

**Accura Tooling & Design Services Limited**

**Abbreviated Financial Statements**

**Year Ended**

**31 March 2004**



**BDO**

BDO Stoy Hayward  
Chartered Accountants

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**Directors**

K Wilson  
M W Richards  
D C Gouldingay

**Secretary and registered office**

G K Urquhart, 61 Woodside Road, New Malden, Surrey KT3 3AW

**Company number**

1442283

**Auditors**

BDO Stoy Hayward LLP, Mander House, Mander Centre, Wolverhampton, WV1 3NF

**Bankers**

Bank of Scotland, 55 Temple Row, Birmingham, B2 5LS

**Report of the directors for the year ended 31 March 2004**

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The directors present their report together with the audited financial statements for the year ended 31 March 2004.

**Results and dividends**

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

**Principal activities, review of business and future developments**

The company's principal activities are the design and manufacture of progression form tooling and the provision of specialist precision machining services.

During 2003-04 turnover was increased by 8.7% with all sectors of the business benefiting. The company's deserved reputation for quality kept tool-making activity buoyant in a competitive market whilst the business also expanded its contract and subcontract machining sectors. Confirmed growth opportunities in contract work call for additional space, which the company plans to rent in the early part of 2004-05.

**Directors**

The directors of the company during the year were:

K Wilson  
M W Richards  
D C Gouldingay

No director had any beneficial interest in the share capital of the company.

The interests of K Wilson, D C Gouldingay and M W Richards in the shares of the ultimate parent undertaking are shown in that company's financial statements. No other director in office at 31 March 2004 had a disclosable interest in the shares of the company or group at 31 March 2004 or 31 March 2003.

**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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

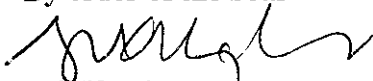
**Report of the directors for the year ended 31 March 2004 (*Continued*)**

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**Auditors**

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

**By order of the board**

  
G K Urquhart

**Secretary**

14 June 2004

**Report of the independent auditors**

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**Independent auditors' report to Accura Tooling & Design Services Limited under section 247B of the Companies Act 1985**

We have examined the abbreviated financial statements on pages 4 to 19 together with the financial statements of the company for the year ended 31 March 2004 prepared under section 226 of the Companies Act 1985.

*Respective responsibilities of directors and auditors*

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

*Basis of opinion*

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

*Opinion*

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements on pages 4 to 19 are properly prepared in accordance with that provision.

*BDO STOH HAYWARD LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors  
Wolverhampton*

14 June 2004

**Accura Tooling & Design Services Limited****Profit and loss account for the year ended 31 March 2004**

	<b>Note</b>	<b>2004 £</b>	<b>2003 £</b>
<b>Gross profit</b>		<b>876,026</b>	<b>768,864</b>
Distribution costs		<b>60,194</b>	<b>106,753</b>
Administrative expenses		<b>616,650</b>	<b>612,091</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<b>2</b>	<b>199,182</b>	<b>50,020</b>
Other interest receivable and similar income	<b>5</b>	<b>1,237</b>	<b>21</b>
Interest payable and similar charges	<b>6</b>	<b>(13,645)</b>	<b>(20,513)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>186,774</b>	<b>29,528</b>
Taxation on profit on ordinary activities	<b>7</b>	<b>57,341</b>	<b>8,718</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>129,433</b>	<b>20,810</b>
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 7 to 19 form part of these financial statements.

**Accura Tooling & Design Services Limited**

**Note of historical cost profits and losses for the year ended 31 March 2004**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Reported profit on ordinary activities before taxation	<b>186,774</b>	29,528
Difference between actual and historical cost depreciation charge	<b>4,000</b>	4,000
	<hr/>	<hr/>
<b>Historical cost profit on ordinary activities before taxation</b>	<b>190,774</b>	33,528
	<hr/>	<hr/>
<b>Retained historical cost profit for the year after taxation and dividends</b>	<b>133,433</b>	24,810
	<hr/>	<hr/>

The notes on pages 7 to 19 form part of these financial statements.

