

Brightwells Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2003

2052714



Brightwells Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C J A Gallimore - Chairman
T C Court - Director
F J A Morgan - Director
M H Rose - Director
T I Parry - Director
R J Grainger - Director
N W Gorst - Director

SECRETARY

R J Grainger

REGISTERED OFFICE

Easters Court
Leominster
Herefordshire
HR6 0DE

AUDITORS

Baker Tilly
Chartered Accountants
Elgar House
Holmer Road
Hereford
HR4 9SF

Brightwells Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Brightwells Limited for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was as auctioneers and valuers.

REVIEW OF THE BUSINESS

The directors are delighted to report that the company has again made progress and that both turnover and profits continue to grow. The company has again made significant performance related Bonuses to many members of staff and the directors believe that this has been a significant factor in driving the business forward. The company is about to adopt a new three year business plan, to ensure that it continues to build on the sound base of the last three years.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £0.05 each	
	At 31 December 2003	At 1 January 2003
C J A Gallimore	2,750	2,750
T C Court	2,750	2,750
F J A Morgan	2,750	2,750
M H Rose	2,000	2,000
T I Parry	2,150	2,100
R J Grainger	2,150	2,050
N W Gorst	<u>1,950</u>	<u>1,900</u>

FIXED ASSETS

The directors are of the opinion that the market value of freehold land and buildings owned by the company is substantially in excess of the historical cost shown in the balance sheet.

Brightwells Limited

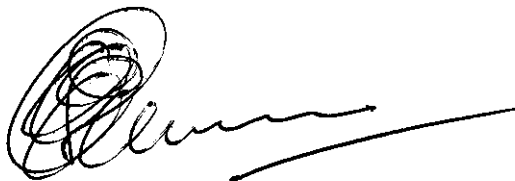
DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

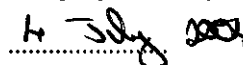
Registered office:
Easters Court
Leominster
Herefordshire
HR6 0DE

By order of the board



R J Grainger

Company Secretary


.....

Brightwells Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRIGHTWELLS LIMITED

We have audited the financial statements which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes.

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 auditors' 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BRIGHTWELLS LIMITED (continued)

Opinion

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


BAKER TILLY

Registered Auditor
Chartered Accountants
Elgar House
Holmer Road
Hereford
HR4 9SF

7 July 2004

Brightwells Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	<i>Notes</i>	2003 £	2002 £
TURNOVER	2	3,674,505	3,340,347
Administrative expenses		(4,575,231)	(4,305,105)
Other operating income	3	1,168,479	939,149
OPERATING PROFIT/(LOSS)	4	267,753	(25,609)
Profit on disposal of fixed assets	7	97,198	30,852
		364,951	5,243
Interest receivable		35,139	47,340
Interest payable	8	(475)	(688)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		399,615	51,895
Taxation	9	(55,941)	(27,760)
RETAINED PROFIT FOR THE FINANCIAL YEAR		343,674	24,135
Balance brought forward		690,235	666,100
Balance carried forward		1,033,909	690,235

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Brightwells Limited

BALANCE SHEET

31 December 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible assets	10	5,000	7,500
Tangible assets	11	2,844,311	1,023,190
Investments	12	6,090	6,139
		<u>2,855,401</u>	<u>1,036,829</u>
CURRENT ASSETS			
Debtors	13	1,279,085	1,337,380
Cash at bank		422,839	2,936,171
		<u>1,701,924</u>	<u>4,273,551</u>
CREDITORS			
Amounts falling due within one year	14	(3,457,706)	(4,568,895)
NET CURRENT LIABILITIES		<u>(1,755,782)</u>	<u>(295,344)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,099,619	741,485
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(14,460)	—
		<u>1,085,159</u>	<u>741,485</u>
CAPITAL AND RESERVES			
Called up equity share capital	18	1,350	1,350
Share premium account		49,900	49,900
Profit and loss account		1,033,909	690,235
SHAREHOLDERS' FUNDS		<u>1,085,159</u>	<u>741,485</u>

These financial statements were approved by the directors on the 4 July 2004 and are signed on their behalf by:

