

for the

SINGLETON ENGINEERING PENSION SCHEME

as at

17 MARCH 2004



GE Life

GE Pensions Limited
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Our Ref: ACT/550678/MN

The Trustees of the
Singleton Engineering Pension Scheme

23 October 2004

Dear Sirs

The Rules of the Scheme require an actuarial valuation to be done at intervals not exceeding three years and the results reported to the Trustees. The previous valuation was done as at 17 March 2001 and so I have done a valuation as at 17 March 2004.

The scheme is established on the basis that contributions are paid in respect of each member to provide him with a benefit level not exceeding the maximum permitted by the Inland Revenue. This maximum benefit level is summarised in Appendix 1. For the purpose of this valuation, the target benefit (ie the benefit which it is aimed to provide at retirement) has been taken as this maximum. The actual level of benefit payable will be determined by the amount of the member's share of the fund and the cost of purchasing the relevant benefit. This type of scheme is known as a money-purchase scheme.

I have used the membership data supplied to GE Pensions for my calculations, including retained benefit data, and these are set out in Appendix 2. Details of the assets of the Scheme, as notified to GE Pensions, are set out in Appendix 3.

Valuation Objective

Contributions are paid into the scheme in order to build up a fund from which members' benefits are paid.

The objective of the valuation is to determine the maximum possible contribution level payable. No allowance is made for the cost of insuring any death-in-service benefits which are not provided from the accrued scheme assets.

Valuation Assumptions and Method

In order to determine the financial state of the scheme and to calculate the maximum contributions payable, it is necessary to do an actuarial valuation. The level and cost of the target benefits can only be determined at the time they are paid because they are dependent on factors which cannot be predicted accurately in advance, such as the member's future earnings and the cost of purchasing annuities in the future. It is therefore necessary to make various long-term assumptions to estimate the cost of the benefits, and these are set out in Appendix 4.

The real rate of investment return achieved by the scheme assets in excess of the rate of increase of earnings is assumed to be 1.5% per annum. When determining the present value of benefits related to final earnings, this real rate is more important than the absolute levels of the rates of growth of assets and earnings.

The scheme is funded on the basis that annuities in payment increase in line with the Retail Prices Index. It is assumed that they will be purchased on the basis of interest rates which will exceed the rate of price inflation by 3% per annum.

The valuation shows the present funding level, ie a comparison of the current assets of the fund with the value of the member's maximum pension in respect of service to date, which is calculated in accordance with Appendix 1(7): this is shown as item (3) below.

The present value of this pension is shown as item (4), and represents the sum required now to secure the maximum pension on the assumptions set out in Appendix 4. This is then compared with the member's share of the assets or actuarial interest - shown as item (5). The pension which the actuarial interest would secure on the same assumptions is shown as item (6), and this can be compared with item (3).

The maximum contribution is that required to fund the target benefit - the maximum scheme benefit shown as item (8). This is calculated in accordance with Appendix 1(4) to 1(6). The regular contribution required to fund the excess of the maximum pension (8) over the pension funded by scheme assets (6) is shown as item (9).

Because benefits are funded separately for each member, the funding level and maximum contributions are likely to vary significantly at future valuations, because of differences between actual growth in earnings and investment return and the assumptions made. The level of contributions paid between valuations will also affect the funding level and maximum future contributions.

Calculations for

MR D J SINGLETON

(1)	Current earnings	£33,508	
(2)	Final earnings	£119,049	
(3)	Maximum pension in respect of service to date	£28,938	
(4)	Present value of (3)	£113,235	
(5)	Member's actuarial interest as per Appendix 3	£248,160	
(6)	Pension funded by actuarial interest	£63,419	
(7)	Single contribution to fund excess of (3) over (6)	n/a	
(8)	Maximum pension if service continues to Normal Retirement Date	£76,218	
(9)	Regular contribution to fund excess of (8) over (6)	9.80% of earnings up to cap (See Appendix 1)	pa

Contributions to any other pension schemes of the employer must be offset against the contributions shown above.

The above calculations are based on the assumptions set out in Appendix 4. The maximum benefits payable will depend on actual growth in earnings, and the actual benefits will depend on the rates of return achieved.

Calculations for

MR D C SINGLETON

(1)	Current earnings	£33,069	
(2)	Final earnings	£125,596	
(3)	Maximum pension in respect of service to date	£28,489	
(4)	Present value of (3)	£98,613	
(5)	Member's actuarial interest as per Appendix 3	£261,765	
(6)	Pension funded by actuarial interest	£75,623	
(7)	Single contribution to fund excess of (3) over (6)	n/a	
(8)	Maximum pension if service continues to Normal Retirement Date	£78,864	
(9)	Regular contribution to fund excess of (8) over (6)	2.13% of earnings up to cap (See Appendix 1)	pa

Contributions to any other pension schemes of the employer must be offset against the contributions shown above.

