Registered Number 3206792

AETC Limited

Annual report and accounts

for the year ended 31 March 2005

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AETC Limited

Annual report and accounts
for the year ended 31 March 2005

Contents

AETC Limited

Directors and advisers for the year ended 31 March 2005

Directors
W D Larsson
G A Hawkes
M Donegan
J J Sloboda
A Milner

Secretary
R A Cooke

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Victoria Avenue
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LS19 7AW

Auditors
PricewaterhouseCoopers LLP
Benson House
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LS1 4JP

Bankers
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5 Canada Square
London
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Registered Number
3206792

AETC Limited

Directors' report for the year ended 31 March 2005

The directors present their report and the audited financial statements for the year ended 31 March 2005.

Activities
The group's principal activity is the manufacture, machining and repair of airfoils and gas turbine components.

Results and dividends
The profit of the group for the year was £259,000 (2004: loss of £3,613,000). The directors do not recommend the payment of a dividend in respect of the period, and accordingly the profit has been transferred to reserves.

Directors and their interests
The directors who served from 1 April 2004 to the date of this report were as follows:

W D Larsson	
G A Hawkes	
M Donegan	
P J Worsley	(resigned 3 October 2005)
P G Waite	(resigned 30 March 2005)
J J Sloboda	(appointed 1 April 2005)
A Milner	(appointed 3 October 2005)

None of the directors in office at the year end held any notifiable beneficial interests in the share capital of the company during the year. Certain of the directors are also directors of Precision Castparts Corp and their interests in that company are shown in the accounts of that company.

Share options
Those options held by UK directors are set out below:

Options held by P J Worsley at 31 March 2005

Issued	Convertible from			Expiry date	Exercise price
11.2001			**13.11.05**	13.11.11	$24.14
			4040		
11.2002		**13.11.2005**	**13.11.2006**	12.11.12	$20.39
		957	957		
11.2003	**13.11.2005**	**13.11.2006**	**13.11.2007**	12.11.13	$39.99
	585	585	584		

Directors' report for the year ended 31 March 2005 (continued)

Share options (continued)
The following options were exercised during the year:

Option date	Option price	Number of shares	Date sold	Exercise price
11.2000	35.25	3,557	19.11.04	64.9565
11.2001	24.14	4,040	19.11.04	64.9565
11.2002	20.39	958	19.11.04	64.9565
11.2003	39.99	585	19.11.04	64.9565

At 28 March 2005 the market price of the stocks was $74.15 (2004: $43.02) and the range during the period was $41.96 to $78.84.

The company operates an Employee Stock Purchase Plan under which deductions from pay of up to 10%, can be converted into shares at 31 December each year. At the year end, 188 employees (2004: 158 employees), including the directors, were participating in the scheme.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement
Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the company as a whole.

Political and charitable donations
During the year the company made charitable donations of £943 (2004: £1,308).

Creditor payment policy
The group's policy is to negotiate terms of payment with suppliers when agreeing terms of transactions and then to abide by those terms once satisfactory performance of service or receipt of goods is achieved. Creditor days for the company have been calculated at 72 days at 31 March 2005 (2004: 67 days).

Directors' report for the year ended 31 March 2005 (continued)

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005, and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board

AQM.(

A Milner
Director
6/10/2006

Independent auditors' report to the members of AETC Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the statement of accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

Basis of audit 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
6 October 2006

AETC Limited

Consolidated profit and loss account for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover	1	**55,930**	58,595
Cost of sales		**(49,975)**	(52,329)
Gross profit		**5,955**	6,266
Distribution costs		**(172)**	(224)
Administrative expenses before exceptional items		**(6,460)**	(6,976)
Exceptional items	4	**-**	(3,393)
Administrative expenses		**(6,460)**	(10,369)
Operating loss	4	**(677)**	(4,327)
Interest payable	5	**(290)**	(816)
Interest receivable	6	**1,000**	621
Profit/(loss) on ordinary activities before taxation		**33**	(4,522)
Taxation	7	**226**	909
Retained profit/(sustained loss) for the year	18	**259**	(3,613)

The group has no recognised gains or losses other than those reflected in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(sustained loss) for the year as stated above, and their historical cost equivalents.

