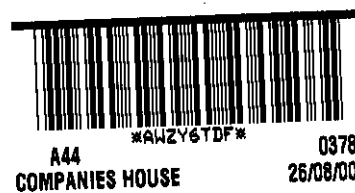


**T. Crossling & Co. Limited**

**Annual Report**

**For the year ended 31 December 1999**

**Registered no: 2749235**



# **T. Crossling & Co. Limited**

## **Annual report for the year ended 31 December 1999**

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

**Solicitors**

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

**Bankers**

Lloyds TSB  
102 Grey Street  
Newcastle upon Tyne  
NE99 1SL

**Directors' report  
for the year ended 31 December 1999**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

**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 (1998: NIL).

**Charitable donations**

During the year the group made charitable donations amounting to £925 (1998: £810).

**Directors**

The directors of the company throughout the year ended 31 December 1999 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 1999 were as follows:

	<b>Number of shares</b>	
	<b>31 December 1998</b>	<b>31 December 1999</b>
	<b>Ordinary</b>	<b>Ordinary</b>
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.

**Year 2000 compliance**

During 1998 and 1999 a group-wide review was implemented to ensure that all of the group's key systems and suppliers were Year 2000 compliant. Following this review there have been no Year 2000 problems identified to date either within the group or amongst its key suppliers.

Costs incurred during 1999 are not considered to be significant.

**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 1999. 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.

## **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.

## **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**



L.A. Walton  
Secretary  
5<sup>th</sup> June 2000

**Auditors' report to the members of T. Crossling & Co. Ltd**

We have audited the financial statements on pages 6 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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**

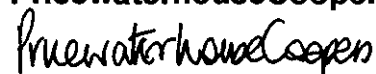
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 affairs of the company and the group at 31 December 1999 and of its 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

5<sup>th</sup> June 2000

**Consolidated profit and loss account  
for the year ended 31 December 1999**

	Notes	1999 £'000	1998 £'000
<b>Turnover</b>	2	<b>37,656</b>	36,628
<b>Cost of sales</b>		<b>(29,850)</b>	(28,843)
<b>Gross profit</b>		<b>7,806</b>	7,785
<b>Other operating expenses</b>	3	<b>(6,304)</b>	(6,011)
<b>Operating profit</b>		<b>1,502</b>	1,774
<b>Other interest receivable and similar income</b>	6	<b>234</b>	195
<b>Interest payable and similar charges</b>	7	<b>( 29)</b>	( 27)
<b>Profit on ordinary activities before taxation</b>	8	<b>1,707</b>	1,942
<b>Taxation</b>	9	<b>( 469)</b>	( 643)
<b>Retained profit for the year</b>	18	<b>1,238</b>	1,299

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 1999**

	Notes	Group £'000	1999 Company £'000	Group £'000	1998 Company £'000
<b>Fixed assets</b>					
Tangible assets	11	4,131	-	4,192	-
Investments	12	-	3,671	-	3,671
		<b>4,131</b>	<b>3,671</b>	<b>4,192</b>	<b>3,671</b>
<b>Current assets</b>					
Stocks	13	5,583	-	5,438	-
Debtors	14	6,613	1,902	6,422	1,386
Cash at bank and in hand		3,779	-	3,506	-
		<b>15,975</b>	<b>1,902</b>	<b>15,366</b>	<b>1,386</b>
<b>Creditors: Amounts falling due within one year</b>	15	<b>4,290</b>	<b>90</b>	<b>4,980</b>	<b>173</b>
<b>Net current assets</b>		<b>11,685</b>	<b>1,812</b>	<b>10,386</b>	<b>1,213</b>
<b>Net assets</b>		<b>15,816</b>	<b>5,483</b>	<b>14,578</b>	<b>4,884</b>
<b>Capital and reserves</b>					
Called-up share capital	17	39	39	39	39
Other reserves	18	79	11	79	11
Profit and loss account	18	15,698	5,433	14,460	4,834
<b>Equity shareholders' funds</b>	19	<b>15,816</b>	<b>5,483</b>	<b>14,578</b>	<b>4,884</b>

The financial statements on pages 6 to 21 were approved by the board of directors on 5<sup>th</sup> June 2000 and were signed on its behalf by:

  
 R.R. Errington  
 Director

**Consolidated cash flow statement  
for the year ended 31 December 1999**

	Notes	1999 £'000	1998 £'000
<b>Net cash inflow from continuing operating activities</b>		<b>1,132</b>	<b>2,390</b>
<b>Returns on investments and servicing of finance</b>			
Bank interest received		234	195
Bank interest paid		(29)	(27)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>205</b>	<b>168</b>
<b>Taxation</b>			
UK corporation tax paid		(690)	(386)
<b>Capital expenditure</b>			
Purchases of tangible fixed assets		(413)	(529)
Proceeds from sale of tangible fixed assets		39	101
<b>Net cash outflow from capital expenditure</b>		<b>(374)</b>	<b>(428)</b>
<b>Equity dividends paid</b>		<b>-</b>	<b>(115)</b>
<b>Net cash inflow before management of liquid resources and financing</b>		<b>273</b>	<b>1,629</b>
<b>Management of liquid resources</b>			
Net cash outflow from management of liquid resources	22	(1,000)	(1,250)
<b>(Decrease)/increase in cash</b>	22	<b>(727)</b>	<b>379</b>

