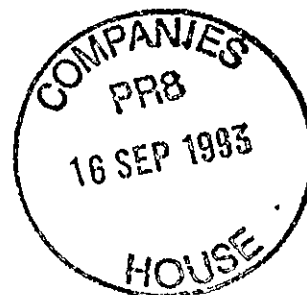


REPORT AND ACCOUNTS

Alfa-Laval Company
Limited

31 DECEMBER 1992

187261



 ERNST & YOUNG

Alfa-Laval Company Limited

Registered No. 187261

DIRECTORS

L H Hallden
U U Brasen
A J Melhuish
N H G A Bjorkman

SECRETARY

G Meredith

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

Great West Road
Brentford
Middlesex
TW8 9BT

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 December 1992

RESULTS AND DIVIDENDS

Details of the results for the year are set out in the group profit and loss account on page 6.

The directors do not recommend the payment of a final dividend (1991 - £nil). An interim dividend of £13.4 million has been paid (1991 - £nil).

PRINCIPAL ACTIVITY

The principal activity of the company and its subsidiary undertakings is the manufacture and sale of engineering products for industrial and agricultural use.

REVIEW OF THE BUSINESS

We are pleased to report a slight increase in turnover despite difficult economic conditions and a significant decrease in investments by our major customers.

However, margins have been under extreme competitive pressure and our return on sales has fallen to 4.3%.

Some of our manufacturing facilities have been underutilised and we have acted to re-dimension the operation and to review the product programme.

In addition, we have continued to develop new markets which are still in an investment phase.

We are confident that the actions we have taken will show better profitability in the ensuing year and any upturn in the market will considerably speed up this development, as our market share has increased during 1992.

FUTURE DEVELOPMENTS

During 1993, we propose to transfer our "food" business presently carried out by Alfa-Laval Engineering Limited to a sister company, Tetra Pak UK Limited. We also propose to transfer ownership of Alfa-Laval Agri Limited and Alfa-Laval Convenience Food Limited to our immediate holding company Drayholme Limited.

FIXED ASSETS

Details of the changes in the group's tangible fixed assets are set out in note 12.

DIRECTORS AND THEIR INTERESTS

The directors for the year were those listed on page 2. N H G A Bjorkman was appointed as a director on 2 July 1992.

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

EMPLOYEE INVOLVEMENT

The directors recognise the importance of good communications and relations with employees. The group operates an autonomous style of management which ensures that each division can operate in the manner best suited to achieving its goals, as part of the corporate objectives. Thus day-to-day communications within the divisions are managed within small groups aimed towards recognition by all members of staff of departmental and divisional targets.

Alfa-Laval Company Limited

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT (continued)

On a regular basis information meetings are held with employee representatives and use is made of company news sheet, other Alfa-Laval Group newspapers and notice boards. Open days are arranged for employees and their families to see the group's products and to understand more about the group's business.

Regular meetings are held at which employees are advised of the group's financial results with a review of past performance and forecast of future prospects.

DISABLED PERSONS

Suitable procedures are in operation to support the group's policy that disabled persons (whether registered or not) shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

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



G Meredith

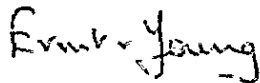
Secretary

19 February 1993

REPORT OF THE AUDITORS
to the members of Alfa-Laval Company Limited

We have audited the accounts on pages 6 to 28 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1992 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

