

Alfa Laval Limited

Report and Accounts

31 December 1998

Registered No. 187261



DIRECTORS

J T Bellinkx (Chairman)

L E Dahlqvist

A J Melhuish

SECRETARY

S C Barker

AUDITORS

Ernst & Young

Apex Plaza

Reading

RG1 1YE

REGISTERED OFFICE

Doman Road

Camberley

Surrey

GU15 3DN

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

Details of the results for the year are set out in the profit and loss account on page 7.

An interim ordinary dividend of £3,499,000 was declared (1997 : £5,799,000). The directors do not recommend a final ordinary dividend. Preference dividends of £1,000 were also paid during the year (1997 : £1,000).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Principal activities are the manufacture and sale of engineering products for industrial use.

On 1 January 1999, the assets and trade of Alfa Laval Flow Limited were transferred to Alfa Laval Limited.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers (including computer bureaux) and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the company. The cost of modifications to our computer hardware and software has already been incurred, whilst new equipment and any further costs will be expensed as incurred.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:-

J T Bellinkx (Belgium)
L E Dahlgvist (Sweden) (Appointed 1 September 1998)
A J Melhuish

None of the directors held any beneficial interest in the share capital of the company.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

The company follows a policy of consultation and discussion with its employees through staff meetings and briefings. Information regarding the performance and prospects is disseminated through information bulletins, meetings and reports.

Employees are encouraged to be concerned with the general performance and efficiency of the organisation.

POLITICAL AND CHARITABLE CONTRIBUTIONS

In the year, contributions to charitable organisations totalled £5,700 (1997 - £7,322). No political donations were made (1997 - £Nil).

AUDITORS

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

By order of the board on



Secretary

13 MAY 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Alfa Laval Limited

We have audited the accounts on pages 7 to 20, which have been prepared under the historical cost convention on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

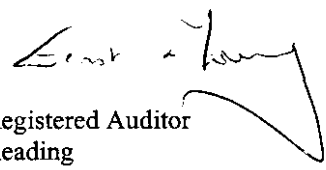
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Reading

1 June 1999

Alfa Laval Limited

PROFIT AND LOSS ACCOUNT at 31 December 1998

	Notes	1998 £'000	1997 £'000
TURNOVER	2	51,883	66,826
Change in stocks of finished goods and in short term work in progress		4,192	(4,730)
Other operating income		5,001	4,929
		<u>61,076</u>	<u>67,025</u>
Raw materials and consumables		38,256	41,877
Staff costs	6	7,866	7,775
Depreciation		1,607	1,645
Other external and operating charges		7,493	9,315
Provision for losses in associated undertaking		750	1,650
		<u>55,972</u>	<u>62,262</u>
OPERATING PROFIT	3	5,104	4,763
Exceptional profit on sale of business division	4	344	-
Income from shares in group undertakings		1,000	2,800
Interest receivable and similar income	7	123	169
Interest payable	8	(379)	(267)
		<u>1,088</u>	<u>2,702</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,192	7,465
Tax on profit on ordinary activities	9	1,965	2,143
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,227	5,322
Dividends	10	3,500	5,800
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>727</u>	<u>(478)</u>

Movements on reserves are set out in note 20.

Alfa Laval Limited

STATEMENT OF RECOGNISED GAINS AND LOSSES at 31 December 1998

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Profit attributable to the members of the company	4,227	5,322

RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Total recognised gains and losses	4,227	5,322
Dividends	(3,500)	(5,800)
Total movements during year	727	(478)
Shareholders' funds at 1 January	27,186	27,664
Shareholders' funds at 31 December	27,913	27,186