C J A Gallimore
Director

C. J. Gallimore

Brightwells Limited
CASH FLOW STATEMENT
for the year ended 31 December 2003

	<i>Notes</i>	2003 £	2002 £
Net cash flow from operating activities	20	508,620	516,081
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		35,139	47,340
Interest paid		(475)	(688)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		34,664	46,652
TAXATION		(26,481)	(35,760)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(1,864,559)	(100,781)
Receipts from sale of fixed assets		101,085	126,334
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE		(1,763,474)	25,553
ACQUISITIONS AND DISPOSALS			
Acquisition of shares in group undertakings		—	(5,000)
Disposal of shares in group undertakings		49	—
NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS AND DISPOSALS		49	(5,000)
(DECREASE)/INCREASE IN CASH IN THE PERIOD	20	<u>(1,246,622)</u>	<u>547,526</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - 6 years straight line

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Motor Vehicles - 16.7%, 25% and 33% straight line

Fixtures & Fittings - 10%, 14%, 20% and 33% straight line

There is no depreciation charge for freehold land and buildings as the company's policy of regular repair and refurbishment means that with its expected high residual value, the charge would be immaterial.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

DEFERRED TAXATION

Deferred tax is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are expected to crystallise in the foreseeable future.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1 ACCOUNTING POLICIES *(continued)*

INVESTMENTS

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

CONSOLIDATION

The company and its subsidiary company comprise a medium sized group. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts. These accounts are the accounts of this company only.

2 TURNOVER

Turnover represents commissions receivable by the company, and is stated net of value added tax. It relates only to commissions received by the company, and does not reflect the gross turnover passing through auctions.

3 OTHER OPERATING INCOME

	2003	2002
	£	£
Rent receivable	52,047	77,587
Wages and expenses recovered	57,270	18,393
Catalogues, grading fees, levies, tolls etc	496,103	435,753
Other operating income	563,059	407,416
	<u>1,168,479</u>	<u>939,149</u>

4 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2003	2002
	£	£
Amortisation	2,500	2,500
Depreciation of owned fixed assets	39,551	48,874
Auditors' remuneration		
- as auditors	11,700	11,950
Operating lease costs:		
Land and buildings	100,100	77,587
Plant and equipment	55,589	44,355
Exceptional income	—	(68,000)

Exceptional income comprises insurance receipts relating to the temporary closure of livestock markets as a result of the foot and mouth outbreak, and is included in other operating income.

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

5 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of administrative staff	13	10
Number of selling staff	55	54
	<u>68</u>	<u>64</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,983,559	2,029,883
Social security costs	224,906	175,863
Other pension costs	207,696	148,715
	<u>2,416,161</u>	<u>2,354,461</u>

6 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	2003	2002
	£	£
Emoluments receivable	586,599	823,702
Value of company pension contributions to money purchase schemes	73,232	49,898
	<u>659,831</u>	<u>873,600</u>

Emoluments of highest paid director:

	2003	2002
	£	£
Total emoluments (excluding pension contributions):	<u>112,866</u>	<u>142,545</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	No	No
Defined benefit schemes	<u>6</u>	<u>6</u>

7 PROFIT ON DISPOSAL OF FIXED ASSETS

	2003	2002
	£	£
Profit on disposal of fixed assets	<u>97,198</u>	<u>30,852</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

8 INTEREST PAYABLE

	2003	2002
	£	£
Interest payable on bank borrowing	<u>475</u>	<u>688</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2002 - 30%)	45,000	30,000
Over/under provision in prior year	<u>(3,519)</u>	<u>(2,240)</u>
Total current tax	<u>41,481</u>	<u>27,760</u>
Deferred tax:		
Increase in deferred tax provision	14,460	—
Tax on profit on ordinary activities	<u>55,941</u>	<u>27,760</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2002 - 30%).