19 February 1993

Alfa-Laval Company Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1992

	Notes	1992 £000	1991 £000
TURNOVER	2	137,269	134,030
Change in stocks of finished goods and work in progress	15	(12,278)	1,889
Other operating income		2,017	2,531
		<u>127,008</u>	<u>138,450</u>
Raw materials and consumables		(56,652)	(66,467)
Staff costs	4	(27,813)	(28,462)
Depreciation and amortisation		(4,301)	(4,058)
Other external and operating charges		(32,364)	(29,454)
OPERATING PROFIT	3	<u>5,878</u>	<u>10,009</u>
Share of profit of associated undertakings	14	101	20
Interest receivable and similar income	5	582	1,317
Interest payable	6	(1,159)	(1,335)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND EXCEPTIONAL ITEM		<u>5,402</u>	<u>10,011</u>
Exceptional item	7	(998)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>4,404</u>	<u>10,011</u>
Tax on profit on ordinary activities	8	(1,802)	(3,344)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,602</u>	<u>6,667</u>
ATTRIBUTABLE TO THE MEMBERS OF ALFA-LAVAL COMPANY LIMITED	9	<u>2,602</u>	<u>6,667</u>
Dividends	10	(13,400)	—
RETAINED (DEFICIT)/PROFIT FOR THE YEAR	22	<u>(10,798)</u>	<u>6,667</u>

Movements on reserves are set out in note 22.

Alfa-Laval Company Limited

GROUP BALANCE SHEET

at 31 December 1992

	Notes	1992 £000	1991 £000
FIXED ASSETS			
Intangible assets	11	—	127
Tangible assets	12	26,055	26,322
Investment property	13	2,000	2,600
Investments	14	374	660
		<u>28,429</u>	<u>29,709</u>
CURRENT ASSETS			
Stocks	15	19,010	20,002
Debtors	16	27,017	28,003
Cash at bank and in hand		1,383	415
		<u>47,410</u>	<u>48,420</u>
CREDITORS: amounts falling due within one year	17	(42,384)	(32,861)
NET CURRENT ASSETS		<u>5,026</u>	<u>15,559</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,455</u>	<u>45,268</u>
CREDITORS: amounts falling due after more than one year	19	(1,786)	(2,204)
PROVISION FOR LIABILITIES AND CHARGES	20	(4,994)	(5,136)
		<u>26,675</u>	<u>37,928</u>
CAPITAL AND RESERVES			
Called up share capital	21	11,739	11,739
Revaluation reserve	22	2,026	2,626
Profit and loss account	22	12,910	23,563
		<u>26,675</u>	<u>37,928</u>


A J McIlhuish

Director

19 February 1993

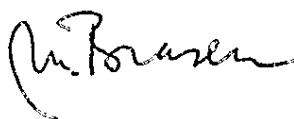
Alfa-Laval Company Limited

BALANCE SHEET

at 31 December 1992

	Notes	1992 £000	1991 £000
FIXED ASSETS			
Tangible assets	12	9,000	6,669
Investment property	13	2,000	2,600
Investments	14	32,205	32,105
		<u>43,205</u>	<u>41,374</u>
 CURRENT ASSETS			
Debtors	16	807	2,057
Cash at bank and in hand		—	223
		<u>807</u>	<u>2,280</u>
 CREDITORS: amounts falling due within one year	17	(23,111)	(25,584)
NET CURRENT LIABILITIES		<u>(22,304)</u>	<u>(23,304)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,901	18,070
 PROVISION FOR LIABILITIES AND CHARGES	20	(696)	(341)
		<u>20,205</u>	<u>17,729</u>
 CAPITAL AND RESERVES			
Called up share capital	21	11,739	11,739
Revaluation reserve	22	2,026	2,626
Profit and loss account	22	6,440	3,364
		<u>20,205</u>	<u>17,729</u>