Alfa Laval Limited

BALANCE SHEET at 31 December 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible fixed assets	11	17,520	17,626
Investments	12	25,957	25,957
		<u>43,477</u>	<u>43,583</u>
CURRENT ASSETS			
Stock	13	11,511	7,705
Debtors	14	20,124	18,189
Cash at bank and in hand		-	4,181
		<u>31,635</u>	<u>30,075</u>
CREDITORS: amounts falling due within one year	15	28,769	27,160
NET CURRENT ASSETS		<u>2,866</u>	<u>2,915</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>46,343</u>	<u>46,498</u>
CREDITORS: amounts falling due after one year	16	11,078	12,657
PROVISION FOR LIABILITIES AND CHARGES	18	7,352	6,655
		<u>27,913</u>	<u>27,186</u>
CAPITAL AND RESERVES (including non equity interests)			
Called up share capital -	19	11,739	11,739
Profit and loss account	20	16,174	15,447
		<u>27,913</u>	<u>27,186</u>

M. A. L.

) Director
)

13 MAY 1999

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES

Basis of preparation

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

The company is not required to prepare and deliver group accounts by virtue of s228 of the Companies Act 1985, as it is included in the consolidated accounts of an EC parent. The financial statements therefore present information about the company as an individual undertaking.

Tangible and intangible fixed assets and depreciation

Tangible and intangible fixed assets are stated at cost or valuation less related depreciation.

No depreciation is provided on freehold land or on investment properties held at open market value. For all other tangible fixed assets, including assets held under hire purchase contracts, depreciation is calculated to write off their cost or valuation, less estimated residual value, by equal annual instalments over their expected useful lives which are considered to be:

Freehold buildings	-	between 10 and 40 years
Leasehold properties	-	the unexpired period of the lease
Plant, equipment, fixtures and fittings	-	between 3 and 14 years
Motor vehicles	-	4 years

Stocks

Stock consists of raw materials and bought-out parts, manufactured components and assemblies and work in progress together with supply and installation contracts and major contracts of a long-term nature.

Stocks other than work in progress on long-term contracts are valued at the lower of cost (which includes appropriate direct overheads) and net realisable value.

Full provision is made in respect of all defective, slow moving and obsolete stocks.

Work in progress on long-term contracts (spanning two accounting periods) is valued at the cost of materials, labour and attributable overheads and is stated in the balance sheet after deducting progress payments received. Foreseeable losses are provided in full as soon as they are identified, whereas profits are not recognised until completion because the directors consider that the ultimate profit on uncompleted contracts cannot be foreseen with reasonable certainty.

Deferred taxation

Provision is made for taxation liabilities arising from the allocation of items to different periods for taxation and accounting purposes. The provision is made at the rate of corporation tax expected to apply in the periods in which the liability is expected to crystallise.

Full provision is made for short-term timing differences and for those timing differences resulting from capital allowances in excess of depreciation to the extent that the directors' review at the balance sheet date of past investment patterns and expected future levels of capital expenditure does not demonstrate that deferment can reasonably be foreseen on a continuing basis.

Translation of foreign currencies

Income and expenditure in foreign currencies is translated into sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities relating to these transactions at the year end are translated at the exchange rate ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Operating leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Hire purchase contracts

Assets held under hire purchase contracts are recorded in the balance sheet as assets and as obligations to pay future rentals. The total finance charge for each contract is allocated to accounting periods during the lease term so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Warranties and guarantees

Provision is made for costs which, on the basis of past experience or technical complexity, may be expected to arise in rectification of goods supplied during their appropriate warranty periods.

Pensions

The company operates a defined benefit pension scheme that covers all eligible employees. The scheme's funds are administered by trustees and are independent of the company's finances.

The cost of providing benefits is charged to the profit and loss account so as to spread the cost of pensions over the employees' estimated working lives with the group. Variations from the regular cost are spread over the average remaining service lives of current employees.

Cash Flow Statement

A Cash Flow Statement has not been prepared for the year in accordance with the exemption offered under FRS1 (revised). The cash flows are consolidated by the ultimate parent company, whose accounts are publicly available.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the total amounts invoiced to customers throughout the year after deducting trade and quantity discounts and after excluding value added tax. All turnover is attributable to the manufacture and sale of products for industrial use.

