

Registered Number 39402

Gardiner Sons & Co Limited
Directors' report and financial statements
for the year ended 31 December 2002



Gardiner Sons & Co Limited

Directors' report and financial statements

for the year ended 31 December 2002

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Gardiner Sons & Co Limited

Directors and Advisors for the year ended 31 December 2002

Directors

M Barnes - Chairman

R Gill

M Carr

P Cook

J Watkins

Secretary

J Watson

Registered office

PO Box 259

Broad Plain

Bristol

BS99 7DN

Bankers

The Royal Bank of Scotland PLC

36-38 Baldwin Street

Bristol

BS1 1NR

Auditors

PricewaterhouseCoopers LLP

31 Great George Street

Bristol

BS1 5QD

Incorporated on 10 August 1893

Gardiner Sons & Co Limited

Directors' report for the year ended 31 December 2002

The directors present their report and audited financial statements for the year ended 31 December 2002.

Principal activity and review of the business

The principal activity of the company is the operation of home improvement centres. The business of the company is expected to continue unchanged throughout 2003. The directors consider the results of the year and the financial position of the company to be satisfactory.

Directors and their interests

The directors of the company during the year were:

M Barnes
R Gill
M Carr
P Cook
J Watkins

No director had any interest in the shares of the company.

Trading results

Profits after tax for the year amounted to £1,951,442 (2001: £1,125,165). The dividend proposed and paid in respect of the year ended 31 December 2002 is £625,318 (2001: £Nil). The retained balance after dividends of £1,326,124 is to be transferred to reserves (2001: £1,125,165).

Statement of the directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Gardiner Sons & Co Limited

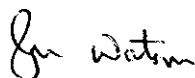
Employees

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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 24 February 2003 and the directors appointed its successor PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



J Watson
Secretary
26 March 2003

Gardiner Sons & Co Limited

Independent auditors' report to the members of Gardiner Sons & Co Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes, which have been prepared under the historical cost convention and the accounting policies set out on page 10.

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 on page 2.

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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


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 the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
26 March 2003

Gardiner Sons & Co Limited

Profit and loss account for the year ended 31 December 2002

| | Note | 2002 £ | 2001 £ |
|--|------|------------------|------------------|
| Turnover | | 18,395,651 | 17,552,487 |
| Cost of sales | | (11,017,209) | (10,653,700) |
| Gross profit | | 7,378,442 | 6,898,787 |
| Administrative and selling expenses | | (4,172,558) | (3,805,810) |
| Operating profit – before group payments | | 3,205,884 | 3,092,977 |
| Management charge payable to parent undertaking | | (363,814) | (1,445,495) |
| Operating profit | | 2,842,070 | 1,647,482 |
| Interest payable to parent undertaking | | (140,000) | (140,000) |
| Interest receivable | 2 | 67,324 | 96,969 |
| Profit on ordinary activities before taxation | 2 | 2,769,394 | 1,604,451 |
| Taxation on profit on ordinary activities | 3 | (817,952) | (479,286) |
| Profit on ordinary activities after taxation | | 1,951,442 | 1,125,165 |
| Dividend paid | | (625,318) | - |
| Retained profit for the financial year | 12 | 1,326,124 | 1,125,165 |

All operations are continuing.

A statement of the movement in reserves is shown in note 12 to these financial statements.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Statement of recognised gains and losses for the year ended 31 December 2002

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| Profit for the financial year | 1,326,124 | 1,125,165 |
| Unrealised loss on current asset investment | (179,110) | (121,808) |
| Total recognised gain for the financial year | 1,147,014 | 1,003,357 |

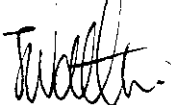
The notes on pages 11 to 19 form part of these financial statements.