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>399,615</u>	<u>51,895</u>
Profit/(loss) on ordinary activities by rate of tax	75,927	15,569
Depreciation for period in excess of capital allowances	(19,114)	375
Expenses not deductible for tax purposes	7,022	29,552
Indexation Allowance	—	(5,151)
Marginal relief	—	(10,345)
Adjustments to tax charge in respect of previous periods	(3,519)	(2,240)
Capital gain rolled over	<u>(18,835)</u>	<u>—</u>
Total current tax (note 9(a))	<u>41,481</u>	<u>27,760</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

10 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 January 2003 and 31 December 2003	<u>15,000</u>
Amortisation	
At 1 January 2003	7,500
Charge for the year	<u>2,500</u>
At 31 December 2003	<u>10,000</u>
Net book value	
At 31 December 2003	<u>5,000</u>
At 31 December 2002	<u>7,500</u>

11 TANGIBLE FIXED ASSETS

	Freehold Property £	Motor Vehicles £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2003	928,325	41,477	253,872	1,223,674
Additions	1,855,909	8,650	—	1,864,559
Disposals	—	(8,400)	(51,250)	(59,650)
At 31 December 2003	<u>2,784,234</u>	<u>41,727</u>	<u>202,622</u>	<u>3,028,583</u>
Depreciation				
At 1 January 2003	—	24,425	176,059	200,484
Charge for the year	—	3,977	35,574	39,551
On disposals	—	(4,541)	(51,222)	(55,763)
At 31 December 2003	<u>—</u>	<u>23,861</u>	<u>160,411</u>	<u>184,272</u>
Net book value				
At 31 December 2003	<u>2,784,234</u>	<u>17,866</u>	<u>42,211</u>	<u>2,844,311</u>
At 31 December 2002	<u>928,325</u>	<u>17,052</u>	<u>77,813</u>	<u>1,023,190</u>

CAPITAL COMMITMENTS

	2003 £	2002 £
Contracted but not provided for in the financial statements	<u>128,911</u>	<u>—</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

12 INVESTMENTS

	Shares in Group Undertakings £	Shares in Non Group Undertakings £	Total £
Cost			
At 1 January 2003	5,889	250	6,139
Disposals	(49)	—	(49)
At 31 December 2003	<u>5,840</u>	<u>250</u>	<u>6,090</u>
Net book value			
At 31 December 2003	<u>5,840</u>	<u>250</u>	<u>6,090</u>
At 31 December 2002	<u>5,889</u>	<u>250</u>	<u>6,139</u>

The company owns shares in the following companies:

Name	% Holding	Principal Activity
Wales and West Computer Auctions Limited	100%	Livestock auctions by computer systems
Hereford Market Auctioneers Limited	42%	Market auctioneers
Brightwells Robinson Leslie Limited	50%	Insurance brokers
Farmers First plc	<10%	Purchase of lambs for slaughter

Aggregate capital and reserves

	2003 £	2002 £
Wales and West Computer Auctions Limited	(217,800)	(217,800)
Hereford Market Auctioneers Limited	142,474	125,941
Brightwells Robinson Leslie Limited	—	(35,180)
Profit and (loss) for the year		
Wales and West Computer Auctions Limited	—	16,941
Hereford Market Auctioneers Limited	16,533	14,211
Brightwells Robinson Leslie Limited	—	(45,180)

No current year figures have been included for Brightwells Robinson Leslie Limited as financial statements were not available at this time.

Under the provision of section 248 of the above companies are not consolidated into these accounts as the combined group figures are small as defined by the Companies Act 1985

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

13 DEBTORS

	2003	2002
	£	£
Trade debtors	975,818	1,040,835
Amounts owed by group undertakings	44,904	18,455
Other debtors	127,737	112,357
Prepayments and accrued income	130,626	165,733
	<u>1,279,085</u>	<u>1,337,380</u>

14 CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	1,064,245	2,330,955
Trade creditors	260,652	310,941
Corporation tax	45,000	30,000
Other taxation and social security	215,970	399,132
Other creditors	774,998	616,188
Accruals and deferred income	1,096,841	881,679
	<u>3,457,706</u>	<u>4,568,895</u>

15 DEFERRED TAXATION

	2003	2002
	£	£
The movement in the deferred taxation provision during the year was:		
Profit and loss account movement arising during the year	14,460	—
Provision carried forward	<u>14,460</u>	<u>—</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003	2002
	£	£
Excess of taxation allowances over depreciation on fixed assets	14,460	—
	<u>14,460</u>	<u>—</u>

16 COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	54,000	60,000
Within 2 to 5 years	20,500	5,000
After more than 5 years	25,600	29,100
	<u>100,100</u>	<u>94,100</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

17 RELATED PARTY TRANSACTIONS

Directors

All transactions between the company and its directors were made in the ordinary course of business except for the provision of interest free loans totalling £41,048 (2002:£45,430), including shareholders.