No analysis of profit before taxation by class of business has been disclosed as in the opinion of the directors, it would be seriously prejudicial to the interest of the company.

3. OPERATING PROFIT

This is stated after charging/(crediting):

		1998 £'000	1997 £'000
Auditors' remuneration	- audit services	82	79
	- non-audit services	70	70
Depreciation of owned assets		1,505	1,630
Depreciation of assets held under finance leases - plant		662	641
	-motor vehicles	87	15
Finance charges		183	129
Operating lease rentals	- land and buildings	138	197
Property rentals received		(353)	(323)
		<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
at 31 December 1998

4 EXCEPTIONAL ITEM

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Profit on sale of business division	344	-

The sale of division during the year has not had a material effect on the nature and focus of the company's operations, or represents a material reduction in its operating facilities. For this reason, no analysis between continued and discontinued operations has been prepared.

There is no tax effect of this item requiring disclosure.

5 DIRECTORS' EMOLUMENTS

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Emoluments	192	102
Members of defined benefit scheme	2	1

6 STAFF COSTS

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Wages and salaries	6,874	6,889
Social security costs	654	604
Other pension costs	338	282
	7,866	7,775

The average weekly number of employees during the year was made up as follows:-

	<i>1998</i> <i>No.</i>	<i>1997</i> <i>No.</i>
Selling and distribution	228	262
Administration	32	33
Production	25	25
	285	320

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Interest on accounts with group undertakings	91	142
Bank interest receivable	15	17
Other interest receivable	17	10
	123	169

Alfa Laval Limited

NOTES TO THE ACCOUNTS at 31 December 1998

8 INTEREST PAYABLE

	1998 £'000	1997 £'000
On accounts with group undertakings	376	266
Other interest payable	3	1
	<u>379</u>	<u>267</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
UK corporation tax 31% (1997 - 31.5%)		
Current	1,727	2,331
Deferred	-	-
	<u>1,727</u>	<u>2,331</u>
Under/(Over) provision in respect of prior years:		
Current	238	(188)
	<u>1,965</u>	<u>2,143</u>

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

10 DIVIDENDS

	1998 £'000	1997 £'000
Ordinary: interim - paid	3,499	5,799
Preference: paid	1	1
	<u>3,500</u>	<u>5,800</u>

Alfa Laval Limited

NOTES TO THE ACCOUNTS at 31 December 1998

11 TANGIBLE FIXED ASSETS

	<i>Freehold property £'000</i>	<i>Plant & equipment fixtures & fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Plant held under finance leases £'000</i>	<i>Motor Vehicles held under finance leases £'000</i>	<i>Total £'000</i>
COST OR VALUATION						
At 31 December 1997	18,263	5,915	1,327	8,743	236	34,484
Additions	-	944	44	972	476	2,436
Disposals	-	(534)	(320)	(111)	(25)	(990)
At 31 December 1998	18,263	6,325	1,051	9,604	687	35,930
DEPRECIATION						
At 31 December 1997	5,536	3,919	878	6,510	15	16,858
Provided in the year	668	615	222	662	87	2,254
Disposals	-	(377)	(308)	(17)	-	(702)
At 31 December 1998	6,204	4,157	792	7,155	102	18,410
NET BOOK VALUE						
At 31 December 1998	12,059	2,168	259	2,449	585	17,520
NET BOOK VALUE						
At 31 December 1997	12,727	1,996	449	2,233	221	17,626

12 INVESTMENTS

The company's investment in subsidiary and associated undertakings comprises:-

	<i>£'000</i>
COST:	
At 1 January and 31 December 1998	35,987
AMOUNTS PROVIDED:	
At 1 January and 31 December 1998	10,030
NET BOOK VALUE:	
At 1 January and 31 December 1998	25,957

In the opinion of the directors the value of the investments in subsidiary undertakings (including amounts owed by them) is not less than the amount at which they are stated in the accounts.

