

T. Crossling & Co. Limited

Annual Report

For the year ended 31 December 1994

Registered no: 2749235



T. Crossling & Co. Limited

Annual report for the year ended 31 December 1994

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Directors and advisers

Executive directors

R. Errington
R.R. Errington
G. Brewis
C.P.H. Errington
R. Lyons

Registered auditors

Coopers & Lybrand
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8BP

Secretary and Registered Office

G. Brewis
T. Crossling & Co. Limited
P.O. Box 5
Coast Road
Newcastle upon Tyne
NE6 5TP

Solicitors

Wilkinson Maughan
Sun Alliance House
35 Mosley Street
Newcastle upon Tyne
NE1 1XX

Bankers

Lloyds Bank plc
102 Grey Street
Newcastle upon Tyne
NE99 1SL

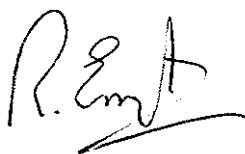
Chairman's statement

Sales for 1994 were £35.1 million (1993: £33.5 million) reflecting a good first half year and the weakening position towards the end of the year. The housing market continues to be depressed and our other business sectors are yet to feel the much promised "feel good factor". Pre-tax profit at £2.1 million (1993: £1.9 million) is an improved performance substantially the result of much lower bad debts and a pleasing profit result at our Liverpool company.

The directors are continuing to review all options to expand the company both within our existing trading area and elsewhere, and are in a position to proceed if such an opportunity arises.

The directors are recommending a final ordinary dividend in respect of 1994 of 193.6p per share (1993: 176.0p per share).

I would like to thank my fellow directors and all our management and staff for their continuing hard work and loyalty.

A handwritten signature in dark ink, appearing to read 'R. Errington', with a stylized flourish at the end.

R. Errington
Chairman
5 April 1995

**Directors' report
for the year ended 31 December 1994**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

Principal activity

The principal activity of the group continues to be that of plumbers, engineers and tool merchants.

Review of business

The directors consider the performance of the group and its year end financial position to be satisfactory and are confident of its future trading prospects.

Results and dividends

The group profit for the period after taxation amounted to £1,419,000 (1993: £1,254,000).

Two interim ordinary dividends of £5,441 (1993: £5,070) and £2,413 (1993: £Nil) have been paid. The directors recommend a further interim dividend of Nil (1993: £5,070) and a final dividend of £21,230 (1993: £88,000). Following the payment of these dividends the retained profit of £1,389,000 (1993: £1,156,000) will be transferred to reserves.

Fixed assets

Details of movements in fixed assets are included in notes 11 and 12 to the financial statements.

Directors

The directors of the company at 31 December 1994, all of whom have been directors for the whole of the year then ended, are listed below:

R. Errington	(Chairman)
R.R. Errington	(Managing Director)
G. Brewis	
C.P.H. Errington	
R. Lyons	

Directors' interests in share capital of the company

The interests of the directors in the share capital of the company at 31 December 1994 were as follows:

	Number of shares	
	31 December 1993	31 December 1994
	Ordinary	Ordinary
R. Errington	5,222	5,222
R.R. Errington	16,914	16,914
C.P.H. Errington	16,898	16,898

None of the directors held any beneficial interest in the share capital of the subsidiary companies.

A warehouse owned by a partnership in which R.R. Errington and C.P.H. Errington have an interest provides handling and storage services to the company at commercial rates. The charge incurred by the company for the period was £49,800 (1993: £49,800).

Statement of 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 and the group as at the end of the financial year and of the profit or loss of the group 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 1994. The directors also confirm that applicable accounting standards have been followed and that the 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 of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Taxation Status

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988. This status has not changed since the year end.

Employees

The group's policy is to consult and discuss with employees, on matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

A resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the annual general meeting.

By order of the board



G. Brewis
Secretary
5 April 1995

Report of the auditors to the members of T. Crossling & Co. Limited

We have audited the financial statements on pages 7 to 21.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

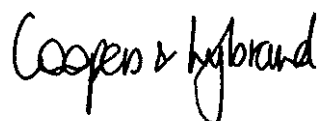
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 affairs of the company and the group at 31 December 1994 and of the profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

A handwritten signature in dark ink, appearing to read 'Coopers & Lybrand', is written over the printed name.