Director



Alfa-Laval Company Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 1992

	Note	1992 £000	1991 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	<u>21,478</u>	<u>16,503</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividend paid		(13,400)	(4,000)
Interest paid		(1,159)	(1,335)
Interest received		582	1,317
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(13,977)</u>	<u>(4,018)</u>
TAXATION			
Corporation taxation paid		(2,578)	(5,820)
TAX PAID		<u>(2,578)</u>	<u>(5,820)</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(5,579)	(3,889)
Investment in associated undertakings		-	(741)
Purchase of subsidiary undertakings	25	(100)	(136)
Purchase of goodwill in unincorporated business		-	(74)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(5,679)</u>	<u>(4,840)</u>
NET CASH(OUTFLOW)/INFLOW BEFORE FINANCING		<u>(756)</u>	<u>1,825</u>
FINANCING			
Proceeds from issue of shares		-	(39)
Proceeds from disposal of tangible fixed assets		(750)	(389)
Proceeds from disposal of investment in associated undertaking		(144)	-
Loan repaid by associated undertaking		(280)	-
Hire purchase advances		(990)	-
Hire purchase repayments		935	825
Repayment of bank loan	19	750	750
NET CASH INFLOW FROM FINANCING		<u>(479)</u>	<u>1,147</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	25	<u>(277)</u>	<u>678</u>
		<u>(756)</u>	<u>1,825</u>

NOTES TO THE ACCOUNTS

at 31 December 1992

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of certain freehold properties. The accounts are prepared in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Alfa-Laval Company Limited as provided by Section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has an investment not less than 20% of the voting rights and over which it exerts influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on accounts to 31 December 1992.

Stock

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 results on uncompleted contracts cannot be foreseen with reasonable certainty.

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	-	40 years
Leasehold properties	-	the unexpired period of the lease
Plant, equipment, fixtures and fittings	-	between 3 and 14 years
Patents	-	8 years
Motor vehicles	-	4 years

NOTES TO THE ACCOUNTS

at 31 December 1992

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Profit and loss accounts are translated at the average rate of exchange during the year.

Exchange differences arising in the consolidated accounts on the retranslation at year end rates of the group's net investment in foreign subsidiaries and differences arising between the average and year end rates for the profit and loss accounts are recorded as movements on reserves.

All other foreign currency balances are translated at the rates ruling at the balance sheet date and the resulting exchange differences are dealt with through the profit and loss account.

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.

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.

Finance leases

Income from finance leases is recognised over the primary period of the lease in proportion to the net funds invested. The total net investments in finance leases included in the balance sheet as debtors represents total lease payments receivable net of finance charges relating to future accounting periods.

Operating leases

Assets held for use in operating leases are recorded as fixed assets at cost and depreciated over their useful lives. Rental income from such leases is recognised on a straight line basis over the period of the lease.

Rentals paid under operating leases are charged to 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.

Pensions

The group operates four defined benefit pension schemes that cover all eligible employees. The schemes' funds are administered by trustees and are independent of the group'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.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation, being the difference between the fair value of net assets acquired and the consideration paid, is written off against reserves in the year of acquisition.

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.

Group turnover, profit on ordinary activities before tax and net assets are analysed as follows:

	Turnover		Profit before tax		Net assets	
	1992 £000	1991 £000	1992 £000	1991 £000	1992 £000	1991 £000
Area of activity:						
Agricultural and related activities	15,763	16,737	1,645	1,216	1,875	1,832
Industrial	121,506	117,293	2,759	8,795	24,753	36,096
Total	<u>137,269</u>	<u>134,030</u>	<u>4,404</u>	<u>10,011</u>	<u>26,628</u>	<u>37,928</u>
Geographical source:						
United Kingdom	132,950	130,595	4,370	9,990	25,556	36,627
Other	4,319	3,435	34	21	1,072	1,301
Total	<u>137,269</u>	<u>134,030</u>	<u>4,404</u>	<u>10,011</u>	<u>26,628</u>	<u>37,928</u>
Geographical market:						
United Kingdom	91,270	96,112				
Other	45,999	37,918				
Total	<u>137,269</u>	<u>134,030</u>				

3. OPERATING PROFIT

	1992 £000	1991 £000
(a) This is stated after charging/(crediting):		
Auditors' remuneration – audit services	211	197
– non-audit services	18	–
Depreciation of owned assets	4,339	3,485
Depreciation of assets held under finance leases	394	431
Rentals payable in respect of plant and machinery operating leases	<u>342</u>	<u>296</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

