Alo UK Limited

Directors' report and financial statements

Registered number 03639533

For the year ended 31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Results and dividends

The profit for the year amounted to £186,788 *(2002: £255,461)*. The directors do not recommend the payment of any dividends *(2002: £Nil)*.

Principal activities and business review

The principal activity of the company during the year was that of wholesale of agricultural machinery.

The incorporation of Trima Limited has been completed with the company now marketing two brands, Quicke and Trima. The director's are satisfied with the result for the year and are optimistic about the future.

Directors and directors' interests

The directors who served during the year were as follows:

O Pehrsson	
PJC Nunn	(appointed 1 January 2003)
J Aström	(appointed 16 April 2003, resigned 10 February 2004)
L Scott	(appointed 2 May 2002, resigned 1 January 2003)

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families or exercised by them during the financial year.

The directors interests in the shares of the parent undertaking are disclosed in that company's director's report.

Auditors

During the year, Ernst & Young LLP resigned as auditors and the directors appointed KPMG LLP.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board

PJC Nunn
Director

315 Elm Drive
Hartlebury Trading Estate
Hartlebury
Kidderminster
Worcestershire
DY10 4JB

15 March 2004

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Report of the independent auditors to the members of Alo UK Limited

We have audited the financial statements on pages 4 to 13.

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 auditor's 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 preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP — 15 March 2004

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2003

	Note	**2003**	2002
		£	£
Turnover	*2*	**6,005,726**	5,629,837
Cost of sales		**(4,581,201)**	(4,098,070)
Gross profit		**1,424,525**	1,531,767
Distribution costs		**(352,706)**	(253,314)
Administrative expenses		**(811,715)**	(976,679)
Operating profit		**260,104**	301,774
Interest receivable and similar income	*6*	**4,116**	3,538
Interest payable and similar charges	*7*	**-**	(17,591)
Profit on ordinary activities before taxation	*3*	**264,220**	287,721
Tax on profit on ordinary activities	*8*	**(77,432)**	(32,260)
Profit on ordinary activities after taxation and retained for the financial year	*15*	**186,788**	255,461

There are no recognised gains or losses in either the current or preceding year other than as disclosed in the profit and loss account.

All of the above activities relate to continuing operations.

Balance sheet
at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Intangible assets	*9*		**53,889**		63,889
Tangible assets	*10*		**55,511**		38,485
			109,400		102,374
Current assets					
Stocks	*11*	**644,799**		653,011	
Debtors	*12*	**1,021,303**		1,001,421	
Cash at bank and in hand		**415,690**		261,224	
		2,081,792		1,915,656	
Creditors: Amounts falling due within one year	*13*	**(1,335,942)**		(1,349,568)	
Net current assets			**745,850**		566,088
Total assets less current liabilities			**855,250**		668,462
Capital and reserves					
Called up share capital	*14*		**100,000**		100,000
Profit and loss account	*15*		**755,250**		568,462
Equity shareholders' funds	*19*		**855,250**		668,462

These financial statements were approved by the board of directors on 15 March 2004 and were signed on its behalf by:

PJC Nunn
Director

Notes
(forming part of the financial statements)

1 Accounting policies

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 have been prepared in accordance with applicable accounting standards and under historical cost accounting rules.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 "Cash flow statements" from including a cash flow statement in the financial statements on the grounds that the company is wholly owned subsidiary and its parent publishes a consolidated cash flow statement.

Goodwill

Purchased goodwill (representing the excess of fair value of the consideration given to the fair value of the separable net assets acquired) arising on acquisitions is capitalised.

Amortisation is provided by the company to write off the cost over ten years which is the estimated useful economic life.

Depreciation

Depreciation is calculated to write off the cost, less estimated residual value of each tangible fixed asset by equal instalments over their useful economic lives, as follows:

Plant and machinery	-	20% per annum
Motor vehicles	-	25% per annum
Other	-	20% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

2 Turnover

Turnover comprises amounts invoiced to customers, exclusive of value added tax, which fall due within the company's acquired activities.

An analysis of turnover by geographical market is given below:

	2003	2002
	£	£
United Kingdom	**6,005,726**	5,390,384
Europe	**-**	239,453
	6,005,726	5,629,837

3 Profit on ordinary activities before taxation

	2003	2002
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit services	**11,900**	13,600
Non-audit services	**2,000**	2,516
Depreciation of owned fixed assets	**15,438**	12,923
Amortisation	**10,000**	10,000
Loss on disposal of fixed assets	**289**	252
Operating lease rentals:		
Land and buildings	**77,695**	42,869
Plant and machinery	**28,262**	25,442

Notes *(continued)*

4 Remuneration of directors

	2003	2002
	£	£
Emoluments	**70,717**	24,577
Company contributions to money purchase pension schemes	**2,610**	36,149
Compensation for loss of office	-	31,950
	73,327	92,676