	Maximum amount outstanding in year £	2003 £	2002 £
C J A Gallimore	6,025	3,685	6,025
T C Court	3,735	1,863	3,735
R J Grainger	6,000	5,600	4,100
T I Parry	2,326	322	2,326
N W E Gorst	5,221	3,001	5,221

The directors were also provided with taxed expense accounts totalling £66,696 (2002: £66,696) which are not included in the total of directors emoluments set out in note 6.

Subsidiary undertakings

During the year, Brightwells Limited supplied services to the value of £nil (2002: £2,895) to its subsidiary undertaking, Wales and West Computer Auctions Limited. The services were supplied at open market value. Brightwells Limited was owed £200,082 (2002: £200,082) at the year end. Of this, £200,082 was provided at 31 December 2003 as irrecoverable. On 16 March 2004 this company was dissolved.

Associated undertakings

During the year, Brightwells Limited supplied services to the value of £58,228 (2002: £30,927) to Hereford Market Auctioneers Limited. The services were supplied at open market value. Brightwells Limited was owed £5,993 (2002: £8,373) at the year end.

During the year, Brightwells Limited advanced loans to the value of £26,500 (2002: £10,000) and supplied services to the value of £1,415 (2002: £504) to Brightwells Robinson Leslie Limited. The services were supplied at open market value. Brightwells Limited was owed £38,912 (2002: £10,000) at the year end.

Directorships

A number of the directors of Brightwells Limited were also directors of the following related companies during the year:

Wales and West Computer Auctions Limited

T C Court
F J A Morgan
R J Grainger
N W E Gorst

Hereford Market Auctioneers Limited

R J Grainger
N W E Gorst

Brightwells Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

17 RELATED PARTY TRANSACTIONS *(continued)*

Brightwells Robinson Leslie Limited

T C Court
R J Grainger

18 SHARE CAPITAL

	2003 £	2002 £
Authorised:		
30,000 Ordinary shares of £0.05 each	<u>1,500</u>	<u>1,500</u>
	2003 £	2002 £
Allotted, called up and fully paid:		
27,000 Ordinary shares of £0.05 each	<u>1,350</u>	<u>1,350</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	343,674	24,135
Opening shareholders' equity funds	<u>741,485</u>	<u>717,350</u>
Closing shareholders' equity funds	<u>1,085,159</u>	<u>741,485</u>

20 CASH FLOWS

a Reconciliation of operating profit to net cash inflow from operating activities

	2003 £	2002 £
Operating profit/(loss)	267,753	(25,609)
Amortisation	2,500	2,500
Depreciation	39,551	48,874
Decrease/(increase) in debtors	58,295	(10,942)
Increase in creditors	<u>140,521</u>	<u>501,258</u>
Net cash inflow from operating activities	<u>508,620</u>	<u>516,081</u>

b RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
(Decrease)/increase in cash in the period	<u>(1,246,622)</u>	<u>547,526</u>
MOVEMENT IN NET DEBT IN THE PERIOD	<u>(1,246,622)</u>	<u>547,526</u>
NET FUNDS AT 1 JANUARY 2003	<u>605,216</u>	<u>57,690</u>
NET DEBT AT 31 DECEMBER 2003	<u>(641,406)</u>	<u>605,216</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

20 CASH FLOWS *(continued)*

c Analysis of net debt

	At 1 Jan 2003	Cash flows	At 31 Dec 2003
	£	£	£
Cash in hand and at bank	2,936,171	(2,513,332)	422,839
Overdrafts	(2,330,955)	1,266,710	(1,064,245)
Total	<u>605,216</u>	<u>(1,246,622)</u>	<u>(641,406)</u>

21 PENSION COMMITMENTS

(a) Pensions

The company operates a pension scheme in the UK providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions funding the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary using the projected unit method, incorporating a 20 year control period. The most recent full actuarial valuation was conducted by Royal & Sun Alliance at 1 August 2002 and updated to 31 December 2003.