3. OPERATING PROFIT (continued)

(b) Directors' remuneration

	1992 £000	1991 £000
Other emoluments	215	194
Pensions	24	16
	<u>239</u>	<u>210</u>

Emoluments (excluding pension contributions) of the chairman

-

-

Emoluments (excluding pension contributions) of the highest paid director

128

114

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1992 No.	1991 No.
£nil - £5,000	3	2
£65,001 - £70,000	-	-
£80,001 - £85,000	-	1
£85,001 - £90,000	1	-
£110,001 - £115,000	-	1
£125,001 - £130,000	1	-

4. STAFF COSTS

	1992 £000	1991 £000
Wages and salaries	24,541	25,378
Social security costs	2,099	2,030
Other pension costs	1,173	1,054
	<u>27,813</u>	<u>28,462</u>

Additionally £998,000 (1991 - £nil) has been charged against profit for redundancy payments (note 7).

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

	1992 No.	1991 No.
Production	724	809
Sales and distribution	435	526
Administration	235	210
	<u>1,394</u>	<u>1,545</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1992 £000	1991 £000
Bank deposit interest	522	1,012
Other	60	305
	<u>582</u>	<u>1,317</u>

6 INTEREST PAYABLE

	1992 £000	1991 £000
Bank overdrafts and loans wholly repayable within 5 years		
By instalments	156	231
Not by instalments	34	77
On other loans	250	215
On accounts with group undertakings	719	812
	<u>1,159</u>	<u>1,335</u>

7 EXCEPTIONAL ITEM

	1992 £000	1991 £000
Redundancy costs	998	-

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1992 £000	1991 £000
UK corporation tax 33% (1991 - 33.25%)		
Current	2,650	3,890
Deferred	(549)	(416)
	<u>2,101</u>	<u>3,474</u>
Underprovision/(overprovision) in respect of prior years:		
Current	(40)	131
Deferred	(259)	(261)
	<u>1,802</u>	<u>3,344</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

9. ATTRIBUTABLE PROFIT

As permitted by Section 230 of the Companies Act 1985 the holding company's profit and loss account has not been included in these accounts.

Of the group profit of £2,602,000 (1991 - £6,667,000) a loss of £1,674,000 (1991 - £1,731,000 loss) has been dealt with in the accounts of the holding company.

10. DIVIDENDS

	1992 £000	1991 £000
Ordinary:		
Interim - paid	13,400	-
Final	-	-
	<u>13,400</u>	<u>-</u>

A preference dividend of £607 was paid.

11. INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Patents</i> £000
Cost:	
At 31 December 1991 and at 31 December 1992	<u>203</u>
Amorisation:	
At 31 December 1991	76
Provided during the year	127
At 31 December 1992	<u>203</u>
Net book value:	
At 31 December 1992	-
At 31 December 1991	<u>127</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

12. TANGIBLE FIXED ASSETS

(a) Group

	<i>Freehold property £000</i>	<i>Short leasehold property £000</i>	<i>Plant and equipment, fixtures and fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost or valuation:					
At 31 December 1991	18,227	100	32,112	3,193	53,632
Exchange adjustment	—	—	27	3	30
Additions	1,656	94	2,328	1,501	5,579
Disposals	(397)	(14)	(2,658)	(961)	(4,030)
At 31 December 1992	19,486	180	31,809	3,736	55,211
Depreciation:					
At 31 December 1991	5,467	62	20,229	1,552	27,310
Exchange adjustment	—	—	8	2	10
Reclassification	(60)	60	—	—	—
Charge for the year	396	9	2,944	824	4,173
Disposals	(11)	(8)	(1,843)	(475)	(2,337)
At 31 December 1992	5,792	123	21,338	1,903	29,156
Net book value:					
At 31 December 1992	13,694	57	10,471	1,833	26,055
At 31 December 1991	12,760	38	11,883	1,641	26,322