# Accura Tooling & Design Services Limited

## Balance sheet at 31 March 2004

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Tangible assets	8		550,608		653,491
Fixed asset investments	9		1		1
			<hr/>		<hr/>
			550,609		653,492
<b>Current assets</b>					
Stocks	10	177,850		224,274	
Debtors	11	1,260,703		1,333,091	
Cash at bank and in hand		78,785		769	
		<hr/>		<hr/>	
		1,517,338		1,558,134	
<b>Creditors: amounts falling due within one year</b>	12	1,201,219		1,415,864	
		<hr/>		<hr/>	
<b>Net current assets</b>			316,119		142,270
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			866,728		795,762
<b>Creditors: amounts falling due after more than one year</b>	13	33,582		88,282	
<b>Provision for liabilities and charges</b>	14	37,882		41,649	
		<hr/>		<hr/>	
			71,464		129,931
			<hr/>		<hr/>
			795,264		665,831
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	15		20,000		20,000
Revaluation reserve	16		140,157		144,157
Profit and loss account	16		635,107		501,674
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	17		795,264		665,831
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board on 14 June 2004.

*D C Goulding*

D C Gouldingay  
Director

The notes on pages 7 to 19 form part of these financial statements.



## 1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings, and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

### *Consolidated financial statements*

The company is exempt under section 229(5) of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the directors consider that the company's subsidiaries may be excluded from consolidation. These financial statements therefore present information about the company as an individual undertaking and not about its group.

### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Accura Holdings Limited and the company is included in consolidated financial statements.

### *Land and buildings*

The company has taken advantage of the arrangements under FRS 15 which allow the carrying value of those assets acquired prior to 31 December 1999, which had been revalued, to be retained. All additions to fixed assets since this date are stated at cost. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold buildings	- 50 years straight line
Plant and machinery etc	- 5-7 years straight line
Motor vehicles	- 4 years straight line
Fixtures and fittings	- 5 years straight line
Property improvements	- 7 years straight line

### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

**1 Accounting policies (*continued*)**

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Pension costs*

The company operates a defined benefit pension scheme in respect of certain employees. Contributions are charged to the profit and loss account so as to spread the pension cost evenly over the working lives of the members.

The company also operates a defined contribution pension scheme in respect of certain employees. Contributions payable in the period are charged to the profit and loss account.

*Government grants*

Grants received in respect of capital expenditure are credited to accruals and deferred income as detailed in the balance sheet and released to the profit and loss account over the expected useful lives of the asset concerned in accordance with the related depreciation policy. Grants towards revenue expenditure are released to the profit and loss account as related expenditure is incurred.

**2 Operating profit**

	2004 £	2003 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	135,000	119,317
Profit on disposal of tangible fixed assets	(882)	(11,273)
Hire of plant and machinery - operating leases	400	400
Hire of other assets - operating leases	26,752	26,736
Audit services	5,425	5,250
	<u>135,000</u>	<u>119,317</u>

Depreciation includes £53,214 (2003 - £80,531) charged on assets held under finance leases and hire purchase contracts.

**3 Employees**

Staff costs (including directors) consist of:

	2004 £	2003 £
Wages and salaries	1,436,642	1,385,195
Social security costs	151,974	131,221
Other pension costs	86,194	78,965
	<u>1,674,810</u>	<u>1,595,381</u>

The average number of employees (including directors) during the year was as follows:

	2004 Number	2003 Number
Production and selling	48	41
Management and administration	7	8
	<u>55</u>	<u>49</u>

**Accura Tooling & Design Services Limited****Notes forming part of the financial statements for the year ended 31 March 2004 (Continued)****4 Directors' remuneration**

	2004 £	2003 £
Directors' emoluments	114,614	126,849
Company contributions to money purchase pension schemes	8,280	12,570

There was 1 director in the company's defined contribution pension scheme during the year (2003 - 2).

**5 Other interest receivable and similar income**

	2004 £	2003 £
Bank deposits	1,237	21

**6 Interest payable and similar charges**

	2004 £	2003 £
Bank overdraft	5,802	11,866
Finance leases and hire purchase contracts	7,843	8,647
	13,645	20,513

**7 Taxation on profit on ordinary activities**

	2004 £	2004 £	2003 £	2003 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	61,000		-	
Adjustment in respect of previous periods	-		(49)	
Group relief	-		13,014	
	<hr/>		<hr/>	
Total current tax		61,000		12,965
<i>Deferred tax</i>				
Origination and reversal of timing differences	(3,659)		(3,396)	
Adjustment in respect of previous periods	(108)		(851)	
Group relief - prior year	108		-	
	<hr/>		<hr/>	
Movement in deferred tax provision		(3,659)		(4,247)
		<hr/>		<hr/>
Taxation on profit on ordinary activities		57,341		8,718
		<hr/>		<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	186,774	29,528
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	56,032	8,859
Effect of:		
Expenses not deductible for tax purposes	497	759
Adjustment to tax charge in respect of previous periods	(108)	(49)
Deferred tax movement	3,767	3,396
Rounding	812	-
	<hr/>	<hr/>
Current tax charge for period	61,000	12,965
	<hr/>	<hr/>