	2003	2002
	£	£
The pension charge for the year was	<u>207,696</u>	<u>148,715</u>

The major assumptions used by the actuary for the 31 December 2003 Financial Reporting Standard 17 valuation were as follows:

	2003	2002	2001
	%	%	%
<i>Main assumptions:</i>			
Rate of increase in salaries	5.0	4.5	4.8
Rate of increase in pensions in payment	3.0	2.5	2.8
Discount rate	5.5	5.5	5.7
Inflation assumption	3.0	2.5	2.8

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

21 PENSION COMMITMENTS *(continued)*

The assets and liabilities of the scheme and the expected rate of return at 31 December were:

		2003		2002		2001
	Long-term rate of return expected %	Value £	Long-term rate of return expected %	Value £	Long-term rate of return expected %	Value £
Equities	7.5	564,000	7.5	373,000	7.5	487,000
Bonds	5.0	54,000	5.0	59,000	5.0	60,000
Properties	7.0	41,000	7.0	29,000	7.0	36,000
Others	7.2	1,957,000	7.2	1,644,000	7.2	2,005,000
Total market value of assets		2,616,000		2,105,000		2,588,000
Present value of scheme liabilities		(4,788,000)		(4,122,000)		
Net pension liability		(2,172,000)		(2,017,000)		

Analysis of the amount charged to operating profit:

	2003 £	2002 £
Current service cost	96,000	98,000
Total operating charge	96,000	98,000

Analysis of the amount credited to other finance income:

	2003 £	2002 £
Expected return on assets in the scheme	156,000	188,000
Interest costs	(235,000)	(221,000)
Net return	(79,000)	(33,000)

Analysis of the amount recognised in statement of total recognised gains and losses:

	2003 £	2002 £
Difference between expected and actual return on assets	(236,000)	685,000
Experience gains/(losses) arising from scheme liabilities	30,000	4,000
Effect of changes in assumptions underlying the present value of scheme liabilities	305,000	145,000
Actuarial losses recognised in the statement of total recognised gains and losses	99,000	834,000

Brightwells Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

21 PENSION COMMITMENTS *(continued)*

Movements in surplus during the year:

	2003 £	2002 £
At 1 January	(2,017,000)	(1,187,000)
Total operating charge	(96,000)	(98,000)
Total other finance income	(79,000)	(33,000)
Actuarial losses recognised in the statement of total recognised gains and losses	(99,000)	(834,000)
Employee contributions	119,000	135,000
At 31 December	<u>(2,172,000)</u>	<u>(2,017,000)</u>

Employee contributions for the year have reduced as a result of the change in timing of payments. Whereas in previous years contributions for the year were paid in advance on 1st August, contributions are now paid in monthly instalments. Under the old method of payment contributions would have amounted to £286,000.

The directors have stated a commitment that the company shall make sufficient contributions to clear the deficit in the scheme by 31 December 2005.

History of experience gains and losses:

	2003	2002
Difference between the expected and actual return on scheme assets:		
amount (£)	236,000	(685,000)
percentage of scheme assets	9	(33)
Experience losses on scheme liabilities:		
amount (£)	(30,000)	(4,000)
percentage of the present value of scheme liabilities	(1)	—
Total amount recognised in statement of total recognised gains and losses:		
Amount (£)	(99,000)	(834,000)
Percentage of the present value of scheme liabilities	(2)	(20)

(b) Reconciliations of net assets and reserves under FRS 17

Net liabilities

	2003 £	2002 £	2001 £
Net assets as stated in balance sheet	1,085,159	741,485	717,350
Net assets excluding defined benefit liabilities	1,085,159	741,485	717,350
Net pension scheme liability	(2,172,000)	(2,017,000)	—
Net (liabilities)/assets including defined benefit liabilities	<u>(1,086,841)</u>	<u>(1,275,515)</u>	<u>717,350</u>

Brightwells Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

21 PENSION COMMITMENTS *(continued)*

Reserves

	2003 £	2002 £	2001 £
Profit and loss reserve as stated in balance sheet	<u>1,033,909</u>	<u>690,235</u>	<u>666,100</u>
Profit and loss reserve excluding amounts relating to defined benefit liabilities	1,033,909	690,235	666,100
Net pension scheme liability	<u>(2,172,000)</u>	<u>(2,017,000)</u>	<u>—</u>
Profit and loss (deficiency)/reserve including amounts relating to defined benefit liabilities	<u>(1,138,091)</u>	<u>(1,326,765)</u>	<u>666,100</u>