All of the results above relate to continuing operations.

AETC Limited

Balance sheets as at 31 March 2005

	Note	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Fixed assets					
Intangible assets					
- goodwill	8	**8,542**	**7,706**	9,300	8,408
- other	8	**497**	**-**	531	-
		9,039	**7,706**	9,831	8,408
Tangible assets	9	**16,886**	**16,886**	19,325	19,325
Investments	10	**-**	**-**	-	-
		25,925	**24,592**	29,156	27,733
Current assets					
Stocks	11	**7,944**	**7,944**	7,269	7,269
Debtors	12	**27,159**	**29,287**	23,499	23,633
Cash at bank and in hand		**4,929**	**4,908**	2,583	2,558
		40,032	**42,139**	33,351	33,460
Creditors: amounts falling due within one year	13	**(29,711)**	**(16,574)**	(26,672)	(11,731)
Net current assets		**10,321**	**25,565**	6,679	21,729
Total assets less current liabilities		**36,246**	**50,157**	35,835	49,462
Creditors: amounts falling due after more than one year	14	**(23,010)**	**(23,010)**	(23,010)	(23,010)
Provisions for liabilities and charges	16	**(788)**	**(788)**	(636)	(636)
Net assets		**12,448**	**26,359**	12,189	25,816
Capital and reserves					
Called up equity share capital	17	**-**	**-**	-	-
Profit and loss account	18	**12,448**	**26,359**	12,189	25,816
Total shareholders' funds	18	**12,448**	**26,359**	12,189	25,816

The financial statements on pages 6 to 24 were approved by the board of directors on 6/10/ 2006 and were signed on its behalf by:

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A Milner
Director

Statement of accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings. The results of the businesses are consolidated from the effective date of their acquisition to the effective date of their sale.

Intangible fixed assets

On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises when the fair value of the consideration given for a business exceeds such net assets. Goodwill is capitalised and amortised through the profit and loss account over its estimated useful economic life of 20 years.

When the fair value of the net assets acquired exceeds the fair value of the consideration for an acquisition, the difference is treated as negative goodwill and is capitalised and released through the profit and loss account over the period in which the non-monetary assets are recovered, whether through depreciation or sale.

Know-how and patents, purchased as part of acquisitions, are capitalised and are being amortised through the profit and loss account over their estimated useful life of 20 years.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used are:

Freehold buildings	2% to 2½%
Leasehold buildings	Over the life of the lease
Plant and machinery	7½% to 15%
Fixtures and fittings	15% to 20%
Computers	20% to 33%
Motor vehicles	25%

Stocks

Stocks are stated at the lower of purchase cost and net realisable value. Cost comprises the direct cost of purchasing, together with relevant labour and manufacturing costs. Net realisable value is the estimated selling price reduced by all the costs of marketing, selling and distribution. Provision is made, where necessary, for obsolete, slow-moving and defective stocks.

Accounting policies (continued)

Leasing and hire purchase commitments
Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised only to the extent that they are regarded as recoverable such that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pension costs
The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

Foreign exchange
Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions or at the relevant forward contract rate.

Revenue recognition
Turnover, representing the net sales value of goods supplied to customers, excluding value added tax, is recognised in the profit and loss account on transfer of the goods to customers.

Cash flow statement
The group and company have taken advantage of the exemption granted under Financial Reporting Standard 1 (Revised) not to produce a cash flow statement, as the amounts are reported within the parent company's accounts, which are publicly available.

Investments
In the company's financial statements, investments in group undertakings are stated at cost less any provision for impairment.

Notes to the financial statements for the year ended 31 March 2005

1 Turnover

Turnover represents the net invoiced value of goods and services supplied during the year excluding value added tax.

