wages have been paid to employees, including the directors, during the year.

The company has no employees.

5. Interest receivable

	2002 £000	2001 £000
Bank interest receivable	14	44
Other interest receivable	23	79
Interest from group companies	2,036	2,395
	<u>2,073</u>	<u>2,518</u>

6. Interest payable and similar charges

	2002 £000	2001 £000
Bank interest payable	19	1
Interest payable to group companies	1,687	2,156
	<u>1,706</u>	<u>2,157</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002 £000	2001 £000 (restated)
<i>Current tax:</i>		
UK corporation tax	—	(74)
Group relief payable	102	—
Tax under provided in previous years	—	385
Total current tax (note 7(b))	<u>102</u>	<u>311</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	<u>8</u>	<u>(204)</u>
Tax on profit on ordinary activities	<u>110</u>	<u>107</u>

Notes to the financial statements

at 31 December 2002

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below:

	2002 £000	2001 £000 (restated)
Profit on ordinary activities before taxation	366	357
Profit on ordinary activities multiplied by the standard rate of tax of 30%	110	107
Disallowed expenses and non-taxable income	(57)	102
Depreciation in excess of capital allowances	57	(283)
Tax under provided in previous years	-	385
Other timing differences	(8)	-
Total current tax (note 7(a))	102	311

The tax charge may be offset by losses surrendered by group undertakings.

The accounts have been prepared based on the assumption that group relief will be paid for.

(c) Deferred tax

The deferred taxation asset recognised in the accounts is as follows:

	2002 £000	2001 £000 (restated)
Accelerated capital allowances	232	296
Other timing differences	(36)	(92)
	196	204

The movements in deferred tax during the current year are as follows:

	£'000
At 1 January 2001 as restated	-
Credit to profit and loss account	(204)
At 31 December 2001 as restated	(204)
Deferred tax charge to profit and loss account for the year	8
At 31 December 2002	196

Notes to the financial statements

at 31 December 2002

8. Dividends

	2002 £000	2001 £000
Equity dividends on ordinary shares:		
Equity dividend paid	<u>500</u>	<u>-</u>

9. Investments

		<i>Fixed asset investments £000</i>
Cost:		
At 1 January 2002		1
Disposals		<u>(1)</u>
At 31 December 2002		<u>-</u>
	2002 £000	2001 £000
Listed investments	<u>-</u>	<u>1</u>
Valuation:		
Listed investments - market value	<u>-</u>	<u>1</u>

10. Debtors

	2002 £000	2001 £000 <i>(restated)</i>
Amounts owed by group undertakings	32,468	30,825
Corporation tax repayable	20	28
Deferred tax asset (note 7)	196	204
Other debtors	18	283
	<u>32,702</u>	<u>31,340</u>

Included within amounts owed by group undertakings is an amount of £125,000 (2001: £330,000) which is due in respect of finance lease debtors. Of this amount £nil (2001: £125,000) falls due for receipt after more than one year from the balance sheet date.

Included within other debtors are £nil (2001: £209,000) in respect of finance lease agreements due from external customers.

Notes to the financial statements

at 31 December 2002

11. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	11,461	2,853
Amounts owed to group undertakings	20,039	27,052
Other taxation	10	—
	<u>31,510</u>	<u>29,905</u>

The bank overdraft is secured upon the assets of the company and other UK based group companies via an unlimited multilateral guarantee.

12. 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.

13. Share capital

		<i>Authorised</i>	
		<i>2002</i>	<i>2001</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each		<u>1,000</u>	<u>1,000</u>

<i>Allotted, called up and fully paid</i>				
		<i>2002</i>	<i>2001</i>	
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	856,000	856	856,000	856

14. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2001	856	330	1,186
Profit for the year as previously stated	—	46	46
Prior year adjustment (note 1)	—	204	204
At 31 December 2001	<u>856</u>	<u>580</u>	<u>1,436</u>
Profit for the year	—	256	256
Dividends	—	(500)	(500)
At 31 December 2002	<u>856</u>	<u>336</u>	<u>1,192</u>

Notes to the financial statements

at 31 December 2002

15. Ultimate parent company

The company is a member of Alfa Laval Holdings Limited, a company registered in England and Wales.

The directors consider that the ultimate parent undertaking is Alfa Laval AB, a company incorporated in Sweden.

The parent undertaking of the largest and smallest groups of undertakings of which the company is a member and for which group accounts are drawn up is Alfa Laval AB, and accounts are available from:

PO Box 73
SE-221 00 Lund
Sweden.