Alo UK Limited

Directors' report and financial statements

Registered number 03639533

For the year ended 31 December 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006.

Principal activities and business review

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

The directors are satisfied with the results for the year and are optimistic about the future.

Results and dividends

The profit after tax for the year amounted to £80,786 *(2005: £48,424)*. During the year, an interim dividend of £Nil was paid *(2005: £300,000)*.

The directors do not propose the payment of a final dividend *(2005: £Nil)*.

Directors and directors' interests

The directors who served during the year were as follows:

O Pehrsson
PJC Nunn

None of the directors who held office at the end of the financial year had any disclosable interest in the share capital of the company.

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.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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.

Approved by the board of directors on 19 March 2007 and signed on its behalf by:

PJC Nunn
Director

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

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.

KPMG

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Alo UK Limited

We have audited the financial statements of Alo UK Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

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 whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23 March 2007

Profit and loss account
for the year ended 31 December 2006

	Note	**2006**	2005
		£	£
Turnover	*2*	**6,391,698**	6,237,291
Cost of sales		**(5,177,283)**	(5,032,204)
Gross profit		**1,214,415**	1,205,087
Distribution costs		**(342,800)**	(394,247)
Administrative expenses		**(761,074)**	(723,948)
Operating profit		**110,541**	86,892
Interest receivable and similar income	*6*	**6,099**	4,147
Profit on ordinary activities before taxation	*3*	**116,640**	91,039
Tax on profit on ordinary activities	*7*	**(35,854)**	(42,615)
Profit on ordinary activities after taxation and for the financial year	*16*	**80,786**	48,424

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 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Intangible assets	*9*		**23,889**		33,889
Tangible assets	*10*		**29,036**		24,668
			52,925		58,557
Current assets					
Stocks	*11*	**824,905**		939,722	
Debtors	*12*	**1,232,412**		668,692	
Cash at bank and in hand		**235,457**		122,120	
		2,292,774		1,730,534	
Creditors: Amounts falling due within one year	*13*	**(1,993,824)**		(1,518,002)	
Net current assets			**298,950**		212,532
Total assets less current liabilities			**351,875**		271,089
Capital and reserves					
Called up share capital	*15*		**100,000**		100,000
Profit and loss account	*16*		**251,875**		171,089
Shareholders' funds	*20*		**351,875**		271,089

These financial statements were approved by the board of directors on 19 March 2007 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 profit 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 are all derived from the company's principal activity.

An analysis of turnover by geographical market is given below:

	2006	2005
	£	£
United Kingdom	**6,381,652**	6,232,020
Rest of world	**10,046**	5,271
	6,391,698	6,237,291

3 Profit on ordinary activities before taxation

	2006	2005
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
Depreciation of owned fixed assets	**15,104**	15,070
Amortisation	**10,000**	10,000
Operating lease rentals:		
Land and buildings	**90,188**	85,582
Plant and machinery	**36,651**	37,845
Auditors' remuneration		
Audit services	**14,465**	13,650
Other services – fees receivable by the auditors and their associates	**9,730**	6,800

Notes *(continued)*

4 Remuneration of directors

	2006	2005
	£	£
Emoluments	**86,304**	92,053
Company contributions to money purchase pension schemes	**3,701**	3,660
	90,005	95,713

	Number	
Members of money purchase pension schemes	**1**	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	
	2006	2005
Sales and distribution	**5**	5
Administration	**6**	6
	11	11

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**348,906**	332,457
Social security costs	**36,940**	35,564
Other pension costs	**20,205**	23,520
	406,051	391,541

6 Interest receivable and similar income

	2006	2005
	£	£
Bank interest receivable	**2,756**	4,147
Other interest receivable	**3,343**	-
	6,099	4,147

Notes *(continued)*

7 Tax on profit on ordinary activities

Analysis of charge in year

	2006		2005	
	£	**£**	£	£
UK corporation tax				
Current tax on income for the year	**41,500**		29,000	
Adjustment in respect of prior year	**(1,346)**		5,153	
Total current tax		**40,154**		34,153
Deferred tax				
Origination/reversal of timing differences	**176**		8,462	
Adjustment in respect on previous years	**(4,476)**		-	
		(4,300)		8,462
Tax on profit on ordinary activities		**35,854**		42,615