Gardiner Sons & Co Limited

Balance sheet as at 31 December 2002

| | Note | 2002 £ | 2001 £ |
|--|------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 4 | 8,469,588 | 6,669,950 |
| Current assets | | | |
| Stocks | 5 | 2,889,945 | 2,785,721 |
| Debtors | 6 | 788,230 | 848,834 |
| Investments | 7 | 599,082 | 778,192 |
| Cash at bank and in hand | | 2,579,527 | 2,772,161 |
| | | 6,856,784 | 7,184,908 |
| Creditors: amounts falling due within one year | 8 | (4,380,501) | (4,049,001) |
| Net current assets | | 2,476,283 | 3,135,907 |
| Total assets less current liabilities | | 10,945,871 | 9,805,857 |
| Creditors: amounts falling due after more than one year | 9 | (2,800,000) | (2,800,000) |
| Provisions for liabilities and charges | 10 | - | (7,000) |
| Net assets | | 8,145,871 | 6,998,857 |
| Capital and reserves | | | |
| Called up share capital | 11 | 1,262,661 | 1,262,661 |
| Revaluation reserve | 12 | (300,918) | (121,808) |
| Profit and loss account | 12 | 7,184,128 | 5,858,004 |
| Equity shareholders' funds | 13 | 8,145,871 | 6,998,857 |

Approved by the Board on 26 March 2003 and signed on its behalf by:



J Watkins

Director

The notes on pages 11 to 19 form part of these financial statements.

Gardiner Sons & Co Limited

Cash flow statement for the year ended 31 December 2002

| | Note | 2002 £ | 2002 £ | 2001 £ | 2001 £ |
|--|------|-------------|-------------|-----------|-----------|
| Net cash inflow from operating activities | a | | 2,913,559 | | 1,796,614 |
| Returns on investment and servicing of finance | | | | | |
| Interest received | | 67,324 | | 96,969 | |
| Interest paid to parent undertaking | | (140,000) | | (140,000) | |
| Net cash outflow from returns on investments and servicing of finance | | | (72,676) | | (43,031) |
| Taxation | | | (479,286) | | (415,464) |
| Capital expenditure and financial investments | | | | | |
| Proceeds from sale of tangible fixed assets | | 12,150 | | 14,910 | |
| Purchase of tangible fixed assets | | (1,941,063) | | (625,278) | |
| Net cash outflow from capital expenditure and financial investment | | | (1,928,913) | | (610,368) |
| Equity dividends paid | | | (625,318) | | - |
| (Decrease) / Increase in net cash | c | | (192,634) | | 727,751 |

The notes to the cash flow statement are set out on pages 8 and 9 of these financial statements.

Gardiner Sons & Co Limited

Cash flow statement for the year ended 31 December 2002

Notes to the cash flow statement

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

| | 2002 | 2001 |
|--|------------------|------------------|
| | £ | £ |
| Operating profit | 2,842,070 | 1,647,482 |
| Depreciation charges | 141,001 | 124,418 |
| Profit on sales of tangible fixed assets | (11,726) | (13,224) |
| (Increase) in stocks | (104,224) | (149,276) |
| Decrease / (Increase) in debtors | 67,604 | (65,285) |
| (Decrease) / Increase in creditors | (21,166) | 252,499 |
| Net cash inflow from operating activities | 2,913,559 | 1,796,614 |

(b) Reconciliation of net cash flow to movement in net funds (note c)

| | £ |
|--|----------------|
| Decrease in cash in the period | (192,634) |
| Change in net funds resulting from cash flow | (192,634) |
| Unrealised loss on current asset investments | (179,110) |
| Movement in net funds in the period | (371,744) |
| Net funds at 1 January 2002 | 750,353 |
| Net funds at 31 December 2002 | 378,609 |

Gardiner Sons & Co Limited

Cash flow statement for the year ended 31 December 2002

Notes to the cash flow statement (continued)

(c) Analysis of net funds / (net debt)

| | At 1 January 2002 £ | Cash flow 2002 £ | Other changes 2002 £ | At 31 December 2002 £ |
|--|------------------------------|---------------------------|-------------------------------|--------------------------------|
| Cash in hand, at bank | 2,772,161 | (192,634) | - | 2,579,527 |
| Current asset investments | 778,192 | - | (179,110) | 599,082 |
| Deposit from parent undertaking due after 1 year | (2,800,000) | - | - | (2,800,000) |
| | 750,353 | (192,634) | (179,110) | 378,609 |

