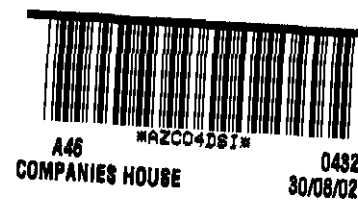


T. Crossling & Co. Limited

Annual Report

For the year ended 31 December 2001

Registered no: 2749235



T. Crossling & Co. Limited

Annual report for the year ended 31 December 2001

	Pages
Directors and advisers	1
Directors' report	2 - 4
Independent auditors' report	5
Consolidated profit and loss account	6
Balance sheets	7
<i>Consolidated cash flow statement</i>	8 - 9
Notes to the financial statements	10 - 23

Directors and advisers

Executive directors

R. Errington
R.R. Errington
C.P.H. Errington
R. Lyons

Registered auditors

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Secretary and Registered Office

L.A. Walton
Crossling Limited
P.O. Box 5
Coast Road
Newcastle upon Tyne
NE6 5TP

Solicitors

Eversheds
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

Bankers

Lloyds TSB
102 Grey Street
Newcastle upon Tyne
NE99 1SL

HBOS
4th Floor
114 Wellington Street
Leeds
LS1 4LT

**Directors' report
for the year ended 31 December 2001**

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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.

Dividends

The directors do not propose the payment of a dividend (2000: NIL).

Charitable donations

During the year the group made charitable donations amounting to £ 614 (2000: £441).

Directors

The directors of the company throughout the year ended 31 December 2001 are listed below:

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

Directors' interests

The interests of the directors in the share capital of the company at 31 December 2001 were as follows:

	Number of shares	
	31 December 2000	31 December 2001
	Ordinary	Ordinary
R. Errington	1,000	1,000
R.R. Errington	19,017	19,017
C.P.H. Errington	19,017	19,017

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

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 as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

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 2001. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

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 to ensure suitable opportunities exist 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.

Creditors payment period

At 31 December 2001 trade creditors represented 24 days (2000 26 days) purchases outstanding.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

A handwritten signature in dark ink, appearing to be 'L.A. Walton', written in a cursive style.

L.A. Walton
Secretary
19th April 2002

Independent auditors' report to the members of T. Crossling & Co. Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention.

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.

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.

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.

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 affairs of the company and the group at 31st December 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers



Chartered Accountants and Registered Auditors
Newcastle upon Tyne
19th April 2002

**Consolidated profit and loss account
for the year ended 31 December 2001**

	Notes	2001 £'000	2000 £'000
Turnover	2	39,095	37,008
Cost of sales		(30,799)	(28,924)
Gross profit		8,296	8,084
Other operating expenses	3	(6,677)	(6,479)
Operating profit		1,619	1,605
Other interest receivable and similar income	6	248	253
Interest payable and similar charges	7	(27)	(24)
Profit on ordinary activities before taxation	8	1,840	1,834
Taxation	9	(539)	(577)
Retained profit for the year	18	1,301	1,257

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.

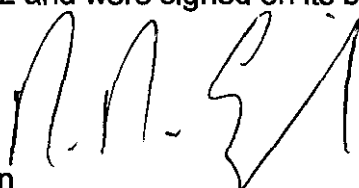
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Balance sheets
at 31 December 2001**

	Notes	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Fixed assets					
Tangible assets	11	5,155	-	4,895	-
Investments	12	-	3,671	-	3,671
		5,155	3,671	4,895	3,671
Current assets					
Stocks	13	5,224	-	5,795	-
Debtors	14	6,867	3,012	6,497	2,412
Cash at bank and in hand		5,820	-	3,734	-
		17,911	3,012	16,026	2,412
Creditors: Amounts falling due within one year	15	4,689	-	3,846	-
Provision for liabilities & charges	16	3	-	2	-
Net current assets		13,219	3,012	12,178	2,412
Net assets		18,374	6,683	17,073	6,083
Capital and reserves					
Called-up share capital	17	39	39	39	39
Other reserves	18	79	11	79	11
Profit and loss account	18	18,256	6,633	16,955	6,033
Equity shareholders' funds	19	18,374	6,683	17,073	6,083