The above calculations are based on the assumptions set out in Appendix 4. The maximum benefits payable will depend on actual growth in earnings, and the actual benefits will depend on the rates of return achieved.

Calculations for

MR P W SINGLETON

(1)	Revalued average earnings for the three years ending 5 April 1999	£53,891	
(2)	Final earnings	£66,257	
(3)	Maximum pension in respect of service to date	£26,135	
(4)	Present value of (3)	£333,031	
(5)	Member's actuarial interest as per Appendix 3	£402,335	
(6)	Pension funded by actuarial interest	£31,574	
(7)	Single contribution to fund excess of (3) over (6)	n/a	
(8)	Maximum pension if service continues to Normal Retirement Date	£36,257	
(9)	Regular contribution to fund excess of (8) over (6)	£17,713	pa

Contributions to any other pension schemes of the employer must be offset against the contributions shown above.

The above calculations are based on the assumptions set out in Appendix 4. The maximum benefits payable will depend on actual growth in earnings, and the actual benefits will depend on the rates of return achieved.

Calculations for

MR M H SINGLETON

(1)	Revalued average earnings for the four years ending 5 April 2000	£52,880	
(2)	Final earnings	£68,459	
(3)	Maximum pension in respect of service to date	£27,003	39.44%.
(4)	Present value of (3)	£298,939	} £80000.
(5)	Member's actuarial interest as per Appendix 3	£378,980	
(6)	Pension funded by actuarial interest	£34,233	
(7)	Single contribution to fund excess of (3) over (6)	n/a	1291240
(8)	Maximum pension if service continues to Normal Retirement Date	£39,744	
(9)	Regular contribution to fund excess of (8) over (6)	£14,737	pa

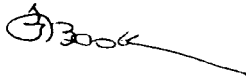
Contributions to any other pension schemes of the employer must be offset against the contributions shown above.

The above calculations are based on the assumptions set out in Appendix 4. The maximum benefits payable will depend on actual growth in earnings, and the actual benefits will depend on the rates of return achieved.

Any expense charges incurred in operating the scheme and the cost of insuring any death in service benefits may be paid in addition to the contributions shown. The contributions are payable by the employer, but the members may be asked to contribute towards the cost of the benefits.

The contributions will be reviewed in the light of the actual scheme experience at the next actuarial valuation, which is due to take place no later than as at 17 March 2007.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D J Booth', with a long horizontal line extending to the right.

D J Booth
Fellow of the Institute of Actuaries

APPENDIX 1

SUMMARY OF THE MAXIMUM BENEFITS PAYABLE FROM THE SCHEME

- 1 Normal retirement age is as notified to the member on joining the scheme. It must normally lie in the range 60 to 75. Normal retirement age may only be changed subsequently with the consent of the Inland Revenue.

- 2 Maximum benefits depend on the member's Benefit Limit Category determined by the date he joined the scheme.

Category A applies if he joined the scheme on or after 1 June 1989 or if the scheme commenced after 14 March 1989

Category B applies if he joined on or after 17 March 1987 and A does not apply

Category C applies if he joined the scheme before 17 March 1987

If a member was in another scheme of this employer before joining this scheme, application may be made to the Inland Revenue for the Category to be determined by reference to the date of joining the earlier scheme.

- 3 Final remuneration is:

- (a) In the case of a 20% Director, the annual average of his earnings in any three or more consecutive years ending not earlier than ten years before normal retirement age or earlier exit from the scheme.
- (b) In other cases, the member's earnings in any one of the five final years of service, with fluctuating earnings being averaged over three years. Alternatively, the definition in (a) above may be used.

Earnings in years other than the final year may be increased in line with the Retail Prices Index (RPI).

The earnings of a Category A member are subject to the "earnings cap" introduced in the 1989 Finance Act. The cap is £99,000 pa for the 2003/2004 fiscal year and £102,000 pa for 2004/2005 and is revalued in line with the RPI.

- 4 The maximum pension payable if the member's service continues to normal retirement age is one thirtieth of final remuneration for each year of service, up to a maximum of two-thirds, for Category A and B members. For Category C members, the maximum of two-thirds is subject to the completion of only ten years' service.

The pension may increase in line with the RPI when in payment.

Part of the pension may be exchanged for a cash lump sum.

A spouse's pension of two-thirds of the member's maximum pension (ignoring retained benefits and any pension exchanged for cash) may be paid on the member's death after retirement.

