

**CROSSLING MITCHELLS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2006**

**UNW LLP**

Chartered Accountants & Registered Auditors  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE



# CROSSLING MITCHELLS LIMITED

## OFFICERS AND PROFESSIONAL ADVISERS

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**The board of directors**

R Errington  
R R Errington  
C P H Errington  
L A Walton

**Company secretary**

L A Walton

**Registered office**

PO Box 5  
Coast Road  
Newcastle upon Tyne  
NE6 5TP

**Auditor**

unw LLP  
Chartered Accountants  
& Registered Auditors  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

**Bankers**

Lloyds TSB Bank Plc  
PO Box 1SL  
102 Grey Street  
Newcastle upon Tyne  
NE99 1SL

**Solicitors**

Sintons  
The Cube  
Barrack Road  
Newcastle upon Tyne  
NE4 6DB

# **CROSSLING MITCHELLS LIMITED**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2006**

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The directors present their report and the financial statements of the company for the year ended 31 December 2006

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company up to 1 November 2006 was that of a plumbers and pipeline merchants. From 1 November 2006 the assets, liabilities and trade of the company were transferred to the immediate parent company.

The company continued to trade until 31 October 2006, and the directors are pleased with the results for the 10 month period. From the 1 November 2006 the company has remained dormant following the sale of its operations, assets and liabilities.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £388,000. The directors have not recommended a dividend.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company has no financial assets or liabilities. Therefore the directors believe that the company has no financial risk, as this is offset elsewhere within the group using group financial risk policies.

#### **DIRECTORS**

The directors who served the company during the year were as follows:

R Errington  
R R Errington  
C P H Errington  
L A Walton

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of 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 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.

# CROSSLING MITCHELLS LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

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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.

In so far as the directors are aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### AUDITOR

A resolution to re-appoint unw LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



L A WALTON  
Company Secretary

Approved by the directors on 5 October 2007

# **CROSSLING MITCHELLS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CROSSLING MITCHELLS LIMITED**

**YEAR ENDED 31 DECEMBER 2006**

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We have audited the financial statements of Crossling Mitchells Limited for the year ended 31 December 2006 on pages 6 to 13, which have been prepared on the basis of the accounting policies set out on page 8

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

# CROSSLING MITCHELLS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CROSSLING MITCHELLS LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2006

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### OPINION

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements

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& Registered Auditors

5 October 2007

# CROSSLING MITCHELLS LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £000	2005 £000
<b>TURNOVER</b>			
Discontinued operations		3,039	3,730
Cost of sales	2	(2,310)	(2,956)
<b>GROSS PROFIT</b>		<u>729</u>	<u>774</u>
Net operating expenses	2	(618)	(623)
<b>OPERATING PROFIT:</b>	3		
Discontinued operations		111	151
Profit on disposal of discontinued operations	5	327	—
		<u>438</u>	<u>151</u>
Interest receivable		—	3
Interest payable and similar charges	6	—	(1)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>438</u>	<u>153</u>
Tax on profit on ordinary activities	7	(50)	50
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>388</u></u>	<u><u>203</u></u>

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 8 to 13 to 13 form part of these financial statements.

# CROSSLING MITCHELLS LIMITED

## BALANCE SHEET

31 DECEMBER 2006

	Note	2006 £000	2005 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	—	665
<b>CURRENT ASSETS</b>			
Stocks	9	—	470
Debtors	10	—	686
Cash at bank		—	1
		—	1,157
<b>CREDITORS: Amounts falling due within one year</b>	12	—	2,210
<b>NET CURRENT LIABILITIES</b>		—	(1,053)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		—	(388)
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	14	6	5
Other reserves	15	70	70
Profit and loss account	15	(75)	(463)
<b>DEFICIT</b>	15	—	(388)

These financial statements were approved by the directors and authorised for issue on 5 October 2007, and are signed on their behalf by

R R Errington  
Director



The notes on pages 8 to 13 form part of these financial statements.



# CROSSLING MITCHELLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

#### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year

#### **Fixed assets**

All fixed assets are initially recorded at cost

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Property	- 50 years
Plant, Fixtures & Fittings	- 3 to 10 years
Motor Vehicles	- 4 years

A full years depreciation is charged in the year of acquisition, and no depreciation is charged in the year of disposal

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

#### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

#### **Deferred taxation**

Deferred tax is provided for all timing differences which have originated but not reversed at the balance sheet date. Except where otherwise required by accounting standards, no timing differences are recognised in respect of

- property revaluation surpluses where there is no commitment to sell the asset,
- gains on sale of assets where those gains have been rolled over into replacement assets, and
- deferred tax assets except to the extent that it is more likely than not that they will be recovered

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable. The deferred tax provision is not discounted to net present value

# CROSSLING MITCHELLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 2. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Discontinued operations £000	Total £000
<b>YEAR ENDED 31 DECEMBER 2006</b>		
Cost of sales	<u>2,310</u>	<u>2,310</u>
Distribution costs	435	435
Administrative expenses	183	183
Net operating expenses	<u>618</u>	<u>618</u>
<b>YEAR ENDED 31 DECEMBER 2005</b>		
Cost of sales	<u>2,956</u>	<u>2,956</u>
Distribution costs	420	420
Administrative expenses	203	203
Net operating expenses	<u>623</u>	<u>623</u>

### 3. OPERATING PROFIT

Operating profit is stated after charging

	2006 £000	2005 £000
Depreciation of owned fixed assets	-	22
Auditor's remuneration		
- as auditor	<u>-</u>	<u>2</u>

The audit fee will be paid by the immediate parent company as part of the group audit fee. The audit fee for the group is disclosed in the group accounts.