Gardiner Sons & Co Limited

Accounting policies

These financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

Following the introduction of Financial Reporting Standard 19, 'Deferred Taxation' in 2002, the company has changed its accounting policy with respect to deferred taxation. Under the previous policy, provision was made for deferred taxation using the liability method, on all material timing differences, to the extent that it is probable that a liability of asset would crystallise. Under the revised accounting policy, liabilities will be recognised for most types of timing difference regardless of whether they are anticipated to reverse in the foreseeable future. Deferred taxation assets will be recognised to the extent that it is more likely than not that they will reverse.

This change in accounting policy has not impacted upon the reported performance of the company for the current or previous periods.

Turnover

Turnover represents sales to third parties and is determined by reference to the selling value of goods delivered and services rendered during the year, net of Value Added Tax. All turnover is derived from continuing operations from one class of business in the United Kingdom.

Fixed assets and depreciation

Fixed assets are stated at cost after deducting accumulated depreciation. Depreciation is charged so as to write off the cost, less residual value, of assets over their estimated useful lives on the straight line basis. The rates of depreciation vary according to the type of asset and are:

| | |
|---|-----------|
| Plant, machinery, fixtures and fittings | 10% - 20% |
| Motor vehicles | 25% |

No depreciation is provided on freehold properties, as the directors consider that the residual value of such properties is considerably in excess of the current carrying amounts. In order to confirm this, an impairment test has been carried out in accordance with FRS 11.

Stocks

Stocks of goods purchased for resale are valued at the lower of cost (net invoice price after all discounts) and net realisable value.

Deferred taxation

Deferred taxation is provided in full on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

Pension costs

Contributions to the defined benefit pension scheme are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over the employees' working lives (see note 16). Contributions to the money purchase pension scheme are charged to the profit and loss account as incurred.

Current asset investments

Investments in UK stock exchange unit trusts are valued at the lower of cost and market value.

Gardiner Sons & Co Limited

Notes to the financial statements for the year ended 31 December 2002

1 Ultimate parent undertaking

The company's parent undertaking is Gardiner (Holdings) Limited which is registered in Great Britain and is the parent undertaking of the largest and smallest group to consolidate the financial statements of the company. Copies of the group financial statements can be obtained from PO Box 259, Broad Plain, Bristol, BS99 7DN.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

| | 2002 | 2001 |
|---|-----------|-----------|
| | £ | £ |
| Wages and salaries | 2,639,553 | 2,417,094 |
| Social security costs | 166,657 | 153,727 |
| Other pension costs (note 16) | 129,304 | 154,978 |
| Depreciation | 141,001 | 124,418 |
| Auditors' remuneration | 9,000 | 9,000 |
| Auditors' remuneration – non audit fees | 720 | 690 |
| Interest receivable on bank deposits | (67,324) | (96,969) |
| Profit on sale of tangible fixed assets | (11,726) | (13,224) |
| Management charge payable to parent undertaking | 363,814 | 1,445,495 |

3 Tax on profit on ordinary activities

| | 2002 | 2001 |
|---|----------------|----------------|
| | £ | £ |
| Current tax | | |
| UK Corporation tax on the profit for the period | 831,952 | 479,286 |
| Total current tax | 831,952 | 479,286 |
| Deferred tax | | |
| Origination and reversal of timing differences | (14,000) | - |
| Tax on profit on ordinary activities | 817,952 | 479,286 |

Gardiner Sons & Co Limited

3 Tax on profit on ordinary activities (continued)

The factors affecting the current tax charge are set out below:

| | 2002 | 2001 |
|--|-----------|-----------|
| | £ | £ |
| Profit on ordinary activities before tax | 2,769,394 | 1,604,451 |
| Profit on ordinary activities at standard rate of tax of 30% (2001: 30%) | 830,818 | 481,335 |
| Profit on disposal of fixed assets | (3,517) | (3,967) |
| Depreciation in excess of capital allowances | 4,651 | 1,918 |
| Current tax charge for period | 831,952 | 479,286 |