	Number	
	2003	2002
Members of money purchase pension schemes	**1**	-

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year analysed by category was as follows:

	Number of employees	
	2003	2002
Sales and distribution	**5**	6
Administration	**6**	6
	11	12

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**302,377**	367,083
Social security costs	**31,377**	27,669
Other pension costs	**15,796**	55,759
	349,550	450,511

6 Interest receivable

	2003	2002
	£	£
Bank interest receivable	**4,116**	3,538

Notes *(continued)*

7 Interest payable

	2003	2002
	£	£
Group interest payable	-	17,591

8 Tax on profit on ordinary activities

Analysis of charge in year

	2003		2002	
	£	£	£	£
UK corporation tax				
Current tax on income for the year	75,000		55,069	
Adjustment in respect of prior year	432		-	
Total current tax		75,432		55,069
Deferred tax				
Origination/reversal of timing differences		2,000		(22,809)
Tax on profit on ordinary activities		77,432		32,260

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2002: higher)* than the standard rate of corporation tax in the UK (30% *(2002: 30%)*). The differences are explained below:

	2003	2002
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	264,220	287,721
Current tax at 30% *(2002: 30%)*	79,266	86,316
Effects of:		
Disallowed expenses and non-taxable income	12,113	5,098
Capital allowances in excess of depreciation	(2,000)	(5,502)
Short term timing differences	-	10,698
Utilisation of tax losses	-	(18,044)
Group relief	(14,379)	(23,497)
Adjustment in respect of prior year	432	-
Total current tax charge (see above)	75,432	55,069

Factors that may affect future charges

The company has a deferred tax asset of £20,809 *(2002: £22,809)*, calculated at 30%. This has been recognised on the basis that the company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

Notes *(continued)*

9 Intangible fixed assets

	Goodwill £
Cost	
At beginning and end of year	100,000
Amortisation	
At beginning of year	36,111
Charged for year	10,000
At end of year	46,111
Net book value	
At 31 December 2003	**53,889**
At 31 December 2002	63,889

The goodwill arose on the acquisition of some of the trade and assets from Lawrence Edwards Limited and is being amortised over the directors' estimate of its economic useful life of 10 years. The directors consider this to be an appropriate period of amortisation if goodwill is to reflect the longevity of the product, market and industry.

10 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Other £	Total £
Cost				
At beginning of year	97,969	52,627	2,445	153,041
Additions	33,324	-	-	33,324
Disposals	(11,375)	(10,941)	(2,445)	(24,761)
At end of year	119,918	41,686	-	161,604
Depreciation				
At beginning of year	81,761	30,933	1,862	114,556
Charge for year	9,706	5,149	583	15,438
Disposals	(10,517)	(10,939)	(2,445)	(23,901)
At end of year	80,950	25,143	-	106,093
Net book value				
At 31 December 2003	**38,968**	**16,543**	-	**55,511**
At 31 December 2002	16,208	21,694	583	38,485

Notes *(continued)*

11 Stocks

	2003 £	2002 £
Goods for resale	**644,799**	653,011

12 Debtors

	2003 £	2002 £
Trade debtors	**941,192**	936,509
Prepayments and accrued income	**59,302**	42,103
Deferred tax asset (note 8)	**20,809**	22,809
	1,021,303	1,001,421

13 Creditors: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	**14,589**	1,122
Amounts owed to group undertakings	**985,587**	1,002,662
Corporation tax	**16,300**	55,069
Other taxation and social security	**234,408**	212,978
Accruals and deferred income	**85,058**	77,737
	1,335,942	1,349,568

14 Share capital

	2003 £	2002 £
Authorised, allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	**100,000**	100,000

Notes *(continued)*

15 Reserves

	Profit and loss account
	£
At beginning of year	568,462
Retained profit for the year	186,788
At end of year	**755,250**

16 Commitments under operating leases

At 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003		2002	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**8,856**	62,184	3,627
In two to five years	**82,911**	**15,339**	165,822	23,652
	82,911	**24,195**	228,006	27,279

17 Pensions

The company operates a defined contribution pension scheme.

The pension cost charge for the year represents contributions payable by the company scheme and amounted to £15,796 *(2002: £55,759)*. There are no unpaid contributions outstanding at the year end *(2002: £Nil)*.

18 Related party transactions

The company is partially exempt from the requirements of FRS 8 "Related party disclosures" to disclose transactions with group companies.

19 Reconciliation of shareholders' funds

	2003	2002
	£	£
Profit for the financial year	**186,788**	255,461
Opening shareholders' funds	**668,462**	413,001
Closing shareholders' funds	**855,250**	668,462

Notes *(continued)*

20 Ultimate parent company

The company is a subsidiary undertaking of the Alo Intressenter AB Group, incorporated in Sweden. This is the smallest group in which they are consolidated. Accounts are available to the public and may be obtained from SE 90317 Umea, Sweden.