Alfa Laval Limited

NOTES TO THE ACCOUNTS at 31 December 1998

12 INVESTMENTS (continued)

The proportions of ordinary shares held by Alfa Laval Limited in the principal subsidiary and associated undertakings, which unless otherwise stated are incorporated in Great Britain and registered in England and Wales, are as follows:-

	1998	1997
SUBSIDIARY UNDERTAKINGS		
<i>Industrial</i>		
Owned by the company		
Alfa Laval Engineering Limited (registered in Scotland)	100%	100%
Alfa Laval Flow Limited	100%	100%
Alfa Laval Separation Limited	100%	100%
Alfa Laval Saunders Limited	100%	100%
Alfa Laval Oilfield Limited	100%	100%
Alfa Laval Pumps Limited	100%	100%
Alfa Laval Thermal Limited	100%	100%
Alfa Laval Automation Limited	100%	100%
<i>Corporate</i>		
Owned by the company		
Alfa Laval Finance Limited	100%	100%
ASSOCIATED UNDERTAKINGS		
<i>Industrial</i>		
Rolls Laval Heat Exchangers Limited	50%	50%

13 STOCK

	1998 £'000	1997 £'000
Raw materials and consumables	285	671
Manufacturing work in progress	9,215	5,274
Finished goods	2,011	1,760
	<u>11,511</u>	<u>7,705</u>

NOTES TO THE ACCOUNTS
at 31 December 1998

14 DEBTORS

	1998 £'000	1997 £'000
Trade debtors	8,330	8,748
Amounts owed by parent undertakings and fellow subsidiary undertakings	2,918	7,645
Other debtors	1,136	144
Prepayments and accrued income	7,740	1,652
	<u>20,124</u>	<u>18,189</u>

15 CREDITORS: amounts falling due within one year

	1998 £'000	1997 £'000
Bank overdraft	2,207	-
Advances from customers	11,482	7,881
Trade creditors	5,283	3,645
Amounts owed to group undertakings	3,198	9,867
Amounts due under finance leases (Note 17)	1,849	632
Corporation tax	1,714	1,662
Other taxation and social security	272	256
Other creditors	2,477	2,465
Accruals and deferred income	287	752
	<u>28,769</u>	<u>27,160</u>

16 CREDITORS: amounts falling due after one year

	1998 £'000	1997 £'000
Amounts owed to subsidiary undertakings	9,959	10,846
Amounts due under finance leases (Note 17)	1,119	1,811
	<u>11,078</u>	<u>12,657</u>

17 OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:-	1998 £'000	1997 £'000
Amounts payable:		
Within one year	2,035	744
Within two to five years	1,259	1,982
	<u>3,294</u>	<u>2,726</u>
Less finance charges allocated to future periods	(326)	(283)
	<u>2,968</u>	<u>2,443</u>

NOTES TO THE ACCOUNTS
at 31 December 1998

17 OBLIGATIONS UNDER FINANCE LEASES (continued)

Analysed as:-

	1998 £'000	1997 £'000
Current obligations	1,849	632
Non-current obligations	1,119	1,811
	<u>2,968</u>	<u>2,443</u>

Analysis of changes in finance leases during the current and previous years:-

	1998 £'000	1997 £'000
At 1 January	2,443	1,565
Lease contracts	1,448	1,891
Rental payments and lease settlements	(923)	(1,013)
	<u>2,968</u>	<u>2,443</u>

18 PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £'000	1997 £'000
Deferred taxation	(429)	(429)
Other provisions	7,781	7,084
	<u>7,352</u>	<u>6,655</u>

(i) Deferred taxation

	<i>Provided</i>		<i>Unprovided</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Capital allowances in advance of depreciation	357	357	-	-
Other timing differences	(786)	(786)	(171)	(171)
	<u>(429)</u>	<u>(429)</u>	<u>(171)</u>	<u>(171)</u>

NOTES TO THE ACCOUNTS
at 31 December 1998

18 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

	1998 £'000	1997 £'000
Provision for deferred taxation		
At 1 January	(429)	(429)
Credit in the year	-	-
At 31 December	(429)	(429)

Full provision is made for short-term timing differences and for those timing differences resulting from capital allowances in excess of depreciation where deferment cannot be reasonably foreseen.