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2005: higher)* than the standard rate of corporation tax in the UK (30% *(2005: 30%)*). The differences are explained below:

	2006	2005
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**116,640**	91,039
Current tax at 30% *(2005: 30%)*	**34,992**	27,312
Effects of:		
Disallowed expenses and non-taxable income	**5,484**	3,900
Depreciation of ineligibles	**1,157**	-
Capital allowances in excess of depreciation	**(261)**	(361)
Short term timing differences	**84**	(4,036)
Other items	**44**	2,185
Adjustment in respect of prior year	**(1,346)**	5,153
Total current tax charge (see above)	**40,154**	34,153

Factors that may affect future charges

The company has a deferred tax asset of £29,000 *(2005: £24,700)*, calculated at 30%. This has been recognised on the basis that the company expects to continue to make taxable profits in the future in which to utilise this asset.

8 Dividends

	2006	2005
	£	£
Interim dividend, paid in respect of the current year	-	300,000

Notes *(continued)*

9 Intangible fixed assets

	Goodwill
	£
Cost	
At beginning and end of year	100,000
Amortisation	
At beginning of year	66,111
Charged for year	10,000
At end of year	76,111
Net book value	
At 31 December 2006	**23,889**
At 31 December 2005	33,889

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	Total
	£	£	£
Cost			
At beginning of year	123,913	27,112	151,025
Additions	19,472	-	19,472
At end of year	143,385	27,112	170,497
Depreciation			
At beginning of year	105,140	21,217	126,357
Charge for year	12,229	2,875	15,104
At end of year	117,369	24,092	141,461
Net book value			
At 31 December 2006	**26,016**	**3,020**	**29,036**
At 31 December 2005	18,773	5,895	24,668

Notes *(continued)*

11 Stocks

	2006 £	2005 £
Goods for resale	**824,905**	939,772

12 Debtors

	2006 £	2005 £
Trade debtors	**1,160,648**	623,456
Prepayments and accrued income	**42,764**	20,536
Deferred tax asset (see note 14)	**29,000**	24,700
	1,232,412	668,692

13 Creditors: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	**79,830**	49,983
Amounts owed to group undertakings	**1,489,507**	1,037,843
Corporation tax	**26,201**	8,271
Other taxation and social security	**250,613**	265,290
Accruals and deferred income	**147,673**	156,615
	1,993,824	1,518,002

14 Deferred tax asset

	£
At beginning of year	24,700
Credit in the year	4,300
At end of year	**29,000**

Notes *(continued)*

14 Deferred tax asset *(continued)*

The elements of deferred tax are as follows:

	2006	2005
	£	£
Difference between accumulated depreciation and capital allowances	**5,616**	2,332
Other timing differences	**23,384**	22,368
	29,000	24,700

15 Share capital

	2006	2005
	£	£
Authorised, allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	**100,000**	100,000

16 Reserves

	Profit and loss account
	£
At beginning of year	171,089
Retained profit for the year	80,786
At end of year	**251,875**

17 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2006	2005
	£	£
Contracted	**-**	10,626

(b) Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land and buildings	**Other**	Land and *buildings*	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**15,132**	-	13,465
In two to five years	**85,250**	**19,068**	84,500	15,132
	85,250	**34,200**	84,500	28,597

Notes *(continued)*

18 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 £20,205 *(2005: £23,520)*. There are no unpaid contributions outstanding at the year end *(2005: £Nil)*.

19 Related party transactions

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

20 Reconciliation of shareholders' funds

	2006	2005
	£	£
Profit for the financial year	**80,786**	48,424
Dividend	-	(300,000)
Retained profit/(loss) and net addition/(reduction) in shareholders' funds	**80,786**	(251,576)
Opening shareholders' funds	**271,089**	522,665
Closing shareholders' funds	***351,875***	271,089

21 Immediate and ultimate parent company

The company is a wholly owned subsidiary of Alo AB, incorporated in Sweden. The ultimate parent company, Alo Intressenter AB is incorporated in Sweden. The results of the company are included in the group financial statements of Alo Intressenter AB. Financial statements are available to the public and may be obtained from Brannland 300, SE-901 37 Umea, Sweden.