Chartered Accountants and Registered Auditors
Newcastle upon Tyne
5 April 1995

**Consolidated profit and loss account
for the year ended 31 December 1994**

	Notes	1994 £'000	1993 £'000
Turnover	1	35,089	33,492
Cost of sales		(27,727)	(26,581)
Gross profit		7,362	6,911
Other operating expenses	2	(5,284)	(5,023)
Operating profit		2,078	1,888
Other interest receivable and similar income	5	92	70
Interest payable and similar charges	6	(27)	(35)
Profit on ordinary activities before taxation	7	2,143	1,923
Taxation	8	(724)	(669)
Profit on ordinary activities after taxation		1,419	1,254
Dividends	9	(30)	(98)
Retained profit for the year	19	1,389	1,156

All of the group's operations are continuing.

The group has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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.

Balance sheets at 31 December 1994

	Notes	1994		1993	
		Group £'000	Company £'000	Group £'000	Company £'000
Fixed assets					
Tangible assets	11	2,787	-	2,870	-
Investments	12	-	3,671	-	3,671
		<u>2,787</u>	<u>3,671</u>	<u>2,870</u>	<u>3,671</u>
Current assets					
Stocks	13	5,300	-	4,746	-
Debtors	14	5,937	1,203	6,599	591
Cash at bank and in hand		1,654	8	272	2
		<u>12,891</u>	<u>1,211</u>	<u>11,617</u>	<u>593</u>
Creditors: Amounts falling due within one year	15	3,962	133	4,144	93
		<u>8,929</u>	<u>1,078</u>	<u>7,473</u>	<u>500</u>
Net current assets					
Total assets less current liabilities		<u>11,716</u>	<u>4,749</u>	<u>10,343</u>	<u>4,171</u>
Creditors: Amounts falling due after more than one year	16	4	-	20	-
		<u>11,712</u>	<u>4,749</u>	<u>10,323</u>	<u>4,171</u>
Net assets					
Capital and reserves					
Called-up share capital	18	50	50	50	50
Capital redemption reserve	19	37	-	37	-
Other reserves	19	31	-	31	-
Profit and loss account	19	11,594	4,699	10,205	4,121
		<u>11,712</u>	<u>4,749</u>	<u>10,323</u>	<u>4,171</u>
Equity shareholders' funds	20	<u>11,712</u>	<u>4,749</u>	<u>10,323</u>	<u>4,171</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 5 April 1995 and were signed on its behalf by:

R.R. Errington

G. Brewis

) Directors
)
)
)

Consolidated cash flow statement for the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Net cash inflow from continuing operating activities		2,526	2,154
Returns on investments and servicing of finance			
Bank interest received		92	70
Bank interest paid		(23)	(27)
Interest paid on finance leases		(4)	(8)
Dividends paid		(101)	(87)
Net cash outflow from returns on investments and servicing of finance		(36)	(52)
Taxation			
UK corporation tax paid		(650)	(656)
Investing activities			
Purchase of tangible fixed assets		(493)	(672)
Proceeds from sale of tangible fixed assets		49	75
Net cash outflow from investing activities		(444)	(597)
Net cash inflow before financing		1,396	849
Financing			
Payment of principal under finance leases	23	(14)	(21)
Net cash outflow from financing		(14)	(21)
Increase in cash and cash equivalents	22	1,382	828

Reconciliation of operating profit to net cash inflow from operating activities

	1994 £'000	1993 £'000
Continuing operating activities		
Operating profit	2,078	1,888
Depreciation of tangible fixed assets	411	404
Depreciation on assets held under finance leases	-	18
(Profit)/loss on sale of tangible fixed assets	(16)	2
(Increase)/Decrease in stocks	(554)	154
Decrease/(Increase) in trade debtors	697	(749)
(Increase)/Decrease in other debtors	(4)	78
Increase in prepayments	(6)	(4)
(Decrease)/increase in trade creditors	(360)	548
Increase/(decrease) in other tax and social security	26	(38)
Increase/(decrease) in accruals and deferred income	254	(147)
Net cash inflow from continuing operating activities	2,526	2,154

**Notes to the financial statements
for the year ended 31 December 1994**

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The group prepares its financial statements in accordance with the historical cost convention.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries, prepared to 31 December 1994. The turnover and results of subsidiary companies are included in the group accounts from the date of acquisition, except where merger accounting principles are employed, in which case the turnover and results of the companies being merged are included for the full year and the corresponding period. Where merger accounting is adopted the cost of investment in the company's books is recorded as the nominal value of shares issued.

Intra group sales and profits are eliminated fully on consolidation.