4 Tangible fixed assets

| | Freehold land & buildings | Fixtures & fittings | Plant, machinery & vehicles | Total |
|---------------------------------|---------------------------------|------------------------|-----------------------------------|-------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2002 | 6,379,659 | 1,188,025 | 931,440 | 8,499,124 |
| Additions | 1,803,461 | 96,261 | 41,341 | 1,941,063 |
| Disposals | - | - | (57,567) | (57,567) |
| At 31 December 2002 | 8,183,120 | 1,284,286 | 915,214 | 10,382,620 |
| Accumulated depreciation | | | | |
| At 1 January 2002 | 60,131 | 1,057,964 | 711,079 | 1,829,174 |
| Provision for the year | - | 66,200 | 74,801 | 141,001 |
| Disposals | - | - | (57,143) | (57,143) |
| At 31 December 2002 | 60,131 | 1,124,164 | 728,737 | 1,913,032 |
| Net book amount | | | | |
| At 31 December 2002 | 8,122,989 | 160,122 | 186,477 | 8,469,588 |
| At 31 December 2001 | 6,319,528 | 130,061 | 220,361 | 6,669,950 |

Gardiner Sons & Co Limited

5 Stocks

Stocks comprise goods for resale. The directors estimate that the replacement cost of stocks is not materially different from that stated in the balance sheet.

6 Debtors

| | 2002 | 2001 |
|---------------------------------|---------|---------|
| | £ | £ |
| Trade debtors | 589,231 | 582,688 |
| Other debtors | 112,679 | 179,819 |
| Prepayments and accrued income | 79,320 | 86,327 |
| Deferred taxation (see note 10) | 7,000 | - |
| | 788,230 | 848,834 |

7 Current asset investments

| | 2002 | 2001 |
|--|---------|---------|
| | £ | £ |
| UK Stock Exchange Unit Trust Investments | 599,082 | 778,192 |

At 31 December 2002 the market value of the investment was £599,082 (2001: £778,192).

8 Creditors – Amounts falling due within one year

| | 2002 | 2001 |
|------------------------------------|-----------|-----------|
| | £ | £ |
| Trade creditors | 2,433,646 | 2,443,901 |
| Other creditors | 333,829 | 102,786 |
| Corporation tax | 631,952 | 279,286 |
| Other taxation and social security | 329,950 | 294,602 |
| Inter-company | - | 241,495 |
| Accruals and deferred income | 651,124 | 686,931 |
| | 4,380,501 | 4,049,001 |

Gardiner Sons & Co Limited

9 Creditors – Amounts falling due after more than one year

| | 2002 | 2001 |
|---------------------------------|-----------|-----------|
| | £ | £ |
| Deposit from parent undertaking | 2,800,000 | 2,800,000 |

A deposit of £4,000,000 was placed by Gardiner (Holdings) Limited on 1 October 1995 at an interest rate of 6% per annum. On 30 June 1998 £700,000 was withdrawn by Gardiner (Holdings) Limited and the interest rate was reduced to 5% per annum. A further £500,000 was withdrawn on 31 March 2000.

The deposit is to be withdrawn at a date to be agreed by both group companies. There are no arrangements for any further withdrawal prior to 31 December 2003.

10 Provisions for liabilities and charges

Deferred taxation provided in the financial statement is as follows:

| | 2002 | 2001 |
|---|--------------|----------------|
| | £ | £ |
| Accelerated capital allowances | 7,000 | (7,000) |
| Total deferred tax asset/(liability) | 7,000 | (7,000) |

The movement on deferred taxation is as follows:

| | 2002 | 2001 |
|---|--------------|----------------|
| | £ | £ |
| At 1 January | (7,000) | (7,000) |
| Credited to the profit and loss account | 14,000 | - |
| At 31 December | 7,000 | (7,000) |

11 Called up share capital

| | Authorised | Allotted, issued and fully paid |
|--|------------|---------------------------------------|
| | £ | £ |
| Ordinary shares of 25p each at 31 December 2001 and 31 December 2002 | 1,500,000 | 1,262,661 |