The financial statements on pages 6 to 23 were approved by the board of directors on 19th April 2002 and were signed on its behalf by:

R.R. Errington
Director



Consolidated cash flow statement for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow from continuing operating activities		2,852	1,406
Returns on investments and servicing of finance			
Bank interest received		248	253
Bank interest paid		(27)	(24)
Net cash inflow from returns on investments and servicing of finance		221	229
Taxation			
UK corporation tax paid		(650)	(495)
Capital expenditure			
Purchases of tangible fixed assets		(783)	(1,232)
Proceeds from sale of tangible fixed assets		88	47
Net cash outflow from capital expenditure		(695)	(1,185)
Net cash inflow/(outflow) before management of liquid resources and financing		1,728	(45)
Management of liquid resources			
Net cash (outflow)/inflow from management of liquid resources	22/23	(2,146)	500
Financing			
Loan advance	22/23	358	-
(Decrease)/increase in cash		(60)	455

Reconciliation of operating profit to net cash inflow from operating activities

	2001	2000
Continuing operating activities	£'000	£'000
Operating profit	1,619	1,605
Depreciation of tangible fixed assets	472	458
Profit on sale of tangible fixed assets	(28)	(28)
Decrease/(increase) in stocks	571	(212)
(Increase)decrease in trade debtors	(220)	338
Increase in other debtors	(117)	(3)
Increase in prepayments and accrued income	(34)	(11)
Increase/(decrease) in trade creditors	546	(718)
Increase/(decrease) in other tax and social security	24	(14)
Increase/(decrease) in accruals and deferred income	19	(9)
<hr/>		
Net cash inflow from continuing operating activities	2,852	1,406
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**Notes to the financial statements
for the year ended 31 December 2001**

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.

Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard No.8, not to disclose details of intra-group transactions. Details of other related party transactions are included in note 25.

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 2001. 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.

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.

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.

This scheme was closed to new members on 1st October 2000.

On 1st October 2000 a defined contribution scheme was introduced. The group will contribute the same amount as employees up to a limit of 6% of pensionable salary. These costs are charged against profits within the accounting period to which they relate.

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

2. Turnover

Turnover consists of sales and income derived in the United Kingdom from one class of business.

3. Other operating expenses

	2001 £'000	2000 £'000
Distribution costs	5,006	4,845
Administrative expenses	1,671	1,634
	6,677	6,479

4. Directors' emoluments and interests

The remuneration paid to the directors was:

	2001 £'000	2000 £'000
Aggregate emoluments	409	376

Retirement benefits are accruing to 3 (2000: 3) directors under a defined benefit pension scheme.

Highest-paid director

	2001 £'000	2000 £'000
Aggregate emoluments	159	150
Accrued pension at end of year	12	11

5. Employee information

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

	2001 Number	2000 Number
Distribution	223	228
Administration	28	27
	251	255
	2001 £'000	2000 £'000
Staff costs (for the above persons):		
Wages and salaries	4,043	3,933
Social security costs	311	288
Other pension costs (see note 23)	230	211
	4,584	4,432

6. Other interest receivable and similar income

	2001 £'000	2000 £'000
Bank interest receivable	248	253

7. Interest payable and similar charges

	2001 £'000	2000 £'000
On bank services	27	24

8. Profit on ordinary activities before taxation

	2001	2000
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	472	458
Auditors' remuneration - audit services	23	23
Auditors' remuneration - non audit services	4	4
Profit on disposal of tangible fixed assets	(28)	(28)

9. Taxation

	2001	2000
	£'000	£'000
United Kingdom corporation tax at 30.00% (2000: 30.00%)		
Current	562	575
Deferred	1	(1)
(Over)/under provision in respect of prior years		
Current	(24)	-
Deferred	-	3
	539	577

10. Profit and loss account

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £600,000 (2000: £600,000).