The dormant subsidiaries of Crossling Limited are not consolidated into these financial statements as their inclusion is not material for the purpose of giving a true and fair view.

Capital reserve on consolidation

The capital reserve arising on consolidation, which represents the difference between the consideration given and the fair value of the net tangible assets acquired is taken to reserve on acquisition. The net assets of companies acquired are incorporated into the consolidated financial statements at their fair values to the group.

Finance and operating leases

Assets held under finance leases are included in tangible fixed assets at a value equal to the original cost incurred by the lessor and obligations to the lessor are included within creditors. The interest element is charged to the profit and loss account on an actuarial basis. Operating lease rentals are charged to the profit and loss account as they are incurred.

Tangible fixed assets

Tangible fixed assets are stated at their purchase cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over the life of the asset using the following bases:

Land	- Nil
Freehold buildings	- 2%
Leasehold buildings	- 2%
Plant, fixtures and fittings	- 10%, 20% and 33 1/3%
Motor vehicles	- 25%

Fixed asset investments

Fixed asset investments are stated at cost less amounts provided for any permanent diminution in value.

Stocks

Stocks have been valued at the lower of cost and net realisable value, cost being the invoiced value of goods supplied less rebates and allowances. Provision is made where necessary for defective, obsolete and slow moving stocks.

Foreign currencies

Transactions in foreign currencies are converted at the rate ruling at the date of the transaction and monetary assets and liabilities are converted at the rate in operation at the balance sheet date. Any gain or loss on foreign currency is dealt with in the profit and loss account.

Turnover

Turnover represents the value of goods invoiced to customers during the period, excluding value added tax, and less returns and discounts given.

Deferred taxation

Provision is made for deferred taxation to the extent that it is probable that an asset or liability will crystallise in the foreseeable future. No provision is made where it is considered that a liability will not arise.

Pension costs

The group operates a defined benefit pension scheme. Pension costs are charged to the profit and loss account in accordance with the contribution rate recommended by an independent actuary. Any variations from regular cost arising from actuarial valuations are charged or credited to profits on a systematic basis over the estimated remaining service lives of the employees.

The group provides no other post-retirement benefits to its employees.

2. Other operating expenses

	1994 £'000	1993 £'000
Distribution costs	3,698	3,400
Administrative expenses	1,586	1,623
	<u>5,284</u>	<u>5,023</u>

3. Directors' emoluments and interests

The remuneration paid to the directors was:

	1994 £'000	1993 £'000
Emoluments (including pension contributions and benefits in kind)	320	201

Emoluments (excluding pension contributions) include amounts paid to:

	1994 £'000	1993 £'000
The Chairman	54	38
Highest-paid director	84	41

The number of directors (including the chairman and the highest-paid director) who received other emoluments (excluding pension contributions) in the following ranges was:

	1994 Number	1993 Number
£35,001 to £40,000	-	2
£40,001 to £45,000	2	3
£50,001 to £55,000	1	-
£80,001 to £85,000	2	-

On 15 December 1994, a person connected with Mr. R.R. Errington received a bridging loan from Crossling Ltd. of £235,900 at a rate of interest of 8% per annum. The loan was repaid on 21 December 1994.

4. Employee information

The average weekly number of persons (including executive directors) employed by the group during the period was:

	1994 Number	1993 Number
Distribution	219	213
Administration	37	34
	<hr/>	<hr/>
	256	247
	<hr/>	<hr/>
	1994 £'000	1993 £'000
Staff costs (for the above persons):		
Wages and salaries	3,200	2,928
Social security costs	257	225
Other pension costs (see note 24)	134	38
	<hr/>	<hr/>
	3,591	3,191
	<hr/>	<hr/>

5. Other interest receivable and similar income

	1994 £'000	1993 £'000
Bank interest receivable	92	70
	<hr/>	<hr/>

6. Interest payable and similar charges

	1994 £'000	1993 £'000
On bank loans and overdrafts		
Repayable within 5 years, not by instalments	23	27
On finance leases	4	8
	<hr/>	<hr/>
	27	35
	<hr/>	<hr/>

7. Profit on ordinary activities before taxation

	1994 £'000	1993 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the period:		
Owned assets	411	404
Assets held under finance leases	-	18
Auditors' remuneration - audit services (company £500 : 1993 £450)	20	27
Auditors' remuneration - non audit services	8	7
Hire of motor vehicles and office equipment	1	6
(Profit)/loss on disposal of tangible fixed assets	(16)	2
	<u> </u>	<u> </u>