The net book value of tangible fixed assets includes an amount of £2,230,000 (1991 – £2,596,000) in respect of assets held under lease and hire purchase contracts. Depreciation of £394,000 (1991 – £431,000) was charged against profit for this year in respect of these assets.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

12. TANGIBLE FIXED ASSETS (continued)

(b) Company

	<i>Freehold property £000</i>	<i>Plant and equipment, fixtures and fittings £000</i>	<i>Total £000</i>
Cost or valuation:			
At 31 December 1991	8,293	1,579	9,872
Additions	2,716	—	2,716
At 31 December 1992	11,009	1,579	12,588
Depreciation:			
At 31 December 1991	1,959	1,244	3,203
Charge for the year	275	110	385
At 31 December 1992	2,234	1,354	3,588
Net book value:			
At 31 December 1992	8,775	225	9,000
At 31 December 1991	6,334	335	6,669

(c) Analysis of cost or valuation

The cost or valuation of freehold property at 31 December 1992 is:

	<i>Group £000</i>	<i>Company £000</i>
Valuation	1,250	1,250
Cost	18,236	9,759
Total	19,486	11,009

All other tangible fixed assets are shown at historical cost.

A freehold property held by the company was valued on the basis of open market value for existing use at £1,250,000 by King & Co., Chartered Surveyors, as at 14 July 1987.

This valuation has been incorporated in the accounts at 31 December 1992 as, in the opinion of the directors, no significant difference in value has arisen since the date of valuation.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

12. TANGIBLE FIXED ASSETS (continued)

(d) Historical cost of assets

If stated under historical cost principles the comparable amounts for the total of land and buildings would be:

	<i>Group</i>	<i>Company</i>
	<i>1992</i>	<i>1992</i>
	<i>£000</i>	<i>£000</i>
Cost	19,939	10,536
Depreciation	(5,229)	(2,225)
Provision for diminution in value	(1,500)	—
Historical cost value	<u>13,230</u>	<u>8,311</u>
Net book value at historical cost or valuation	<u>13,694</u>	<u>8,775</u>

13. INVESTMENT PROPERTY

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
Freehold property		
Valuation at 31 December 1991	2,600	2,600
Revaluation	(600)	(600)
Valuation at 31 December 1992	<u>2,000</u>	<u>2,000</u>
Original cost of property	<u>549</u>	<u>549</u>

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve.

Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy results in the accounts giving a true and fair view.

The property was valued in 1992 on the basis of open market value for existing use by King & Co., Chartered Surveyors. This valuation has been incorporated in the accounts at 31 December 1992 as, in the opinion of the directors no significant difference in value has arisen since the date of valuation.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

14. INVESTMENTS

During the year the group acquired Alfa-Laval Contracting Limited, a non-trading company, for an amount equal to its net asset value of £100,000. Additionally an investment of £61,000 was made on the incorporation of Alfa Laval Oil Field (Nigeria) Limited.

(a) Group

	<i>Share of net assets of associated undertakings</i>		
	£000	£000	£000
At 31 December 1991	380	280	660
Share of profit for the year	38	-	38
Currency translation adjustment	38	-	38
Eliminated on disposal	(82)	(280)	(362)
At 31 December 1992	<u>374</u>	<u>-</u>	<u>374</u>

	1992	1991
	£000	£000
Share of profit for the year	38	20
Gain on disposal	63	-
	<u>101</u>	<u>20</u>

The associated undertakings are Tomoe Saunders Limited, a company incorporated in Great Britain, in which the group had a 50% interest and Saunders Valves India Limited, a company incorporated in India, in which the group has a 40% interest. During the year the group disposed of its interest in Tomoe Saunders Limited.

The group's share of retained earnings of associated undertakings at 31 December 1992 is £6,000 (1991 - £73,000 deficit).