- 5 The benefits arising from any concurrent schemes of the Employer must be offset against the benefits described above. Allowance is made in the valuation for benefits secured by premiums to the valuation date. Future premiums must be offset against the maximum contributions shown.
- 6 Retained benefits from previous employment and retirement annuity contracts must also be offset against the benefits described above. For the member's pension this must normally be done unless the total pension including retained benefits will not exceed two-thirds of final remuneration, where the member's service is insufficient to allow a two-thirds pension.
- 7 The maximum pension in respect of service to date is normally calculated by multiplying the maximum pension if service continues to Normal Retirement Age by the ratio of service to date to potential service. Benefits from concurrent schemes of the employer are then offset.
- 8 On death in service a lump sum of 4 times the member's final remuneration may be paid, together with a refund of his contributions (if any) with interest. A spouse's pension of two-thirds the member's maximum prospective pension (ignoring any retained benefits), based on his earnings at the date of death may also be paid.

APPENDIX 2

MEMBERSHIP DATA AS AT 17 MARCH 2004

Active Members

Name	MR DAVID J SINGLETON MR DUNCAN C SINGLETON	
Date of birth	05-07-1963	27-10-1964
Normal retirement age	60	60
Date of spouse's birth	03-10-1969	04-08-1966
Date of entry into service	01-05-1992	01-05-1992
Current earnings (y/e 05-04-2004)	£33,508	£33,069
Three-Year Average Earnings	£30,418	£30,020
Benefit Limit Category	A (post'89)	A (post'89)
Controlling director	Yes	Yes
Retained benefits	See below	See below

Name	MR P W SINGLETON	MR M H SINGLETON
Date of birth	18-10-1948	08-10-1949
Normal retirement age	60	60
Date of spouse's birth	26-05-1950	13-11-1945
Date of entry into service	01-05-1992	01-05-1992
Earnings	y/e 05-04-2000 n/a	£36,773
	y/e 05-04-1999 £53,501	£63,020
	y/e 05-04-1998 £42,300	£41,894
	y/e 05-04-1997 £45,608	£45,409
Average Earnings, revalued in line with RPI	£53,891	£52,880
Benefit Limit Category	A (post'89)	A (post'89)
Controlling director	Yes	Yes
Retained benefits	None	None

Mr David J Singleton is entitled to benefits from a final salary scheme of a previous employer, insured with Standard Life. The pension at 65 is £5,070 pa.

Mr Duncan C Singleton is entitled to benefits from a personal pension plan in respect of previous employment, insured with Allied Dunbar. The transfer value as at 22 April 2004 was £5,428.62 in respect of non-Protected Rights and £15,633.21 in respect of Protected Rights.

APPENDIX 3

ASSETS OF THE SCHEME AS AT 17 MARCH 2004

	(£)
Freehold Property	1,395,000
Bank Accounts	94,229
Loans	83,868
Investments	24,355
Rents Receivable	7,530
VAT Recoverable	1,607
Bank Loan Account	(357,000)
Invoiced Costs Unpaid	(7,380)
GE Pensions Policies:	
Mr David J Singleton	12,112
Mr Duncan C Singleton	12,058
Mr P W Singleton	12,474
Mr M H Singleton	<u>12,387</u>
Total	<u>1,291,240</u>

The above assets are based on Audited accounts.

To determine each member's notional share of the self-invested assets, the average investment return achieved by these assets was calculated. Each member's notional self-invested asset share at the last valuation, together with the self-invested contributions paid since then on behalf of that member, was credited with this investment return to determine the notional self-invested asset share at this valuation. Each member is also notionally entitled to the benefits arising from the GE Pensions policy in his or her name, and so the value of the policy has been added to the member's notional share of the self-invested assets to give the member's actuarial interest. The actuarial interest of each member is as follows:

	(£)
Mr David J Singleton	248,160
Mr Duncan C Singleton	261,765
Mr P W Singleton	402,335
Mr M H Singleton	<u>378,980</u>
	<u>1,291,240</u>

There have been no contributions paid since the last valuation, but premiums of £1.500 pa for each member have been paid to GE Pensions from the self-invested assets.

APPENDIX 4
VALUATION ASSUMPTIONS

Rate of return on existing assets and future contributions	8.5% per annum compound
Rate of increase of earnings	6.9% per annum compound
Rate of increase of the Retail Prices Index	5.3% per annum compound
Rate of increase of the earnings cap	As RPI
Mortality after retirement	PA(90) table rated down 2 years
Payment of pensions	Quarterly in advance

If a member's calculations are based on a three-year average of earnings, regular contributions are of level amount for three years and then increase in line with average earnings over the preceding three years.

If a member's calculations are based on current earnings, then regular contributions vary in line with earnings each year.

Members are assumed to survive to Normal Retirement Age.

Assets are included at their market value unless noted otherwise in Appendix 3.