8. Taxation

	1994 £'000	1993 £'000
United Kingdom corporation tax at 33% (1993: 33%):		
Current	737	667
(Over)/under-provision in respect of prior years:		
Current	(13)	2
	<u> </u>	<u> </u>
	724	669
	<u> </u>	<u> </u>

9. Dividends

	1994 £'000	1993 £'000
Ordinary, per share:		
1st Interim paid of 95.4p (1993: 88.9p)	5	5
2nd Interim paid of 42.3p (1993: Nil)	3	-
Interim proposed of Nil (1993: 88.9p)	-	5
Final proposed of 193.6p (1993: 176p)	22	88
	<u> </u>	<u> </u>
	30	98
	<u> </u>	<u> </u>

Certain shareholders waived their entitlement to dividends either partially or in full.

10. Profit and loss account

The company has taken advantage of Section 230 of the Companies Act 1985 in not presenting its own profit and loss account. Of the profit for the financial period £578,000 (1993: £4,121,000) is dealt with in the financial statements of the holding company, including dividends receivable from subsidiary undertakings and dividends payable.

11. Tangible fixed assets

Group

	Freehold land and buildings	Long Leasehold land and buildings	Plant fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 1994	2,115	269	1,463	989	4,836
Additions	9	-	127	225	361
Disposals	-	-	-	(179)	(179)
At 31 December 1994	2,124	269	1,590	1,035	5,018
Depreciation					
At 1 January 1994	229	55	1,067	615	1,966
Charge for the year	29	3	185	194	411
Eliminated in respect of disposals	-	-	-	(146)	(146)
At 31 December 1994	258	58	1,252	663	2,231
Net book value					
At 31 December 1994	1,866	211	338	372	2,787
Net book value At 31 December 1993	1,886	214	396	374	2,870

12. Investments

Unlisted investments

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Cost				
At 1 January 1994	127	3,671	127	-
Additions	-	-	-	3,671
At 31 December 1994	127	3,671	127	3,671
Amounts written off				
At 1 January 1994	127	-	119	-
Transferred to debtors	-	-	8	-
At 31 December 1994	127	-	127	-
Net book value				
At 31 December 1994	-	3,671	-	3,671

Subsidiary companies

The company owns 100% of the ordinary £1 share capital of the following subsidiary companies:-

- (1) Crossling Limited, which is registered in England and Wales and carries on the trade of plumbers, engineers and tool merchants. The aggregate share capital and reserves of this company at 31 December 1994 amounted to £8,632,000 (1993: £7,979,000).
- (2) Crossling CBM Limited, which is registered in England and Wales, and carries on the trade of plumbers merchant. The net assets of this company at 31 December 1994 amounted to £38,000 (1993 Net liabilities: £41,000).
- (3) Crossling Properties Limited, which is registered in England and Wales and carries on the trade of holding and managing commercial properties. The aggregate share capital and reserves of this company at 31 December 1994 amounted to £3,641,000 (1993: £3,591,000).

Crossling Limited owns 100% of the ordinary £1 share capital of the following subsidiary companies:-

- (1) Northern Tools and Accessories Limited, which is registered in England and Wales. The aggregate share capital and reserves of this company at 31 December 1994 amounted to £417 (1993: £417).
- (2) Potter Cowan (Pipe Fittings) Limited, which is registered in Scotland. The aggregate share capital and reserves of this company at 31 December 1994 amounted to £109,652 (1993: £109,652).

Neither Northern Tools and Accessories Limited nor Potter Cowan (Pipe Fittings) Limited traded during the year and the results of these companies have not been included in these consolidated financial statements as they are not material for the purpose of giving a true and fair view.

13. Stocks

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Goods held for resale	5,300	-	4,746	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14. Debtors: Amounts falling due within one year

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	5,819	-	6,516	-
Amounts owed by subsidiary undertaking	-	600	-	91
Advance corporation tax recoverable	25	25	-	-
Other debtors	18	-	14	-
Prepayments and accrued income	75	-	69	-
Dividends receivable from subsidiary undertaking	-	550	-	500
Group relief receivable	-	28	-	-
	<u>5,937</u>	<u>1,203</u>	<u>6,599</u>	<u>591</u>