(b) Company

The company's investment in subsidiary undertakings comprises:

	£000
Cost:	
At 31 December 1991	32,365
Acquisition	100
At 31 December 1992	<u>32,465</u>
Amounts written off:	
At 31 December 1992 and 31 December 1991	<u>260</u>
Net book value:	
At 31 December 1992	<u>32,205</u>
At 31 December 1991	<u>32,105</u>

Amounts written off against investment in subsidiary undertakings arose by reason of losses incurred by certain of these undertakings in excess of their reserves.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

14. INVESTMENTS (continued)

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

	1992	1991
<i>Agricultural and related activities</i>		
Owned by the company		
Alfa-Laval Agri Limited	100%	100%
Owned by subsidiary undertaking		
C & M Dairy Supplies Limited	87.5%	87.5%
Dairycare Limited	100%	100%
Dairy Supplies (Hereford) Limited	100%	100%
Northern Dairy Centre Limited	100%	100%
<i>Industrial</i>		
Owned by the company		
Alfa-Laval Engineering Limited (registered in Scotland)	100%	100%
Alfa-Laval Flow Equipment Limited	100%	100%
Alfa-Laval Sharples Limited	100%	100%
Saunders Valve Company Limited	100%	100%
SattControl UK Limited	100%	100%
Alfa-Laval Convenience Food Limited	100%	100%
Alfa Laval Oil Field Limited	100%	100%
Owned by subsidiary undertakings		
Saunders Valve (Australia) (Pty) Limited* (incorporated in Australia)	100%	100%
PDP Pumps Limited	100%	100%
Alfa Laval Oil Field (Nigeria) Limited **	100%	—
<i>Corporate</i>		
Owned by the company		
Tetra Laval Finance Limited (formerly Alfa-Laval Finance Company Limited)	100%	100%

* Incorporated and registered in Australia

** Incorporated and registered in Nigeria

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

15. STOCKS

	1992 £000	Group 1991 £000
Stocks of raw materials, bought-out and manufactured parts	14,330	13,866
Manufacturing work-in-progress	5,716	16,377
	<u>20,046</u>	<u>30,243</u>
Less: Payments on account	(1,036)	(10,241)
	<u>19,010</u>	<u>20,002</u>

The replacement value of stock and work-in-progress is not materially different from the above figures.

16. DEBTORS

	1992 £000	Group 1991 £000	1992 £000	Company 1991 £000
Trade debtors	20,562	22,041	-	-
Amounts owed by parent undertakings and fellow subsidiary undertakings	3,829	2,560	-	8
Amounts owed by subsidiary undertakings	-	-	172	105
Amounts owed by associated undertakings	21	107	-	1
Other debtors	1,718	2,374	50	34
Group relief receivable	-	-	585	1,906
Prepayments and accrued income	887	921	-	3
	<u>27,017</u>	<u>28,003</u>	<u>807</u>	<u>2,057</u>

Group

Other debtors include an amount of £50,000 advanced during the year to A J Melhuish, a director of the company. The loan is secured by mortgage on a property and interest is charged at the official Inland Revenue rate. The maximum amount outstanding during the year was £50,000.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

17. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1992</i>	<i>1991</i>	<i>1992</i>	<i>1991</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Overdrafts and current instalments due on bank loans	7,144	5,899	249	1,538
Obligations under finance lease and hire purchase contracts	658	935	-	-
Payments on account (see note 18)	2,999	1,627	-	-
Trade creditors	8,336	10,433	25	29
Amounts owed to subsidiary and group undertakings	12,715	4,876	21,704	22,766
Corporation tax	3,517	3,485	-	-
Other taxation and social security	1,496	1,136	-	-
Other creditors	2,738	2,293	1,127	1,243
Accruals and deferred income	2,781	2,177	6	8
	<u>42,384</u>	<u>32,361</u>	<u>23,111</u>	<u>25,584</u>

18. PAYMENTS ON ACCOUNT

For certain contracts sums are received from customers at the time of finalising contract terms or with orders for the manufacture, supply and installation of the plant. To the extent that such sums are subsequently absorbed by the costs of the applicable work-in-progress, an amount of the advance not exceeding such costs is treated as a progress payment. Such amounts, together with interim payments received on contracts, are then deducted from the relevant costs incurred for purposes of balance sheet presentation (see note 15).

