Registered Number 00039402

Gardiner Sons & Co Limited

Directors' report and financial statements

for the year ended 31 December 2013

Gardiner Sons & Co Limited
Directors' report and financial statements for the year ended 31 December 2013

Contents

Gardiner Sons & Co Limited

Directors and Advisors for the year ended 31 December 2013

Directors

A G P Allen	Chairman	(appointed 1st October 2013)
M W Barnes		(deceased 3rd August 2013)
S D Butcher		(appointed 1st January 2013)
M Carr		(retired 30th April 2013)
J A Dursley		(appointed 1st January 2013)
J Watson		(appointed 1st October 2013)
A P Webb		(appointed 1st January 2013)
S D Whitcombe		(appointed 1st January 2013)

Secretary
J Watson

Registered office
PO Box 259
Broad Plain
Bristol
BS99 7DN
Incorporated on 10 August 1893

Bankers
The Royal Bank of Scotland PLC
36-38 Baldwin Street
Bristol
BS1 1NR

Independent Auditors
PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

Gardiner Sons & Co Limited
Registered number - 00039402

Strategic report for the year ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

Business review and principal activity
The principal activity of the company is the operation of home improvement centres in Bristol and Cirencester.

The results for the company show a profit on ordinary activities before taxation of £1,500,216 (2012: £1,709,274) for the year and turnover of £15,123,498 (2012: £15,763,484).

Profit for financial the year amounted to £1,189,635 (2012: £1,329,568). The dividend proposed and paid in respect of the year ended 31 December 2013 is £1,113,152 (2012: £1,026,868) resulting in a transfer to reserves of £76,483 (2012: £302,700).

Shareholders' funds total £10,763,281 (2012: £10,839,133) after a dividend payment of £1,113,152 (2012: £1,026,868).

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to the competitive environment and employee retention. These risks are mitigated due to the company operating from freehold premises and with the benefit of a positive cash balance and no borrowings.

Financial risk management

The Directors' objective is to minimise financial risk. The key policy used to achieve this objective is to hold substantial positive cash balances.

Key performance indicators

Given the straightforward nature of the business, other than the indicators shown above, we are of the opinion that further analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

By order of the Board

J Watson

J Watson
Director

19 March 2014

Gardiner Sons & Co Limited

Directors' report for the year ended 31 December 2013

The directors present their report and audited financial statements for the year ended 31 December 2013.

Future Developments

The external commercial environment is expected to remain competitive in 2014. However, we remain confident that we will maintain our current level of performance in the future.

Dividends

The dividend proposed and paid in respect of the year ended 31 December 2013 is £1,113,152 (2012: £1,026,868).

Fixed assets

The movement in fixed assets in the year is set out in note 4 to the financial statements.

The directors consider the market value of land and buildings to be greater than the book value disclosed in these financial statements.

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.

The Company's policy is to continue to develop its communications with all employees, to inform them on matters of concern to them as employees and to promote awareness of the financial and economic factors affecting the performance of the company and subject to practical and commercial considerations, to consult them on decisions that affect their current jobs or future prospects.

Directors and their interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were as disclosed on the Directors and Advisors page.

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

Gardiner Sons & Co Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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
PricewaterhouseCoopers LLP as independent auditors have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

In the case of each of the persons who are directors at the time when the report is approved:

a) as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By Order of the Board

J Watson

J Watson
Secretary
19 March 2014

Independent Auditors' Report to the Members of Gardiner Sons & Co Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Gardiner Sons & Co Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

KEFinn

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
19 March 2014

Gardiner Sons & Co Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover		**15,123,498**	15,763,484
Cost of sales		**(8,786,995)**	(9,161,711)
Gross profit		**6,336,503**	6,601,723)
Administrative expenses		**(4,361,891)**	(4,349,038)
Operating profit – before group payments		**1,974,612**	2,252,735
Management charge payable to parent undertaking		**(407,288)**	(493,572)
Operating profit		**1,567,324**	1,759,163
Interest payable to parent undertaking		**(140,000)**	(140,000)
Interest receivable and similar income	2	**53,328**	42,811
Other finance income	15	**19,564**	47,300
Profit on ordinary activities before taxation	2	**1,500,216**	1,709,274
Taxation on profit on ordinary activities	3	**(310,581)**	(379,706)
Profit for the financial year	11	**1,189,635**	1,329,568

All operations are continuing.