15. Creditors: Amounts falling due within one year

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Obligations under finance leases	16	-	14	-
Trade creditors	2,296	-	2,656	-
Corporation tax payable	708	-	605	-
Advance corporation tax payable	25	-	29	-
Other taxation and social security payable	278	-	252	-
Accruals and deferred income	617	111	495	-
Dividends payable	22	22	93	93
	<u>3,962</u>	<u>133</u>	<u>4,144</u>	<u>93</u>

16. Creditors: Amounts falling due after more than one year

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Obligations under finance leases	<u>4</u>	<u>-</u>	<u>20</u>	<u>-</u>

Finance leases

The future minimum lease payments to which the group and the company are committed under finance leases are as follows:

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
In one year or less	16	-	14	-
Between second and fifth years	<u>4</u>	<u>-</u>	<u>20</u>	<u>-</u>
	<u>20</u>	<u>-</u>	<u>34</u>	<u>-</u>

17. Deferred taxation

Group

Deferred taxation provided in the financial statements, is as follows:-

	Amount provided		Amount unprovided	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Tax effect of timing differences:				
Capital gains tax	-	-	350	373
Accelerated capital allowances	-	-	23	-
	<u>-</u>	<u>-</u>	<u>373</u>	<u>373</u>

Company

The company has no actual or potential liability for deferred taxation (1993: £Nil)

18. Share capital

Group and company

	1994	1993
	£'000	£'000
Authorised		
50,000 Ordinary shares of £1 each	<u>50</u>	<u>50</u>
Allotted, called-up and fully paid		
50,000 Ordinary shares of £1 each	<u>50</u>	<u>50</u>

19. Reserves

Group

	Other Reserves	Profit and loss account
	£'000	£'000
At 1 January 1994	68	10,205
Profit for the year	-	1,389
At 31 December 1994	<u>68</u>	<u>11,594</u>

Company

	Profit and loss account £'000
At 1 January 1994	4,121
Profit for the year	578
At 31 December 1994	<u>4,699</u>

20. Reconciliation of movements in equity shareholders' funds

	1994 £'000	1993 £'000
Profit for the year	1,419	1,254
Dividends	(30)	(98)
	<hr/>	<hr/>
Net addition to equity shareholders' funds	1,389	1,156
Opening equity shareholders' funds	10,323	9,167
	<hr/>	<hr/>
Closing equity shareholders' funds	11,712	10,323
	<hr/>	<hr/>

21. Financial commitments**Capital commitments**

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	43	-	205	-
	<hr/>	<hr/>	<hr/>	<hr/>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	-	-	2	-
	<hr/>	<hr/>	<hr/>	<hr/>

Operating lease commitments

At 31 December 1994 the group had annual commitments under other non-cancellable operating leases payable as follows:

	1994 £'000	1993 £'000
Expiring within one year	-	4
	<hr/>	<hr/>

22. Cash and cash equivalents

	1994 £'000	1993 £'000
At 1 January	272	(556)
Net cash inflow	1,382	828
	<hr/>	<hr/>
At 31 December	1,654	272
	<hr/>	<hr/>

	1994 £'000	1993 £'000	Change in period £'000	1993 £'000	1992 £'000	Change in period £'000
Analysis of balances						
Cash at bank and in hand	1,654	272	1,382	272	2	270
Bank overdraft	-	-	-	-	(558)	558
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,654	272	1,382	272	(556)	828
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

23. Analysis of changes in financing during the period

	1994		1993	
	Share Capital £'000	Finance lease obligations £'000	Share Capital £'000	Finance lease obligations £'000
At 1 January	50	34	50	55
Repayment of principal on finance leases	-	(14)	-	(21)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	50	20	50	34
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24. Pension costs

The group operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separately administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 6 April 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 10% per annum, that salary increases would average 8.5% per annum and present and future pensions would increase at the rate of 3% per annum (subject to limits imposed by the Inland Revenue).

The total pension cost to the group was £134,000 (1993: £38,000).

The most recent actuarial valuation showed that the value of the scheme's assets was £3,400,000. The surplus arising as a result of the most recent actuarial valuation was £663,000. This surplus is sufficient to cover 126% of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries. The surplus is being amortised over 14 years (the expected average remaining service lives of the employees). This surplus will be eliminated as a result of a pension holiday to be taken by the group over a period of 3 years on the recommendation of the actuary. The level of the surplus is reviewed on an annual basis by a qualified actuary.

An amount of £217,000 (1993: £90,000) is included in creditors representing the excess of accumulated pension cost over the payments of contributions to the pension fund.