19. CREDITORS: amounts falling due after more than one year

	<i>Group</i>	
	<i>1992</i>	<i>1991</i>
	<i>£000</i>	<i>£000</i>
Bank loans	375	1,125
Obligations under finance lease and hire purchase contracts	1,411	1,079
	<u>1,786</u>	<u>2,204</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

19. CREDITORS: amounts falling due after more than one year (continued)

Included in bank loans and overdrafts is a loan of £1,125,000 (1991 – £1,875,000) bearing an interest rate of 10% and which is repayable in equal instalments of £375,000 due at six-monthly intervals. Accordingly, £750,000 (1991 – £750,000) is included within amounts falling due within one year.

	1992 £000	1991 £000
Bank loans at 1 January	1,875	2,625
Repaid in year	(750)	(750)
	<u>1,125</u>	<u>1,875</u>
Disclosed as current liability	(750)	(750)
	<u>375</u>	<u>1,125</u>

Analysis of obligations under hire purchase contracts:

	1992 £000	Group 1991 £000
Amounts falling due within:		
One year	768	817
Two to five years	1,547	1,693
	<u>2,315</u>	<u>2,510</u>
Finance charges allocated to future periods	(246)	(496)
	<u>2,069</u>	<u>2,014</u>

20. PROVISIONS FOR LIABILITIES AND CHARGES

	1992 £000	Group 1991 £000	1992 £000	Company 1991 £000
Deferred taxation	–	822	696	341
Other provisions	4,994	4,314	–	–
	<u>4,994</u>	<u>5,136</u>	<u>696</u>	<u>341</u>

Other provisions principally comprise pension provisions and warranty provisions.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

20. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation

Group

	1992	Provided	1992	Not provided
	1991	1992	1991	
	£000	£000	£000	£000
Capital allowances in advance of depreciation	1,604	2,202	19	222
Other differences in recognising revenue and expense items in other periods for taxation purposes	(1,604)	(1,380)	(843)	(433)
	<u>-</u>	<u>822</u>	<u>(824)</u>	<u>(211)</u>

The movement for the year is as follows:

	£000
Credit to profit and loss account	808
Currency translation adjustment	14
	<u>822</u>

Company

	1992	Provided	1992	Not provided
	1991	1992	1991	
	£000	£000	£000	£000
Capital allowances in advance of depreciation	836	578	-	-
Other differences in recognising revenue and expense items in other periods for taxation purposes	(140)	(237)	-	-
	<u>696</u>	<u>341</u>	<u>-</u>	<u>-</u>

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.

No provision for deferred tax has been made in respect of the surplus arising on the revaluation of fixed assets.

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

21. SHARE CAPITAL

	1992 £000	1991 £000
Authorised:		
12,000,000 preference shares of £1 each	12,000	12,000
10,000 ordinary shares of SwFr 10 each	39	39
	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>
	11,739	11,739
	<u> </u>	<u> </u>

22. RESERVES

	Revaluation reserve £000	Group Profit and loss account £000	Revaluation reserve £000	Company Profit and loss account £000
At 31 December 1991	2,626	23,563	2,626	3,364
Retained (deficit)/profit for the year	-	(10,798)	-	3,076
Revaluation	(600)	-	(600)	-
Currency translation adjustment	-	145	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 1992	2,026	12,910	2,026	6,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1992 £	1991 £
Operating profit	5,878	10,009
Exceptional redundancy costs	(998)	-
	<u> </u>	<u> </u>
	4,880	10,009
Items not involving the movement of funds:		
Depreciation and amortisation	4,301	4,058
Increase in other provisions	680	801
Loss/(profit) on sale of assets	942	(68)
Exchange differences arising on translation	74	(14)
	<u> </u>	<u> </u>
	10,877	14,786
	<u> </u>	<u> </u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES (continued)