The company has only one principal class of business, that of the manufacture, machining and repair of airfoils and gas turbine components. Sales were made to the following geographical areas:

	2005 £'000	2004 £'000
Switzerland	**27,987**	25,110
United Kingdom	**8,895**	16,611
North America	**7,322**	6,009
Germany	**4,855**	3,359
Italy	**1,871**	2,177
Other European	**4,662**	4,664
Rest of world	**338**	665
	55,930	58,595

The analysis above includes commission income of £nil (2004: £205,000).

2 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	**135**	128

Retirement benefits are accruing to one director (2004: one) under the defined benefits scheme.

The emoluments of all of the directors except for P J Worsley are paid by the ultimate parent company. Their services to the company are of a non executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly the above details include no emoluments in respect of these directors.

Notes to the financial statements for the year ended 31 March 2005 (continued)

3 Employee information

	2005 **Number**	2004 Number
The average number of persons, including directors, employed by the group was:	**582**	609

	2005 **£'000**	2004 £'000
Staff costs were:		
Wages and salaries	**15,557**	18,431
Social security costs	**1,583**	1,543
Pension costs (note 20)	**2,346**	4,897
	19,486	24,871

4 Operating loss

	2005 **£'000**	2004 £'000
Operating loss is stated after charging the following:		
Auditors' remuneration		
- Audit	**60**	63
- Non-audit	**6**	3
Depreciation	**2,589**	3,001
Operating lease rentals		
- Hire of plant and machinery	**252**	279
- Other	**312**	298
Amortisation of intangible fixed assets		
- goodwill	**758**	758
- other	**34**	35
Amounts payable to the parent company	**2,815**	2,913

Notes to the financial statements for the year ended 31 March 2005 (continued)

4 Operating loss (continued)

Audit fees include £50,000 (2004: £43,000) in respect of the company.

Exceptional items within administrative expenses in 2004 comprise redundancy costs of £3,393,000.

5 Interest payable

	2005	2004
	£'000	£'000
Bank loans and overdrafts	-	11
Amounts payable to group undertakings	290	805
	290	816

6 Interest receivable

	2005	2004
	£'000	£'000
Interest on bank deposits	100	19
Interest on amounts due from group undertakings	900	602
	1,000	621

Notes to the financial statements for the year ended 31 March 2005 (continued)

7 Taxation

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax	**(378)**	-
Adjustment in respect of prior years	**-**	(28)
Total current tax credit	**(378)**	(28)
Deferred tax:		
Origination and reversal of timing differences	**486**	(881)
Adjustment in respect of prior years	**(334)**	-
Tax credit on profit/(loss) on ordinary activities	**(226)**	(909)

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit/(loss) on ordinary activities before tax	**33**	(4,525)
Loss on ordinary activities multiplied by standard rate in the UK of 30% (2004: 30%)	**10**	(1,357)
Effects of:		
Expenses not deductible for tax purposes	**265**	202
Accelerated capital allowances	**(206)**	970
Other timing differences	**(447)**	185
Adjustment to tax charge in respect of prior years	**-**	(28)
Current tax credit for the year	**(378)**	(28)

Notes to the financial statements for the year ended 31 March 2005 (continued)

8 Intangible fixed assets

	Goodwill £'000	Patents £'000	Know-how £'000	Total £'000
Group				
At 1 April 2004	9,300	144	387	9,831
Amortisation	(758)	(9)	(25)	(792)
At 31 March 2005	**8,542**	**135**	**362**	**9,039**

	Goodwill £'000	Patents £'000	Know-how £'000	Total £'000
Company				
At 1 April 2004	8,408	-	-	8,408
Amortisation	(702)	-	-	(702)
At 31 March 2005	**7,706**	**-**	**-**	**7,706**

As part of the Wouter Witzel acquisition the group acquired patent rights in relation to certain manufactured goods and processes within the business.