(ii) Other provisions	1998 £'000	1997 £'000
Other provisions consist of the following amounts:		

(a) Amounts relating to future costs on guarantee work		
1 January	2,638	1,776
Charge in the year	68	862
At 31 December	2,706	2,638

(b) Pension costs provisions	1998 £'000	1997 £'000
At 1 January	617	672
Credit in the year	(42)	(55)
At 31 December	575	617

(c) Provision for losses in associated undertaking.	1998 £'000	1997 £'000
At 1 January	3,750	2,100
Charge in the year	750	1,650
At 31 December	4,500	3,750

(d) Provision for lease costs	1998 £'000	1997 £'000
At 1 January	79	95
Credit in the year	(79)	(16)
	-	79
	7,781	7,084

NOTES TO THE ACCOUNTS
at 31 December 1998

19 SHARE CAPITAL

	1998 £'000	1997 £'000
AUTHORISED:		
12,000,000 preference shares of £1 each	12,000	12,000
10,000 ordinary shares of SwFr 10 each	39	39
ALLOTTED, CALLED UP AND FULLY PAID		
11,700,000 preference shares of £1 each	11,700	11,700
10,000 ordinary shares of SwFr 10 each	39	39
	11,739	11,739

Cumulative preference dividends of 0.01% per annum are payable in priority to dividends for other classes of shares. The preference shares have no voting rights, but have priority on winding up, after payment of the liabilities of the company.

20 MOVEMENTS ON RESERVES

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 1997	473	15,452	15,925
Profit for the year	-	5,323	5,323
Write-back of revaluation reserve on sale of assets	(473)	473	-
Dividend	-	(5,801)	(5,801)
At 1 January 1998	-	15,447	15,447
Profit for the year	-	4,227	4,227
Dividend	-	(3,500)	(3,500)
At 31 December 1998	-	16,174	16,174

£11,700,000 of shareholders' funds are attributable to non-equity interests.

21 OTHER FINANCIAL COMMITMENTS

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 1998 £'000	Land & Buildings 1997 £'000
Operating leases which expire:		
In over five years	138	136

22 CONTINGENT LIABILITIES

At 31 December 1998 the company has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated no material liability will arise.

The company has also undertaken similar commitments on behalf of fellow subsidiary undertakings.

The company together with other group undertakings participates in a cash management scheme which affords Midland Bank plc a right to set-off monies held to the account of participating companies against any overdrawn balances of other participating companies.

NOTES TO THE ACCOUNTS
at 31 December 1998

23 PENSIONS

The charge to the profit and loss account in respect of pensions was £337,728 (1997 - £282,567).

The scheme is a funded, defined benefit group scheme.

The latest actuarial valuation of the scheme was carried out at 1 September 1995 by a qualified actuary of The Legal and General Assurance Society Limited, using the projected unit method. Acting on the advice of this actuary, contributions will be made at 13% of pensionable earnings, inclusive of members contributions.

The main actuarial assumptions were that the rate of return on investments would be 9% per annum, and the increase in salaries would be 7% per annum plus promotional increase.

At the valuation date, the actuarial value of the assets on the funding basis was sufficient to cover 115% of the benefits that had accrued to members, after allowing for expected future increase in pensionable salaries. The market value of the scheme's assets at 1 September 1995 was £31.5m.

24 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary undertaking of a parent undertaking whose accounts are publicly available, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with its parent and fellow subsidiary undertakings.

25 ULTIMATE PARENT UNDERTAKING

The company is a member of Alfa Laval Holdings, an unlimited company registered in England & Wales.

The directors consider that the ultimate parent undertaking is Yora Holding BV, a company incorporated in the Netherlands.

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 Yora Holding BV and accounts would be publicly available from 1079 LH Amsterdam, Amsteldijk 166, Netherlands.