Gardiner Sons & Co Limited

12 Reserves

| | Profit and loss account £ | Revaluation reserve £ |
|--|---------------------------------|-----------------------------|
| At 1 January 2002 | 5,858,004 | (121,808) |
| Retained profit for the year | 1,326,124 | - |
| Unrealised loss on current asset investments | - | (179,110) |
| At 31 December 2002 | 7,184,128 | (300,918) |

13 Reconciliation of movements in shareholders' funds

| | 2002 £ | 2001 £ |
|--|------------------|------------------|
| Profit for the year | 1,951,442 | 1,125,165 |
| Unrealised loss on current asset investments | (179,110) | (121,808) |
| Dividend paid to parent undertaking | (625,318) | - |
| Net addition to shareholders' funds | 1,147,014 | 1,003,357 |
| Opening shareholders' funds | 6,998,857 | 5,995,500 |
| Closing shareholders' funds | 8,145,871 | 6,998,857 |

14 Employees

| | 2002 Number | 2001 Number |
|--|----------------|----------------|
| The average number of persons employed by the company during the year on a full time equivalent basis was: | 168 | 163 |

Gardiner Sons & Co Limited

15 Directors' emoluments

| | 2002 Aggregate £ | 2002 Highest Paid Director £ | 2001 Aggregate £ | 2001 Highest Paid Director £ |
|---|------------------------|--|------------------------|--|
| Directors' emoluments | 406,920 | 87,000 | 387,807 | 85,000 |
| Company contributions to money purchase pension schemes | 13,280 | - | 17,000 | - |

| | 2002 Money Purchase Schemes | 2002 Defined Benefit Schemes | 2001 Money Purchase Schemes | 2001 Defined Benefit Schemes |
|--|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| Number of directors with benefits accruing under pension schemes | 4 | 4 | 4 | 4 |

The highest paid director has no retirement benefits accruing.

No amounts were paid to or receivable by directors under long term incentive schemes or share option schemes.

An amount of £87,000 is included in the management charge due from the subsidiary company to the parent company for making available the services of a director as a director of the subsidiary company.

16 Pension commitments

The company has continued to account for pensions in accordance with SSAP 24 and the disclosures given below are those required by that standard. In addition the company has set out the disclosures required under the transitional arrangements for the implementation of FRS 17 (Retirement Benefits).

With effect from 1 December 1990, the company formed a new pension scheme, the Gardiners Pension and Life Assurance Scheme (1990) for members of the previous parent undertaking's pension scheme. The scheme had previously been closed to new entrants which means that the current service cost will increase as members approach retirement.

The scheme is a funded, defined benefits scheme where benefits are based on final pensionable pay. The assets are invested in an insurance policy invested in a with-profits fund and FTSE All-share Tracking pension fund with Equitable Life Assurance Society.

An actuarial valuation was carried out in accordance with the advice of a professionally qualified actuary as at 1 April 2000 using the aggregate method, the most significant assumptions being:

- an investment return of 8½% per annum pre-retirement and 7% per annum post-retirement
- Salary increases of 7% per annum
- Increases to pensions in payment in respect of post 6 April 1997 service, 3½%.

The actuarial value of the assets as at 1 April 2000 was £1,631,600 which represented 109% of the benefits that had accrued to members at that time, allowing for future pay increases.

Gardiner Sons & Co Limited

16 Pension commitments (continued)

A contribution rate of 17.2% of pensionable pay was recommended with effect from 1 April 2001 to spread the cost of pensions over the members' working lives with the company. In 2001 members contributed 6% of pensionable pay less an amount equivalent to the lower earnings limit, and the balance was contributed by the company. During the previous year the scheme actuary certified that the contribution rate of 17.2% remained adequate for the purpose, imposed by Section 56(1) of the Pension Act 1995, of securing the minimum funding requirement.

Due to falling investment values however, the company made a special additional contribution representing 8.6% of pensionable pay and this has been charged to the profit and loss account.

The company also operates a money purchase pension scheme on behalf of certain employees. Contributions made by the company are calculated on various bases and are charged to the profit and loss account as incurred.