	1992	1991
	£	£
Movement on working capital:		
Decrease in debtors	986	2,101
Decrease in creditors and provisions	8,623	(1,471)
Decrease in stock	992	1,087
	<u>10,601</u>	<u>1,717</u>
CASH INFLOW FROM OPERATING ACTIVITIES	<u>21,478</u>	<u>16,503</u>

24. SUMMARY OF MOVEMENTS IN CASH AND CASH EQUIVALENTS

	1992	1991
	£000	£000
Balance at beginning of the period	(4,734)	(5,412)
Net cash (outflow)/inflow for year	(277)	678
Balance at the end of the period	<u>(5,011)</u>	<u>(4,734)</u>
Represented by:		
Cash at bank and in hand	1,383	415
Overdrafts (note 17)	(6,394)	(5,149)
	<u>(5,011)</u>	<u>(4,734)</u>
Cash equivalents – overdrafts	(6,394)	(5,149)
Non-cash equivalents – bank loan	(750)	(750)
	<u>(7,144)</u>	<u>(5,899)</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1992

25. ANALYSIS OF NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKINGS

	1992 £000	1991 £000
Cash consideration (see note 14)	100	222
Cash at bank and in hand acquired	—	(86)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>100</u>	<u>136</u>

26. CONTINGENT LIABILITIES

At 31 December 1992 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 together with other group companies 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.

The company has given guarantees against a loan to Saunders Valve Company Limited, a subsidiary company, amounting to £1,125,000 at 31 December 1992.

27. CAPITAL COMMITMENTS

	1992 £000	Group 1991 £000	1992 £000	Company 1991 £000
Contracted for but not provided in the accounts	227	1,059	—	718
Authorised by the directors but not contracted for	163	266	—	80
	<u>390</u>	<u>1,325</u>	<u>—</u>	<u>798</u>

28. OTHER FINANCIAL COMMITMENTS

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

(a) Group

	Land and buildings		Other	
	1992 £000	1991 £000	1992 £000	1991 £000
Expiring within one year	3	109	83	44
Expiring between two and five years inclusive	145	299	223	324
Expiring in over five years	185	197	—	29
	<u>333</u>	<u>605</u>	<u>306</u>	<u>397</u>

Alfa-Laval Company Limited

NOTES TO THE ACCOUNTS at 31 December 1992

28. OTHER FINANCIAL COMMITMENTS (continued)

(b) Company

	Land and buildings		Other	
	1992	1991	1992	1991
	£000	£000	£000	£000
Expiring within one year	5	-	-	-
Expiring between two and five years inclusive	-	-	-	-
Expiring in over five years	-	-	-	-
	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>

29. PENSIONS

The charge to the profit and loss account in respect of pensions was £1,033,000 (1991 - £847,000). A provision of £2,576,000 (1991 - £1,543,000) is included in provisions, this being the excess of the accumulated pension cost over the amount funded.

The latest actuarial valuations of the main UK scheme was carried out as at 1 September 1989 by qualified actuaries of The Legal and General Assurance Society Limited, using the projected unit method. Acting on the advice of these actuaries, group funding of this scheme remains suspended and further group funding is unlikely to be required during the next financial year.

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 increases.

At the valuation date, the actuarial value of the assets on the funding basis was sufficient to cover 122% of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries. The market value of the scheme's assets at 1 September 1989 was £16.1m.

30. ULTIMATE PARENT UNDERTAKING

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

The parent undertaking of the smallest group of undertakings of which the company is a member and for which group accounts are drawn up is Yora Holding BV, a company incorporated in The Netherlands.