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.

The accounting policies and notes on pages 11 to 22 form part of these financial statements.

Gardiner Sons & Co Limited

Statement of total recognised gains and losses for the year ended 31 December 2013

	Note	2013	2012
		£	£
Profit for the financial year		**1,189,635**	1,329,568
Actuarial gains/ (losses) on defined benefit pension scheme	15	**442,900**	(227,900)
(Increase)/decrease in gains not recognised under FRS 17	15	**(592,364)**	12,000
Movement on deferred tax relating to the pension scheme	9	**(2,871)**	11,630
Total recognised gains and losses for the financial year		**1,037,300**	1,125,298

A statement of the movement in reserves is shown in note 11 to these financial statements.

Gardiner Sons & Co Limited

Balance sheet as at 31 December 2013

	Note	2013	2012
		£	£
Fixed assets			
Tangible assets	4	**9,699,289**	9,676,422
Current assets			
Stocks	5	**4,035,830**	3,815,989
Debtors	6	**579,724**	634,145
Fixed short term cash deposits		**-**	1,500,000
Cash at bank and in hand		**1,942,808**	825,365
		6,558,362	6,775,499
Creditors: amounts falling due within one year	7	**(2,752,351)**	(2,858,540)
Net current assets		**3,806,011**	3,916,959
Total assets less current liabilities		**13,505,300**	13,593,381
Creditors: amounts falling due after more than one year	8	**(2,800,000)**	(2,800,000)
Net assets excluding pension scheme		**10,705,300**	10,793,381
Pension scheme surplus	15	**57,981**	45,752
Net assets including pension scheme		**10,763,281**	10,839,133
Capital and reserves			
Called up share capital	10	**1,262,661**	1,262,661
Profit and loss account	11	**9,500,620**	9,576,472
Total shareholders' funds	12	**10,763,281**	10,839,133

The financial statements on pages 7 to 22 were approved by the Board of Directors on 19 March 2014 and signed on its behalf by:

J Watson

J Watson
Director

Registered Number 00039402

Gardiner Sons & Co Limited

Cash flow statement for the year ended 31 December 2013

	Note	2013	2013	2012	2012
		£	£	£	£
Net cash inflow from operating activities	a		**1,209,170**		1,393,220
Returns on investment and servicing of finance					
Interest received		**53,328**		42,811	
Interest paid to parent undertaking		**(140,000)**		(140,000)	
Net cash outflow from returns on investments and servicing of finance			**(86,672)**		(97,189)
Taxation			**(336,961)**		(502,542)
Capital expenditure					
Proceeds from sale of tangible fixed assets		**23,622**		-	
Purchase of tangible fixed assets		**(78,564)**		(3,964)	
Net cash outflow from capital expenditure			**(54,942)**		(3,964)
Equity dividends paid			**(1,113,152)**		(1,026,868)
Decrease in net cash	b,c		**(382,557)**		(237,343)

The notes to the cash flow statement are set out on page 11 of these financial statements.

Notes to the cash flow statement

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

	2013 £	2012 £
Operating profit	**1,567,324**	1,759,163
Depreciation charges	**55,697**	101,143
Difference between pension charge and cash contributions	**(145,000)**	(128,500)
Profit on sales of tangible fixed assets	**(23,622)**	-
Increase in stocks	**(219,841)**	(306,073)
Decrease in debtors	**41,421**	133,934
Decrease in creditors	**(66,809)**	(166,447)
Net cash inflow from operating activities	**1,209,170**	1,393,220

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

	2013 £	2012 £
Decrease in cash in the year	**(382,557)**	(237,343)
Movement in net funds in the year	**(382,557**	(237,343)
Net funds at 1 January	**(474,635)**	(237,292)
Net funds at 31 December	**(857,192)**	(474,635)

(c) Analysis of net funds

	At 1 January 2013 £	Cash flow 2013 £	**At 31 December 2013 £**
Fixed short term cash deposits	1,500,000	(1,500,000)	**-**
Cash at bank and in hand	825,365	1,117,443	**1,942,808**
Deposit from parent undertaking	(2,800,000)	-	**(2,800,000)**
	(474,635)	(382,557)	**(857,192)**

Gardiner Sons & Co Limited

Accounting policies

Basis of accounting Companies Act 2006

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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.