During 2002, the related trade and assets and the production processes to which the know-how and patents relate were transferred to a fellow subsidiary of the ultimate parent company, Precision Castparts Corp. The directors of the subsidiary company, PCC Flow Technologies Limited, have received confirmation from Precision Castparts Corp. that it is their intention to transfer the goodwill, know-how and patents at book value such that the carrying value is not considered to be impaired at 31 March 2005.

Notes to the financial statements for the year ended 31 March 2005 (continued)

9 Tangible fixed assets

Group and Company

	Freehold land and buildings	Short leasehold buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Computers	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2004	5,482	1,213	32,059	1,102	-	39,856
Additions	-	-	-	206	-	206
Reclassification	195	-	(737)	(809)	1,351	-
Disposals	-	-	(251)	(11)	(50)	(312)
At 31 March 2005	**5,677**	**1,213**	**31,071**	**488**	**1,301**	**39,750**
Depreciation						
At 1 April 2004	1,023	884	17,702	922	-	20,531
Charge for the year	96	71	2,342	27	53	2,589
Reclassification	-	-	(609)	(677)	1,286	-
Disposals	-	-	(195)	(11)	(50)	(256)
At 31 March 2005	**1,119**	**955**	**19,240**	**261**	**1,289**	**22,864**
Net book amount						
At 31 March 2005	**4,558**	**258**	**11,831**	**227**	**12**	**16,886**
At 1 April 2004	4,459	329	14,357	180	-	19,325

Plant and machinery at 31 March 2005 included £76,000 (2004: £165,000) in respect of deposits on machines.

Notes to the financial statements for the year ended 31 March 2005 (continued)

10 Investments

Company	Interests in group undertakings
	£'000
Cost	
At 1 April 2004 and 31 March 2005	5,319
Amounts written off investments	
At 1 April 2004 and 31 March 2005	5,319
Net book amount	
At 1 April 2004 and 31 March 2005	-

The company's investment is in the entire equity share capital of PCC Flow Technologies Limited, a company registered in Scotland. The principal activity of PCC Flow Technologies Limited is the manufacture of valves and actuators. From December 2003 the company has operated on a cost plus commission basis in respect of the sale of valves and actuator parts on behalf of a fellow subsidiary.

11 Stocks

Group and Company	2005	2004
	£'000	£'000
Raw materials and consumables	2,323	2,342
Work in progress	5,621	4,927
	7,944	7,269

12 Debtors

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Trade debtors	11,236	11,213	11,619	11,519
Prepayments	750	726	854	744
Other debtors	1,259	1,252	998	652
Amounts owed by group undertakings	13,914	16,096	10,028	10,718
	27,159	29,287	23,499	23,633

Notes to the financial statements for the year ended 31 March 2005 (continued)

13 Creditors – amounts falling due within one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Trade creditors	**7,653**	**7,631**	6,924	6,371
Other taxation and social security	**545**	**544**	400	397
Accruals and deferred income	**1,992**	**1,894**	2,419	2,279
Other creditors	**1,486**	**1,317**	1,090	944
Amounts due to ultimate parent undertaking	**18,035**	**5,188**	15,839	1,740
	29,711	**16,574**	26,672	11,731

The amount due to the ultimate parent undertaking is interest bearing at 6% and is repayable on demand.

14 Creditors –amounts falling due after more than one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Amounts due to ultimate parent undertaking	**23,010**	**23,010**	23,010	23,010

Amounts due to the ultimate parent undertaking at 31 March 2005 include a cash advance of £3,000,000 (2004: £3,000,000) and a capital contribution of £20,010,000 (2004: £20,010,000). These amounts are unsecured, have no fixed repayment date and are interest free.