**8 Tangible fixed assets**

	<b>Freehold land and buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Cost or valuation</i>					
At 1 April 2003	431,399	1,718,673	132,741	127,836	2,410,649
Additions	-	3,119	-	32,616	35,735
Disposals	-	(46,000)	(12,936)	(53,104)	(112,040)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	<b>431,399</b>	<b>1,675,792</b>	<b>119,805</b>	<b>107,348</b>	<b>2,334,344</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 April 2003	103,894	1,509,432	44,701	99,131	1,757,158
Provided for the year	10,000	72,500	33,000	19,500	135,000
Disposals	-	(46,000)	(9,318)	(53,104)	(108,422)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	<b>113,894</b>	<b>1,535,932</b>	<b>68,383</b>	<b>65,527</b>	<b>1,783,736</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 March 2004	<b>317,505</b>	<b>139,860</b>	<b>51,422</b>	<b>41,821</b>	<b>550,608</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	<b>327,505</b>	<b>209,241</b>	<b>88,040</b>	<b>28,705</b>	<b>653,491</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The historical cost of freehold land and buildings is:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Cost	<b>237,274</b>	237,274
Accumulated depreciation based on historical cost	<b>59,926</b>	53,926
	<hr/>	<hr/>
Historical cost net book value	<b>177,348</b>	183,348
	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £132,769 (2003 - £203,636) in respect of assets held under finance leases and hire purchase contracts.

**9 Fixed asset investments**

**Group  
undertakings  
£**

*Cost or valuation*

At 1 April 2003 and 31 March 2004

**1**

*Subsidiary undertakings*

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of business</b>
Geometric Form Tools Limited	100%	Dormant

**10 Stocks**

	<b>2004 £</b>	<b>2003 £</b>
Raw materials	32,544	6,811
Work in progress	409,002	297,213
Less payments on account	(263,696)	(79,750)
	<hr/>	<hr/>
	<b>177,850</b>	<b>224,274</b>
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

**11 Debtors**

	2004 £	2003 £
Trade debtors	925,934	991,136
Amounts owed by group undertakings	328,693	316,563
Other debtors	2,180	16,895
Prepayments and accrued income	3,896	8,497
	<hr/>	<hr/>
	1,260,703	1,333,091
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

**12 Creditors: amounts falling due within one year**

	2004 £	2003 £
Bank overdraft (secured)	-	277,513
Payments received on account	46,867	9,554
Trade creditors	177,719	183,357
Amounts owed to group undertakings	529,896	522,019
Corporation tax	61,000	-
Other taxation and social security	138,963	120,224
Obligations under finance lease and hire purchase contracts	58,649	72,652
Group relief	-	13,014
Accruals and deferred income	188,125	217,531
	<hr/>	<hr/>
	1,201,219	1,415,864
	<hr/>	<hr/>

The bank overdraft is secured by a debenture over the assets of the company.



**13 Creditors: amounts falling due after more than one year**

	2004 £	2003 £
Obligations under finance lease and hire purchase contracts	33,582	88,282
	<u>          </u>	<u>          </u>
Maturity of debt:		
	Finance leases 2004 £	Finance leases 2003 £
In one year or less, or on demand	58,649	72,652
	<u>          </u>	<u>          </u>
In more than one year but not more than two years	30,392	61,664
In more than two years but not more than five years	3,190	26,618
	<u>          </u>	<u>          </u>
	33,582	88,282
	<u>          </u>	<u>          </u>

**14 Provision for liabilities and charges**

		Deferred taxation £
At 1 April 2003		41,649
Credited to profit and loss account		(3,767)
		<u>          </u>
At 31 March 2004		37,882
		<u>          </u>
<i>Deferred taxation</i>		
	2004 £	2003 £
Accelerated capital allowances	53,024	66,297
Sundry timing differences	(15,142)	(24,648)
	<u>          </u>	<u>          </u>
	37,882	41,649
	<u>          </u>	<u>          </u>

**15 Share capital**

	2004	Authorised 2003	Allotted, called up and fully paid 2004	2003
	£	£	£	£
<i>Equity share capital</i>				
20,000 Ordinary shares of £1 each	20,000	20,000	20,000	20,000

**16 Reserves**

	Revaluation reserve £	Profit and loss account £
At 1 April 2003	144,157	501,674
Profit for the year	-	129,433
Amortisation of revaluation surplus	(4,000)	4,000
At 31 March 2004	140,157	635,107

**17 Reconciliation of movements in shareholder's funds**

	2004 £	2003 £
Profit for the year	129,433	20,810
Opening shareholder's funds	665,831	645,021
Closing shareholder's funds	795,264	665,831

**18 Contingent liabilities**

The company has guaranteed the bank borrowings of its fellow group undertakings. At the year end the liabilities covered by these guarantees totalled £1,068,364 (2003 - £2,229,323).