The total contributions made by the company in 2002 for the final salary scheme and the money purchase schemes were £129,304 (2001: £154,978).

The financial assumptions used to calculate scheme liabilities under FRS 17 as at 31 December 2002 and 31 December 2001 are:

| | 2002 | 2001 |
|--|-------|-------|
| Rate of increases in salary | 3.42% | 3.70% |
| Rate of increases of pensions in payment | 2.22% | 2.5% |
| Rate used to discount scheme liabilities | 5.39% | 6.00% |
| Inflation rate | 2.42% | 2.7% |

The following amounts at 31 December 2002 and 31 December 2001 were measured in accordance with Financial Reporting Standard 17 'Retirement Benefits':

| | 2002 £'000 | 2001 £'000 |
|-------------------------------------|---------------|---------------|
| Total market value of assets | 1,249 | 1,418 |
| Present value of scheme liabilities | (2,083) | (1,821) |
| Deficit in the scheme | (834) | (403) |
| Related deferred tax asset | 250 | 121 |
| Net pension deficit | (584) | (282) |

As at 31 December 2002 and 31 December 2001 the fair value of the funds assets invested and expected long-term rate of return were as shown below:

| | 2002 | | 2001 | |
|----------|-------|-----------------|-------|-----------------|
| | £'000 | Expected return | £'000 | Expected return |
| Equities | 184 | 7.50% | 110 | 8.00% |
| Bonds | 1,065 | 4.50% | 1,308 | 5.80% |
| | 1,249 | | 1,418 | |

Gardiner Sons & Co Limited

16 Pension commitments (continued)

If the above amounts in respect of both schemes had been recorded in the financial statements, the company's net assets and profit and loss reserve at 31 December 2002 and 31 December 2001 would be as follows:

| | 2002 | 2001 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Net assets excluding pension deficit | 8,146 | 6,999 |
| Net pension deficit | (584) | (282) |
| Net assets including net pension deficit | 7,562 | 6,717 |
| Profit and loss reserve excluding pension deficit | 7,184 | 5,858 |
| Net pension deficit | (584) | (282) |
| Profit and loss reserve including net pension deficit | 6,600 | 5,576 |

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17 'Retirement Benefits':

| | 2002 |
|---|--------------|
| | £'000 |
| Operating profit | |
| Current service cost | 19 |
| Total operating charge | 19 |
| Other finance income | |
| Expected return on pension scheme assets | 82 |
| Interest on pension scheme liabilities | (110) |
| Net return | (28) |
| Statement of total recognised gains and losses (STRGL) | |
| Actual return less expected return on pension scheme assets | (223) |
| Experience gains and losses arising on liabilities | (59) |
| Change in assumptions underlying present value of liabilities | (179) |
| Actuarial loss recognised in STRGL | (461) |
| Movement in deficit during the year | |
| Deficit in scheme at beginning of year | (403) |
| Movement in year: | |
| Current service cost | (19) |
| Contributions | 77 |
| Other finance income | (28) |
| Actuarial loss | (461) |
| Deficit in scheme at end of the year | (834) |

Gardiner Sons & Co Limited

16 Pension commitments (continued)

Details of experience gains and losses for the year

| | |
|--|---------|
| Difference between the expected and actual return in scheme assets: | |
| Amount (£'000) | (223) |
| Percentage of scheme assets | (17.9%) |
| <hr/> | |
| Experience gains and losses on scheme liabilities | |
| Amount (£'000) | (59) |
| Percentage of scheme liabilities | (2.8%) |
| <hr/> | |
| Total amount recognised in statement of total recognised gains and losses: | |
| Amount (£'000) | (461) |
| Percentage of the present value of the scheme liabilities | (22.1%) |
| <hr/> | |

17 Contingent liabilities

There is a bank cross guarantee to cover banking facilities across all group companies. There is a debenture in favour of the company's bankers.

18 Related parties note

As the company is a wholly owned subsidiary within a group that prepares consolidated financial statements, the company is exempt from disclosing transactions with group entities.