15 Financial commitments

Operating leases	2005 £'000	2004 £'000
Annual commitments which expire:		
Within one year	**5**	-
Between two and five years	**535**	563
	540	563

Notes to the financial statements for the year ended 31 March 2005 (continued)

16 Provisions for liabilities and charges

Group and company	Deferred tax £'000
At 1 April 2004	636
Charged during the year	152
At 31 March 2005	**788**

The deferred tax provision may be analysed as follows:

Provision for deferred tax	**2005 £'000**	2004 £'000
Accelerated capital allowances	**1,090**	811
Losses	**(202)**	(133)
Short term timing differences	**(21)**	-
Pension provision	**(79)**	(42)
	788	636

In addition, the group has an unrecognised potential deferred tax asset amounting to £1,062,000 (2004: £279,000) relating to a subsidiary undertaking. This has not been recognised since the directors consider that there is insufficient evidence as to the timing of future deductions and the likelihood or otherwise of suitable taxable profits at this time.

17 Called up equity share capital

	2005 £	2004 £
Authorised		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
10 ordinary shares of £1 each	**10**	10

Notes to the financial statements for the year ended 31 March 2005 (continued)

18 Reconciliation of movements in shareholders' funds

The company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of the consolidated profit for the year dealt with in the accounts, arising from the parent company was a profit of £543,000 (2004: loss of £4,701,000).

	Group 2005 £'000	**Company 2005 £'000**	Group 2004 £'000	Company 2004 £'000
Profit/(loss) for the year	**259**	**543**	(3,613)	(4,701)
Opening equity shareholders' funds	**12,189**	**25,816**	15,802	30,517
Closing equity shareholders' funds	**12,448**	**26,359**	12,189	25,816

19 Capital commitments

Group and Company	**2005 £'000**	2004 £'000
Contracts placed	**270**	124

Notes to the financial statements for the year ended 31 March 2005 (continued)

20 Pensions

The company operates a defined benefit pension scheme with assets held in a separately administered fund.

Contributions to the fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of valuations at intervals of a maximum of three years. The most recent actuarial valuation of the scheme was performed as at 5 April 2003 using the projected unit method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 6% to 7% per annum, the rate of salary increase would be 3.6% per annum and the rate of pension increase would be 2.6% per annum.

At the date of the actuarial valuation, 5 April 2003, the market value of the assets of the Scheme was £51.8 million and the actuarial value of the assets was sufficient to cover 75% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Following the actuarial valuation, with effect from 5 July 2004, the contributions of the employees were amended to 4.95% for Plan A (previously 3.4%) and 6.5% for Plan B (previously 4.5%), with company contributions remaining at 2.75 times employee contributions, considered by the consulting actuaries to be sufficient to eliminate the funding deficiency.

The company's subsidiary companies operate defined contribution pension schemes on behalf of their employees.

The total net pension cost of the group's schemes was £2,346,000 (2004: £4,897,000) with contributions in the year of £2,083,000 (2004: £4,897,000).

FRS 17 'Retirement Benefits' was issued in November 2000 to replace SSAP24. Under the extended transitional arrangements for FRS17, full adoption of the new standard is not yet mandatory and the company will continue to account for pension costs under SSAP24. The transitional arrangements require the following disclosures relating to the defined benefit scheme, measured in accordance with FRS 17 at the year end.

	2005	2004	2003
	%	%	%
Rate of increase in salaries	**3.5**	3.5	3.5
Rate of increase in pensions in payment	**2.75**	2.75	2.5
Rate of increase in pensions in deferment	**2.75**	2.75	2.5
Discount rate	**5.5**	5.5	5.5
Inflation	**2.75**	2.75	2.5

Notes to the financial statements for the year ended 31 March 2005 (continued)

20 Pensions (continued)

The assets in the schemes and the expected rates of return were:

	31 March 2005		31 March 2004		31 March 2003	
	Expected rate of return	**Market value**	Expected rate of return	Market value	Expected rate of return	Market value
	%	**£m**	%	£m	%	£m
Equities	**7.75**	**20.4**	7.75	17.1	7.75	14.2
Bonds	**4.75**	**35.9**	4.75	34.4	4.75	33.4
Cash and other assets	**4.75**	**6.5**	4.25	5.7	3.5	3.8
Total market value of assets		**62.8**		57.2		51.4
Present value of scheme liabilities		**(94.8)**		(89.3)		(85.4)
Deficit in the scheme		**(32.0)**		(32.1)		(34.0)
Related deferred tax asset		**9.6**		9.6		10.2
Net pension liability		**(22.4)**		(22.5)		(23.8)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve would be as follows:

	2005	2004	2003
	£m	£m	£m
Net assets excluding pension liability	**12.4**	12.2	15.8
Net pension liability	**(22.4)**	(22.5)	(23.8)
Net (liabilities)/assets including pension liability	**(10.0)**	(10.3)	(8.0)

	2005	2004	2003
	£m	£m	£m
Profit and loss account reserve excluding pension liability	**12.4**	12.2	15.8
Net pension liability	**(22.4)**	(22.5)	(23.8)
Profit and loss reserve including pension liability	**(10.0)**	(10.3)	(8.0)

Notes to the financial statements for the year ended 31 March 2005 (continued)

20 Pensions (continued)

Illustrative analysis of the amount that would have been charged to operating profit for the year to 31 March 2005 under FRS17

	2005	2004
	£m	£m
Current service cost	**2.0**	2.6
Curtailment costs	-	1.9
Total operating charge	**2.0**	4.5

Illustrative analysis of the amount that would have been charged to other finance income for the year to 31 March 2005 under FRS17

	2005	2004
	£m	£m
Interest on pension scheme liabilities	**4.9**	4.7
Expected return on pension scheme assets	**(3.2)**	(2.9)
Net return	**1.7**	1.8

Illustrative analysis of the amount that would have been recognised in the statement of total recognised gains and losses for the year to 31 March 2005 under FRS17

	2005	2004
	£m	£m
Actual return less expected return on pension scheme assets	**1.6**	1.1
Experience gains and losses arising on the scheme liabilities	-	5.3
Changes in assumptions underlying the present value of the scheme liabilities	-	(3.2)
Actuarial loss recognised	**1.6**	3.2

Notes to the financial statements for the year ended 31 March 2005 (continued)

20 Pensions (continued)

Illustrative analysis of the movement in deficit during the year to 31 March 2005

	2005 £m	2004 £m
Deficit in the scheme at beginning of year	**(32.1)**	(34.0)
Current service cost	**(2.0)**	(2.6)
Curtailment costs	-	(1.9)
Employer contributions	**2.2**	5.0
Other finance expense	**(1.7)**	(1.8)
Actuarial gain	**1.6**	3.2
Deficit in the scheme at end of year	**(32.0)**	(32.1)

History of experience gains and losses

	2005 £m	2004 £m	2003 £m
Difference between the actual and expected return on scheme assets:			
Amount	**1.6**	1.1	(5.6)
Percentage of scheme assets at year end	**2.5%**	1.9%	(10.9%)
Experience gains and losses of scheme liabilities:			
Amount	-	5.3	0.2
Percentage of the present value of the scheme liabilities at year end	-	5.9%	0.2%
Total amount that would have been recognised in the statement of total recognised gains and losses under FRS17			
Amount	**1.6**	3.2	(9.5)
Percentage of the present value of the scheme liabilities at year	**1.7%**	3.6%	(11.1%)

Notes to the financial statements for the year ended 31 March 2005 (continued)

21 Ultimate parent undertaking and related parties

The ultimate parent undertaking and ultimate controlling party is Precision Castparts Corp, a company incorporated in the United States of America. Copies of the accounts of Precision Castparts Corp may be obtained by writing to Precision Castparts Corp, Corporate Office, 4650 SW Macadam Avenue, Suite 440, Portland, Oregon 97201-4254, United States of America.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures", as the consolidated accounts of Precision Castparts Corp in which the company is included are available at the address noted above.