

#### 4 Pension schemes (continued)

The movement in the net FRS17 surplus/(deficit) before taxation during the year was as follows:

	Main UK Scheme		Aggregate of Schemes	
	£m	€m	£m	€m
Net surplus/(deficit) in schemes at beginning of the year	52	80	(137)	(210)
Movement in the year:				
Total operating charge	(32)	(46)	(65)	(94)
Contributions	–	–	38	55
Finance income	23	33	17	25
Actuarial loss	(101)	(146)	(113)	(164)
Exchange translation differences	–	(3)	9	32
<b>Net deficit in schemes at end of the year</b>	<b>(58)</b>	<b>(82)</b>	<b>(251)</b>	<b>(356)</b>

The principal assumptions made in valuing pension scheme liabilities for the purposes of FRS17 were:

	Main UK Scheme		Aggregate of Schemes	
	2003	2002	2003	2002
Inflation	2.8%	2.3%	2.9%	2.5%
Rate of increase in salaries	4.8%	4.3%	4.4%	4.2%
Rate of increase in pensions in payment	2.8%	2.3%	2.8%	2.5%
Discount rate	5.5%	5.7%	5.6%	5.9%

The combined profit and loss reserves as at 31 December 2003 of £497m/€706m (2002: £764m/€1,169m) would have been £285m/€405m (2002: £623m/€953m), had the accounting methodologies of FRS17 been applied in the 2003 and 2002 financial years.

The operating charge, the amount credited to other finance income and the amounts recognised in the statement of total recognised gains and losses in the financial year based on the methodologies and presentation prescribed by FRS17 would have been as follows:

	Main UK Scheme		Aggregate of Schemes	
	£m	€m	£m	€m
<b>2003</b>				
Charged to operating profit				
Current service cost	(32)	(46)	(76)	(94)
Past service cost	–	–	11	–
<b>Total operating charge</b>	<b>(32)</b>	<b>(46)</b>	<b>(65)</b>	<b>(94)</b>
Credited to other finance income				
Expected return on pension scheme assets	96	139	131	190
Interest on pension scheme liabilities	(73)	(106)	(114)	(165)
<b>Net return</b>	<b>23</b>	<b>33</b>	<b>17</b>	<b>25</b>
Amounts recognised in the statement of total recognised gains and losses				
Actual return less expected return on pension scheme assets	125	181	153	222
Experience losses arising on the scheme liabilities	(57)	(83)	(96)	(139)
Changes in assumptions underlying the present value of the scheme liabilities	(169)	(244)	(170)	(247)
<b>Actuarial loss</b>	<b>(101)</b>	<b>(146)</b>	<b>(113)</b>	<b>(164)</b>