**19 Commitments under operating leases**

The company had annual commitments under non-cancellable operating leases as set out below:

	2004 Land and buildings £	2004 Other £	2003 Land and buildings £	2003 Other £
Operating leases which expire:				
In two to five years	26,736	400	26,736	400

**20 Related party disclosures**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Accura Holdings Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

*Related party transactions and balances*

The company operates under the control of its ultimate parent undertaking Accura Holdings Limited.

*Details of controlling party of Accura Holdings Limited*

1,291,046 'A' Ordinary Shares of 1p each of the Company are registered in the name of Investec Trust Guernsey Limited (formerly Guinness Flight Trustees Sarl) Account 2494, in its capacity as Trustee of Enterprise Plus Unit Trust ('EPUT'), and 459,287 'A' Ordinary Shares of 1p each of the company are registered in the name of ITGL (UK) Nominees Limited (formerly Guinness Flight (UK) Nominees Limited) Account 2506, in its capacity as Nominee of Enterprise Plus Investment Plan ('EPIP'), and 233,000 'A' Ordinary Shares of 1p each of the company are registered in the name of ITGL (UK) Nominees Limited (formerly Guinness Flight (UK) Nominees Limited) Account 2568, in its capacity as Nominee of Enterprise Plus III ('E+III'), a separate fund similar to EPIP.

262,516 'A' Ordinary Shares of 1p each of the Company are registered in the name of Investec Trust Guernsey Limited (formerly Guinness Flight Trustees Sarl) Account 2532, in its capacity as Trustee of Enterprise Plus Unit Trust II ('EPUTII'), and 158,048 'A' Ordinary Shares of 1p each of the Company are registered in the name of ITGL (UK) Nominees Limited (formerly Guinness Flight (UK) Nominees Limited) Account 2533, in its capacity as Nominee of Enterprise Plus Investment Plan II ('EPIPII'), and 71,185 'A' Ordinary Shares of 1p each of the Company are registered in the name of ITGL (UK) Nominees Limited (formerly Guinness Flight (UK) Nominees Limited) Account 2896, in its capacity as Nominee of LICA VII, a separate fund similar to EPIP, EPIP II and E+III.

EPUT and EPIP are partners in a joint venture called Enterprise Plus, whilst EPUT II and EPIP II are partners in another joint venture called Enterprise Plus II. Together with E+III and LICA VII, they are managed by SELECT Industries Management Company Limited and advised by Nova Capital Management Limited (formerly LICA Development Capital Limited). The total EPUT, EPIP, EPUT II, EPIP II, E+III and LICA VII shareholding represents 82.5% of the aggregate of the current issued 'A' and 'B' Ordinary share capital of the Company.

**21 Ultimate parent company and parent undertaking of larger group**

The largest and smallest group in which the results of the company are consolidated is that headed by Accura Holdings Limited, incorporated in the United Kingdom. The consolidated accounts of this company may be obtained from the registered office. No other group accounts include the results of the company.

**22 Pensions**

The company operates a defined benefit scheme in the UK. The plan is funded by the payment of contributions to a separate trustee administered fund.

The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was as at 5 April 2001.

The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 1 April 2004.

The last actuarial valuation highlighted that the scheme was in surplus on the MFR basis with the value of assets being sufficient to cover the actuarial value of accrued liabilities on that basis by a substantial margin. No contributions are being paid to the scheme at the present time.

As the scheme is closed to new members and is not material to the group accounts, the directors have not produced comparative FRS 17 figures as the costs outweigh the benefit.

The major assumptions used by the actuary were:

**1 April 2004**

Rate of increase in pensions in payment	2.90%
Discount rate	5.40%
Inflation assumption	2.90%

**22 Pensions (continued)**

The assets in the scheme and the expected long term rate of return at 1 April 2004 were:

	Expected return at 1 April 2004	Value at 1 April 2004 £'000
Equities	7.90%	168
Bonds	5.10%	18
Property	7.90%	4
Cash	4.00%	18
		—
Total market value of assets		208
Present value of scheme liabilities		(336)
		—
Deficit in scheme on FRS 17 basis		(128)
Related deferred tax credit		38
		—
Net pension liability on FRS17 basis		(90)
		==

The scheme was closed to new members from 1 May 2002. Included within the accounts is a precautionary provision of £28,221 against the risk of having to fund the above potential liability at some future date.