**Reconciliation of operating profit to net cash inflow from operating activities**

	<b>1999</b>	<b>1998</b>
<b>Continuing operating activities</b>	<b>£'000</b>	<b>£'000</b>
Operating profit	<b>1,502</b>	<b>1,774</b>
Depreciation of tangible fixed assets	<b>448</b>	<b>462</b>
Profit on sale of tangible fixed assets	<b>( 7)</b>	<b>( 26)</b>
Increase in stocks	<b>(145)</b>	<b>( 54)</b>
Increase in trade debtors	<b>(218)</b>	<b>( 397)</b>
Decrease in other debtors	<b>2</b>	<b>1</b>
Increase/(decrease) in prepayments and accrued income	<b>25</b>	<b>( 6)</b>
(Decrease)/increase in trade creditors	<b>(160)</b>	<b>223</b>
(Decrease)/increase in other tax and social security	<b>(5)</b>	<b>30</b>
(Decrease)/increase in accruals and deferred income	<b>(310)</b>	<b>383</b>
<hr/>		
<b>Net cash inflow from continuing operating activities</b>	<b>1,132</b>	<b>2,390</b>

## **Notes to the financial statements for the year ended 31 December 1999**

### **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. Disclosure requirements are dealt with in note 24.

#### **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 1999. 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.

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

	1999 £'000	1998 £'000
Distribution costs	4,583	4,397
Administrative expenses	1,721	1,614
	<b>6,304</b>	<b>6,011</b>

## 4. Directors' emoluments and interests

The remuneration paid to the directors was:

	1999 £'000	1998 £'000
Aggregate emoluments	379	363

Retirement benefits are accruing to 3 directors under a deferred benefit pension scheme.

### Highest-paid director

	1999 £'000	1998 £'000
Aggregate emoluments	141	138
Accrued pension at end of year	14	11

## 5. Employee information

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

	1999 Number	1998 Number
Distribution	231	228
Administration	31	32
	<b>262</b>	<b>260</b>
	<b>1999 £'000</b>	<b>1998 £'000</b>
<b>Staff costs (for the above persons):</b>		
Wages and salaries	3,828	3,609
Social security costs	284	293
Other pension costs (see note 23)	192	182
	<b>4,304</b>	<b>4,084</b>

## 6. Other interest receivable and similar income

	1999 £'000	1998 £'000
Bank interest receivable	233	190
Other interest	1	5
	<b>234</b>	<b>195</b>

## 7. Interest payable and similar charges

	1999 £'000	1998 £'000
On bank overdraft	29	27

**8. Profit on ordinary activities before taxation**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	<b>448</b>	462
Auditors' remuneration - audit services (company £500 : 1998 £500)	<b>23</b>	23
Auditors' remuneration - non audit services	<b>5</b>	7
Profit on disposal of tangible fixed assets	<b>( 7)</b>	( 26)

**9. Taxation**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax at 30.25% (1998: 31%)	<b>478</b>	660
Over provision in respect of prior years	<b>(9)</b>	( 17)
	<b>469</b>	643

**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 £599,000 (1998: £626,000).



**11. Tangible fixed assets****Group**

	<b>Freehold land and buildings</b>	<b>Long Leasehold land and buildings</b>	<b>Plant fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 January 1999	3,560	269	1,412	1,273	6,514
Additions	126	-	105	188	419
Disposals	-	-	-	(164)	(164)
<b>At 31 December 1999</b>	<b>3,686</b>	<b>269</b>	<b>1,517</b>	<b>1,297</b>	<b>6,749</b>
<b>Depreciation</b>					
At 1 January 1999	443	78	994	807	2,322
Charge for the year	56	5,131	131	256	448
Eliminated in respect of disposals	-	-	-	(132)	(132)
<b>At 31 December 1999</b>	<b>499</b>	<b>83</b>	<b>1,125</b>	<b>931</b>	<b>2,638</b>
<b>Net book value</b>					
<b>At 31 December 1999</b>	<b>3,187</b>	<b>186</b>	<b>392</b>	<b>366</b>	<b>4,131</b>
<b>Net book value</b>					
<b>At 31 December 1998</b>	<b>3,117</b>	<b>191</b>	<b>418</b>	<b>466</b>	<b>4,192</b>

**12. Investments****Unlisted investments**

	<b>Group £'000</b>	<b>1999 Company £'000</b>	<b>Group £'000</b>	<b>1998 Company £'000</b>
<b>Cost</b>				
At 1 January 1999 and 31 December 1999	127	3,671	127	3,671
<b>Amounts written off</b>				
At 1 January 1999 and 31 December 1999	127	-	127	-
<b>Net book value</b>				
At 1 January 1999 and 31 December 1999	-	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 1999 amounted to £10,869,000 (1998: £10,560,000).
- (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 1999 amounted to £579,000 (1998: £396,000).
- (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 1999 amounted to £4,089,000 (1998: £3,971,000).