Tangible assets and depreciation

Tangible 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

The company operates a defined benefit pension scheme and a money purchase pension scheme. As disclosed in note 15, defined benefit pension costs are recognised in the profit and loss account and the statement of total recognised gains and losses in accordance with the requirements of FRS 17. Contributions to the money purchase pension scheme are charged to the profit and loss account as incurred. In accordance with FRS 17, the plan surplus recognised on the balance sheet has been restricted to the extent that the company can expect to secure future economic benefit, either by paying a reduced rate of contributions or taking a refund from the plan.

Gardiner Sons & Co Limited

Notes to the financial statements for the year ended 31 December 2013

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:

	2013 £	2012 £
Wages and salaries	**2,711,401**	2,704,228
Social security costs	**190,484**	186,795
Other pension costs (note 15)	**45,552**	61,579
Depreciation	**55,697**	101,143
Auditors' remuneration – audit of annual financial statements	**15,000**	14,000
Interest receivable on bank deposits	**(53,328)**	(42,811)
Profit on sale of tangible fixed assets	**(23,622)**	-
Management charge payable to parent undertaking	**407,288**	493,572

3 Tax on profit on ordinary activities

	2013 £	2012 £
Current tax		
UK Corporation tax on the profit for the year	**297,901**	387,281
Adjustment in respect of prior years	**(320)**	425
Total current tax	**297,581**	387,706
Deferred tax		
Origination and reversal of timing differences (note 9)	**13,000**	(8,000)
Tax on profit on ordinary activities	**310,581**	379,706

Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013	2012
	£	£
Profit on ordinary activities before tax	**1,500,216**	1,709,274
Profit on ordinary activities at standard rate of tax of 23.25% (2012: 24.5%)	**348,800**	418,772
Profit on disposal of fixed assets	**(5,492)**	-
Depreciation in excess of capital allowances	**(7,146)**	11,580
FRS 17 profit and loss account adjustments	**(38,261)**	(43,071)
Adjustment in respect of prior years	**(320)**	425
Current tax charge for year	**297,581**	387,706

4 Tangible fixed assets

	Freehold land & buildings	**Fixtures & fittings**	**Plant, machinery & vehicles**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 January 2013	9,669,233	1,834,254	1,260,272	12,763,759
Additions	-	2,974	75,590	78,564
Disposals	-	-	(99,272)	(99,272)
At 31 December 2013	**9,669,233**	**1,837,228**	**1,236,590**	**12,743,051**
Accumulated depreciation				
At 1 January 2013	60,131	1,822,562	1,204,644	3,087,337
Disposals	-	-	(99,272)	(99,272)
Provision for the year	-	6,134	49,563	55,697
At 31 December 2013	**60,131**	**1,828,696**	**1,154,935**	**3,043,762**
Net book amount				
At 31 December 2013	**9,609,102**	**8,532**	**81,655**	**9,699,289**
At 31 December 2012	9,609,102	11,692	55,628	9,676,422

Notes to the financial statements for the year ended 31 December 2013 (continued)

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

	2013	2012
	£	£
Trade debtors	**400,270**	445,722
Other debtors	**62,321**	56,345
Prepayments and accrued income	**92,133**	94,078
Deferred taxation (see note 9)	**25,000**	38,000
	579,724	634,145

7 Creditors – Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**1,994,872**	1,972,701
Other creditors	**164,350**	209,086
Corporation tax	**147,901**	187,281
Other taxation and social security	**301,802**	321,549
Accruals and deferred income	**143,426**	167,923
	2,752,351	2,858,540

8 Creditors – Amounts falling due after more than one year

	2013	2012
	£	£
Deposit from parent undertaking	**2,800,000**	2,800,000

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 2014. The deposit carries an interest rate of 5% per annum.