No salaries or wages have been paid to the directors during the year.

# CROSSLING MITCHELLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2006	2005
	No	No
Number of distribution staff	20	21
Number of administrative staff	4	4
	<u>24</u>	<u>25</u>

The aggregate payroll costs of the above were

	2006	2005
	£000	£000
Wages and salaries	313	340
Social security costs	27	29
Other pension costs	4	6
	<u>344</u>	<u>375</u>

### 5. PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

	2006	2005
	£000	£000
Disposal of discontinued operations		
Profit on sale of operation	<u>(327)</u>	<u>-</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£000	£000
Interest payable on bank borrowing	<u>-</u>	<u>1</u>

### 7. TAXATION ON ORDINARY ACTIVITIES

	2006	2005
	£000	£000
Deferred tax		
Origination and reversal of timing differences	<u>50</u>	<u>(50)</u>

# CROSSLING MITCHELLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 7. TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006 £000	2005 £000
Profit on ordinary activities before taxation	438	153
Profit/(loss) on ordinary activities by rate of tax	131	46
Expenses not deductible for tax purposes and other permanent differences	1	16
Non taxable profit on disposal	(98)	-
Accelerated capital allowances	(2)	-
Benefit of tax at marginal rates	-	(1)
Utilisation of brought forward losses	(32)	(61)
Total current tax	-	-

### 8. TANGIBLE FIXED ASSETS

	Freehold Property £000	Plant & Machinery £000	Motor Vehicles £000	Total £000
<b>COST</b>				
At 1 January 2006	673	106	47	826
Disposals	-	-	(30)	(30)
Transfer to parent company	(673)	(106)	(17)	(796)
<b>At 31 December 2006</b>	-	-	-	-
<b>DEPRECIATION</b>				
At 1 January 2006	45	69	47	161
On disposals	-	-	(30)	(30)
Transfer to parent company	(45)	(69)	(17)	(131)
<b>At 31 December 2006</b>	-	-	-	-
<b>NET BOOK VALUE</b>				
<b>At 31 December 2006</b>	-	-	-	-
At 31 December 2005	628	37	-	665

### 9. STOCKS

	2006 £000	2005 £000
Finished goods	-	470

# CROSSLING MITCHELLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 10. DEBTORS

	2006 £000	2005 £000
Trade debtors	-	588
Amounts owed by group undertakings	-	22
Other debtors	-	18
Prepayments and accrued income	-	8
Deferred taxation (note 11)	-	50
	<u>-</u>	<u>686</u>

### 11. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2006 £000	2005 £000
Included in debtors (note 10)	<u>-</u>	<u>50</u>

The movement in the deferred taxation account during the year was

	2006 £000	2005 £000
Balance brought forward	50	-
Profit and loss account movement arising during the year	(50)	50
Balance carried forward	<u>-</u>	<u>50</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2006 £000	2005 £000
Excess of taxation allowances over depreciation on fixed assets	-	(3)
Tax losses available	-	53
	<u>-</u>	<u>50</u>

### 12. CREDITORS: Amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	-	203
Amounts owed to group undertakings	-	1,999
Other taxation and social security	-	6
Accruals and deferred income	-	2
	<u>-</u>	<u>2,210</u>

### 13. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

The company has taken advantage of the exemption under Financial Reporting Standard 8, not to disclose details of intra-group transactions

# CROSSLING MITCHELLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 14. SHARE CAPITAL

#### Authorised share capital:

	2006 £000	2005 £000
5,000 Ordinary shares of £1 each	5	5
100,000 Preference shares of £1 each	100	100
	<u>105</u>	<u>105</u>

#### Allotted, called up and fully paid:

	2006 No	£000	2005 No	£000
Ordinary shares of £1 each	<u>5,000</u>	<u>5</u>	<u>5,000</u>	<u>5</u>

Preference shares are non-voting, non-participating, and rank preferentially over ordinary shares in the event of a winding up

### 15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total share- holders' funds £000
Balance brought forward	5	70	(666)	(591)
Profit for the year	—	—	203	203
	<u>5</u>	<u>70</u>	<u>(463)</u>	<u>(388)</u>
Balance brought forward	5	70	(463)	(388)
Profit for the year	—	—	388	388
	<u>5</u>	<u>70</u>	<u>(75)</u>	<u>—</u>

### 16. ULTIMATE PARENT COMPANY

The immediate parent company of Crossling Mitchells Limited is Crossling Limited

In the directors opinion the company's ultimate parent company and controlling party is T Crossling & Co Limited which is also the parent company of the group of undertakings for which group financial statements are drawn up. T Crossling & Co Limited is registered in England & Wales and copies of its financial statements can be obtained from Companies House, Cardiff