11. Tangible fixed assets**Group**

	Freehold land and buildings £'000	Long Leasehold land and buildings £'000	Plant fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2001	4,557	269	1,612	1,303	7,741
Additions	315	-	209	268	792
Disposals	-	(40)	-	(230)	(270)
At 31 December 2001	4,872	229	1,821	1,341	8,263
Depreciation					
At 1 January 2001	574	88	1,261	923	2,846
Charge for the year	79	4	152	237	472
Eliminated in respect of disposals	-	(6)	-	(204)	(210)
At 31 December 2001	653	86	1,413	956	3,108
Net book value					
At 31 December 2001	4,219	143	408	385	5,155
Net book value					
At 31 December 2000	3,983	181	351	380	4,895

12. Investments**Unlisted investments**

	Group £'000	2001 Company £'000	Group £'000	2000 Company £'000
Cost				
At 1 January 2001 and 31 December 2001	127	3,671	127	3,671
Amounts written off				
At 1 January 2001 and 31 December 2001	127	-	127	-
Net book value				
At 1 January 2001 and 31 December 2001	-	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 2001 amounted to £11,549,000 (2000: £11,177,000).
- (2) Crossling CBM Limited, which is registered in England and Wales, and carries on the trade of plumbers merchant. The aggregate share capital and reserves of this company at 31 December 2001 amounted to £902,000 (2000: £793,000).
- (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 2001 amounted to £4,385,000 (2000: £4,195,000).

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 2001 amounted to £417 (2000: £417).
- (2) Potter Cowan (Pipe Fittings) Limited, which is registered in Scotland. The aggregate share capital and reserves of this company at 31 December 2001 amounted to £109,652 (2000: £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

	Group	2001	Group	2000
	£'000	Company	£'000	Company
		£'000		£'000
Goods held for resale	5,224	-	5,795	-

14. Debtors

	Group	2001 Company	Group	2000 Company
	£'000	£'000	£'000	£'000
Trade debtors	6,420	-	6,200	-
Amounts owed by subsidiary undertaking	-	3,012	-	2,412
Other debtors	327	-	210	-
Prepayments and accrued income	120	-	87	-
	6,867	3,012	6,497	2,412

Other debtors includes £315,000 (2000: £197,000) due from the T. Crossling & Co. 1972 SPAS.

15. Creditors: Amounts falling due within one year

	Group	2001 Company	Group	2000 Company
	£'000	£'000	£'000	£'000
Trade creditors	2,641	-	2,095	-
Unsecured loans repayable on demand (Note 24)	358	-	-	-
Corporation tax payable	378	-	490	-
Other taxation and social security payable	436	-	412	-
Accruals and deferred income	876	-	849	-
	4,689	-	3,846	-

16. Deferred taxation**Group**

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

	Amount provided		Amount unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Tax effect of timing differences:				
Accelerated capital allowances	3	2	78	36
Short term timing differences	-	-	(110)	(110)
	3	2	(32)	(74)

Company

The company has no actual or potential liability for deferred taxation (2000: Nil)

17. Share capital**Group and company**

	2001 £'000	2000 £'000
Authorised		
50,000 (2000: 50,000) Ordinary shares of £1 each	50	50
<hr/>		
Allotted, called-up and fully paid		
39,034 (2000: 39,034) Ordinary shares of £1 each	39	39
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18. Reserves**Group**

	Other Reserves £'000	Capital Redemption Reserve £'000	Profit and loss account £'000
At 1 January 2001	68	11	16,955
Profit for the year	-	-	1,301
<hr/>			
At 31 December 2001	68	11	18,256
<hr/>			

Company

	Capital Redemption Reserve £'000	Profit and loss account £'000
At 1 January 2001	11	6,033
Profit for the year	-	600
<hr/>		
At 31 December 2001	11	6,633
<hr/>		

19. Reconciliation of movements in group equity shareholders' funds

	2001 £'000	2000 £'000
Profit for the year	1,301	1,257
Opening equity shareholders' funds	17,073	15,816
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Closing equity shareholders' funds	18,374	17,073
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20. Capital and other commitments

	2001 £'000	2000 £'000
Contracts placed for future capital expenditure not provided in the financial statements	90	-
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Contracts placed for future revenue expenditure not provided in the financial statements	32	-
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21. Financial commitments

As 31 December 2001 the group had annual commitments relating to property under non-cancelable operating leases expiring as follows:

	2001 £'000	2000 £'000
Within one year	12	-
Within two to three years	25	-
<hr/>		
	37	-
<hr/>		