9 Deferred taxation

Deferred taxation provided in the financial statement is as follows:

	2013	2012
	£	£
Depreciation in excess of capital allowances	**25,000**	38,000
Deferred tax asset (see note 6)	**25,000**	38,000
Pension surplus (see note 15)	**(17,319)**	(14,448)
Total deferred tax asset	**7,681**	23,552

The movement on deferred taxation is as follows:

	2013	2012
	£	£
At 1 January	**23,552**	3,922
(Charged) to the statement of total recognised gains and losses	**(2,871)**	11,630
(Charged) to the profit and loss account	**(13,000)**	8,000
At 31 December	**7,681**	23,552

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantively enacted on 2 July 2013, the relevant deferred tax balances have been remeasured.

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Called up share capital

	Allotted, issued and fully paid £
5,050,644 ordinary shares of 25p each at 31 December 2012 and 31 December 2013	**1,262,661**

11 Reserves

	Profit and loss account £
At 1 January 2013	9,576,472
Profit for the year	1,189,635
Actuarial gains on defined benefit scheme	442,900
Increase in gains not recognised under FRS 17	(592,364)
Movement in deferred tax asset relating to pension scheme	(2,871)
Dividends paid	(1,113,152)
At 31 December 2013	9,500,620

12 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the year	**1,189,635**	1,329,568
Dividend paid	**(1,113,152)**	(1,026,868)
Transfer to reserves	**76,483**	302,700
Actuarial gain / (loss) on defined benefit pension scheme	**442,900**	(227,900)
(Increase) / decrease in gains not recognised under FRS 17	**(592,364)**	12,000
Movement on deferred tax asset relating to pension scheme	**(2,871)**	11,630
Net (decrease) / increase in shareholders' funds	**(75,852)**	98,430
Opening shareholders' funds	**10,839,133**	10,740,703
Closing shareholders' funds	**10,763,281**	10,839,133

13 Employees

	2013 Number	2012 Number
The average number of persons employed by the company during the year on a full time equivalent basis was:	**135**	135

14 Directors' emoluments

	2013 Aggregate £	**2013 Highest Paid Director £**	2012 Aggregate £	2012 Highest Paid Director £
Directors' emoluments	**432,797**	**99,427**	162,013	85,000

	2013 Money Purchase Schemes	**2013 Defined Benefit Schemes**	2012 Money Purchase Schemes	2012 Defined Benefit Schemes
Number of directors with benefits accruing under pension schemes	**2**	**2**	1	1

The highest paid director has no retirement benefits accruing at the end of the year. Amounts paid to the highest paid director include an ex gratia payment of £72,000 which is included in the management charge due from the subsidiary company to the parent company.

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

An amount of £85,000 (2012: £85,000) is also 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.

15 Pension commitments

The company operates a defined benefit pension scheme. 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 in an insurance policy invested in a with-profits fund and unit linked investments with the Equitable Life Assurance Society.

15 Pension commitments (continued)

An actuarial valuation as at 31 March 2012 was carried out by a professionally qualified actuary based on assumptions determined by the trustees, the most significant assumptions being:

- An investment return of 2.7% pre-retirement, on fixed interest investments.
- An investment return of 4.7%, pre-retirement, on equity and property investments.
- Increases in payment of pensions that are in respect of services between 6th April 1997 and 31st March 2006 of 2.7%.
- Increases in payment of pensions that are in respect of service from 1st April 2006 of 2.1%.

Based on these assumptions, liabilities were valued at £5,044,000 and assets at £4,605,000, a past funding shortfall of £439,000. The calculation assumed that no further benefits will accrue but based the benefits on members' projected final pay.

To eliminate this past funding shortfall, the trustees and the Company agreed the payment of additional contributions. In 2013 this resulted in employer contributions exceeding the FRS 17 current service cost by £145,000 (2012: £128,500).

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

The total contributions made by the company in 2013 for the final salary scheme and the money purchase schemes were £190,552 (2012: £190,079) of which £25,988 (2012: £27,927) relates to money purchase schemes.