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 1999 amounted to £417 (1998: £417).
- (2) Potter Cowan (Pipe Fittings) Limited, which is registered in Scotland. The aggregate share capital and reserves of this company at 31 December 1999 amounted to £109,652 (1998: £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**

	<b>Group</b>	<b>1999</b>	<b>Group</b>	<b>1998</b>
	<b>£'000</b>	<b>Company</b>	<b>£'000</b>	<b>Company</b>
		<b>£'000</b>		<b>£'000</b>
Goods held for resale	5,583	-	5,438	-

**14. Debtors**

	Group £'000	1999 Company £'000	Group £'000	1998 Company £'000
Trade debtors	6,538	-	6,320	-
Amounts owed by subsidiary undertaking	-	1,902	-	1,386
Other debtors	10	-	12	-
Prepayments and accrued income	65	-	90	-
	<b>6,613</b>	<b>1,902</b>	<b>6,422</b>	<b>1,386</b>

**15. Creditors: Amounts falling due within one year**

	Group £'000	1999 Company £'000	Group £'000	1998 Company £'000
Trade creditors	2,813	-	2,973	-
Corporation tax payable	410	-	631	-
Other taxation and social security payable	426	90	431	-
Accruals and deferred income	641	-	945	173
	<b>4,290</b>	<b>90</b>	<b>4,980</b>	<b>173</b>

**16. Deferred taxation****Group**

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

	Amount provided		Amount unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Tax effect of timing differences:				
Capital gains tax	-	-	-	210
Accelerated capital allowances	-	-	-	( 8)
Short term timing differences	-	-	-	(168)
	-	-	-	34

**Company**

The company has no actual or potential liability for deferred taxation (1998: £Nil)

**17. Share capital****Group and company**

	1999 £'000	1998 £'000
<b>Authorised</b>		
50,000 (1998: 50,000) Ordinary shares of £1 each	50	50
<hr/>		
<b>Allotted, called-up and fully paid</b>		
39,034 (1998: 39,034) Ordinary shares of £1 each	39	39

**18. Reserves****Group**

	Other Reserves £'000	Capital Redemption Reserve £'000	Profit and loss account £'000
At 1 January 1999	68	11	14,460
Profit for the year	-	-	1,238
<hr/>			
<b>At 31 December 1999</b>	<b>68</b>	<b>11</b>	<b>15,698</b>

**Company**

	Capital Redemption Reserve £'000	Profit and loss account £'000
At 1 January 1999	11	4,834
Profit for the year	-	599
<hr/>		
<b>At 31 December 1999</b>	<b>11</b>	<b>5,433</b>

**19. Reconciliation of movements in equity shareholders' funds**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	<b>1,238</b>	1,299
Net addition to equity shareholders' funds	<b>1,238</b>	1,299
Opening equity shareholders' funds	<b>14,578</b>	13,279
<hr/>		
Closing equity shareholders' funds	<b>15,816</b>	14,578
<hr/>		

**20. Financial commitments****Capital commitments**

The group and the company had no contracted commitments as 31 December 1999 (1998: £Nil).

**21. Analysis of changes in financing during the year**

	At 1 January 1999 £'000	Cash flow £'000	At 31 December 1999 £'000
Net cash:			
Cash at bank and in hand	3,506	273	3,779
Less: deposits treated as liquid resources	(2,500)	(1,000)	(3,500)
	1,006	(727)	279
Liquid resources			
Deposits included in cash	2,500	1,000	3,500
Net funds	3,506	273	3,779

Liquid resources includes cash on short term deposit which is only repayable on demand if a penalty is incurred.

**22. Reconciliation of net cashflow to movement in net funds**

	1999 £'000	1998 £'000
(Decrease)/increase in cash in the year	(727)	379
Cash inflow from increase in liquid resources	1,000	1,250
<b>Movement in net funds in the year</b>	<b>273</b>	<b>1,629</b>
Net funds at 1 January 1999	3,506	1,877
<b>Net funds at 31 December 1999</b>	<b>3,779</b>	<b>3,506</b>

**23. 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 1999. 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 9.0% per annum, that salary increases would average 6.5% per annum and present and future pensions would increase at the rate of 3.5% per annum (subject to limits imposed by the Inland Revenue).

The total pension cost to the group was £192,000 (1998: £182,000).

The most recent actuarial valuation showed that the value of the scheme's assets was £7,017,000. This was sufficient to cover 99% of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries.

An amount of £368,000 (1998: £545,000) is included in accruals and deferred income representing the excess of accumulated pension cost over the payments of contributions to the pension fund.

**24. 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 £61,319 (1998: £60,849). There were no amounts outstanding at the end of the year (1998: NIL).

**25. Ultimate controlling party**

The company is not controlled by another party.