22. Analysis of changes in group financing during the year

	At 1 January 2001 £'000	Cash flow £'000	At 31 December 2001 £'000
Net cash:			
Cash at bank and in hand	3,734	2,086	5,820
Less: deposits treated as liquid resources	(3,000)	(2,146)	(5,146)
	734	(60)	674
Liquid resources			
Deposits included in cash	3,000	1,788	5,146
Short term loan	-	358	358
Net funds	3,734	2,086	5,820

Liquid resources includes cash on short term deposit (typically seven day deposit), which is only repayable on demand if a penalty by way of reduction in interest is incurred.

23. Reconciliation of net cashflow to movement in net funds

	2001 £'000	2000 £'000
(Decrease)/increase in cash in the year	(60)	455
Cash inflow/(outflow) from increase/(decrease) in liquid resources	2,146	(500)
Movement in net funds in the year	2,086	(45)
Net funds at 1 January 2001	3,734	3,779
Net funds at 31 December 2001	5,820	3,734

24. Pension costs

The group operates a funded pension scheme, the T. Crossling & Co Limited 1972 staff pension and assurance scheme (the "Plan"). This provides benefits based on final pensionable earnings. The assets of the Plan are held in separate trustee administered funds.

Contributions to the Plan are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The most recent valuation of the Plan was carried out as at 6 April 1999. The valuation used the projected unit method of valuation, with the Plan's assets being valued at market value. The main assumptions adopted in this valuation were an investment return of 9% per annum pre-retirement and 8% per annum post-retirement, pensionable earnings increases of 6.5% per annum and pension increases of 3.5% per annum.

At the valuation date, the market value of the assets of the Plan was £7,017,000 and was sufficient to cover 99% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

As of the 1st October 2000 no further members have been permitted to join the Plan. The total pension cost charged for the period was £199,700 (2000: £204,500). An amount of £368,000 (2000: £368,000) is included in accruals and deferred income, this being the excess of accumulated pension cost over the payment of contributions to the Plan.

Contributions of 14.6% of gross earnings have been paid over in the financial year, inclusive of members' contributions of 5.0% of pensionable earnings.

The actuarial valuation carried out at 6th April 1999 has been updated to take into account the requirements of Financial Reporting Standard No. 17 and to assess the liabilities of the scheme at 31 December 2001 by a qualified independent actuary.

The principal assumptions used in valuing the pension liabilities were:

	2001
Rate of increase in salaries	4.5%
Rate of increase of pensions in payment	2.7%
Discount rate	5.8%
Inflation assumption	2.7%

The assets in the scheme and the expected rate of return were:

		2001
		£'000
Equities	7.5%	5,769
Bonds	5.5%	909
Cash	4.0%	471
<hr/>		
Total market value of assets		7,149
Present value of Plan liabilities		9,103
<hr/>		
Deficit		(1,954)
Related deferred tax asset		586
<hr/>		
Net pension liability		(1,368)
<hr/>		
		2001
		£'000
Net assets excluding pension liability		18,742
Pension accrual		368
Net pension liability		(1,368)
<hr/>		
Net assets including pension liability		17,742
<hr/>		
		2001
		£'000
Profit and loss account excluding pension liability		18,256
Pension accrual		368
Pension reserve		(1,368)
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Profit and loss account including pension liability		17,256
<hr/>		

The company also operates a defined contribution pension scheme whose assets are held in a separate trustee administered fund. The pension costs for the year in respect of this scheme were £30,000 (2000: £6,500).

25. Related party transactions

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 group at commercial rates. The charge incurred by the group for the period was £ 63,620 (2000: £61,319). There were no amounts outstanding at the end of the year (2000: NIL).

On 16th October Crossling Properties Ltd. entered into a loan agreement with Claire Errington Ltd. Directors of both companies are related by marriage.

The loan accrues interest at a rate payable by the Bank of Scotland for 7 day deposits.

The maximum amount outstanding during the year was £358,000 of which £3,000 was accrued interest. The balance at the end of 2001 was £358,000 (2000: £Nil).

26. Ultimate controlling party

The company is not controlled by another party.