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

	2013	2012
Rate of increases in salary	**2.4%**	1.4%
Rate of increases of pensions in payment	**2.2%**	2.1%
Rate used to discount scheme liabilities	**4.4%**	4.1%
Retail price index inflation assumption	**3.4%**	2.4%
Consumer prices index inflation assumption	**2.4%**	1.4%

	2013	2012
Longevity at age 65 for current pensioners		
Men	**23.1**	23.0
Women	**24.8**	24.7
Longevity at age 65 for future pensioners		
Men	**24.5**	24.4
Women	**26.4**	26.3

Notes to the financial statements for the year ended 31 December 2013 (continued)

15 Pension commitments (continued)

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

	2013	2012
	£	£
Total market value of assets	**5,653,800**	4,919,400
Present value of scheme liabilities	**(4,632,100)**	(4,560,000)
Surplus in the scheme	**1,021,700**	359,400
Surplus not recognised under FRS 17	**(946,400)**	(299,200)
Related deferred tax liability	**(17,319)**	(14,448)
Net pension surplus	**57,981**	45,752

As at 31 December the fair value of the fund assets invested was £5,653,800 (2012: £4,919,400) with expected long-term rate of return of 6.0% (2012: 5.2%).

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

Changes in the present value of the defined benefit obligations are as follows:

	2013	2012
	£	£
Opening defined benefit obligation	**4,560,000**	4,056,200
Service cost	**19,564**	33,652
Interest cost	**183,800**	189,200
Members' contributions	**10,436**	12,848
Actuarial losses	**57,200**	343,000
Benefits paid and death-in-service premiums	**(198,900)**	(74,900)
Closing defined benefit obligation	**4,632,100**	4,560,000

15 Pension commitments (continued)

Changes in the fair value of plan assets are as follows:

	2013	2012
	£	£
Opening fair value of plan assets	**4,919,400**	4,467,700
Expected return	**258,200**	236,500
Actuarial gains	**500,100**	115,100
Contributions by employer	**164,564**	162,152
Members' contributions	**10,436**	12,848
Benefits paid and death-in-service premiums	**(198,900)**	(74,900)
Closing fair value of plan assets	**5,653,800**	4,919,400
Expected contributions to the scheme in the next year:	**175,000**	175,000

The amount recognised in statement of total recognised gains and losses (STRGL) is as follows:	**2013**	2012
	£	£
Actual return less expected return on scheme assets	**500,100**	115,100
Experience gains arising on liabilities	**10,600**	65,400
Change in present value of liabilities due to change in assumptions	**(67,800)**	(408,400)
Total actuarial gain / (loss) recognised in STRGL	**442,900**	(227,900)
(Increase) / decrease in gains not recognised under FRS 17	**(592,364)**	12,000
Movement in deferred tax relating to pension scheme	**(2,871)**	11,630
Total loss recognised in STRGL	**(152,335)**	(204,270)

Scheme assets do not include any of the company's own financial instruments or any property occupied by the company.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets in the year was £758,300 (2012: £351,600 gain).

15 Pension commitments (continued)

The amounts (credited)/charged to the profit and loss account are as follows:

	2013	2012
	£	£
Expected return on plan assets	**(258,200)**	(236,500)
Interest on obligation	**183,800**	189,200
Adjustment in respect of unrecognisable asset	**54,836**	-
Other finance income	**(19,564)**	(47,300)
Current service cost	**19,564**	33,652
Total	**-**	(13,648)

	2013	2012	2011	2010	2009
	£	£	£	£	£
Defined benefit obligation	(4,632,100)	(4,560,000)	(4,056,200)	(3,756,100)	(3,654,700)
Plan assets	5,653,800	4,919,400	4,467,700	4,351,100	3,740,200
Surplus	1,021,700	359,400	411,500	595,000	85,500
Experience adjustments on plan liabilities	10,600	65,400	121,100	39,800	49,400
Experience adjustments on plan assets	446,200	115,100	(267,200)	205,600	325,800
Total cumulative actuarial gains and (losses) recognised in the STRGL	(658,900)	(1,101,800)	(873,900)	(509,500)	(863,700)

16 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.

17 Related parties

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 under FRS 8.