


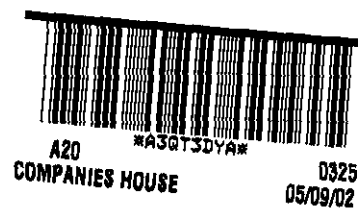
3116584

CROYDEX GROUP PLC

Report and Accounts

31 December 2001

 ERNST & YOUNG



# Croydex Group Plc

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Registered number: 3116584

## **DIRECTORS**

I M Mulholland  
C F Burrows  
M J Johans  
N W Nickson

## **SECRETARY**

I M Mulholland

## **AUDITORS**

Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
Hants  
S014 3QB

## **BANKERS**

HSBC  
165 High Street  
Southampton  
Hants  
S014 2NZ

## **SOLICITORS**

Osborne Clarke OWA  
50 Queen Street  
Bristol  
BS1 4HE

## **REGISTERED OFFICE**

Central Way  
Andover  
Hants  
SP10 5AW

 **ERNST & YOUNG**

## DIRECTORS' REPORT

The directors present their annual report for the year ended 31 December 2001.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,770,000 (2000: £149,000). No dividends were paid during the year or are recommended (2000: nil).

The Company has recorded a number of write-downs in the year arising from further fair value adjustments recorded by the parent undertaking relating to the assets of the company held as at the acquisition in November 1999, and these have been reported as exceptional items in the profit and loss account.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company during the year were the manufacture and distribution of bathroom fittings and related accessories.

The company has continued to make good progress in consolidating its position in the UK market place as the market leader in the supply of bathroom accessories. Turnover has increased by 20% in the year and Gross Margins, excluding exceptional items, have been maintained on normal operations at 37%. Market conditions are difficult with the major customers continuing to look for price reductions. The Company has embraced this change by developing a number of new ranges and product areas with a design led emphasis.

### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

I M Mulholland  
C F Burrows  
M J Johans  
N W Nickson  
P D Patterson (resigned 19<sup>th</sup> April 2002)

No director was interested in the shares of the company.

I M Mulholland, C F Burrows, M J Johans and N W Nickson are also directors of the ultimate parent company, Croydex Limited, and their interests in the shares of that company are disclosed in its accounts.

### EMPLOYEES

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

## DIRECTORS' REPORT

### CREDITORS PAYMENT POLICY AND PRACTICE

It is the company's policy that payment to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2001, the company had on average 76 days of purchases outstanding in trade creditors.

### AUDITORS

Ernst & Young LLP were appointed as auditors of the company during the year.

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

### By order of the board

Director:

*Q M Murrell*

Date:

*25 June 2002*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROYDEX GROUP PLC**

We have audited the company's financial statements for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the group 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 United Kingdom 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 as at 31 December 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
Southampton

*Ernst & Young LLP*  
*26/6/2002*

# Croydex Group Plc

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 Before Exceptional Items £'000	2001 Exceptional Items £'000	2001 Total £'000	2000 Total £'000
<b>TURNOVER</b>	2	23,015	-	23,015	19,179
Cost of sales		(14,474)	(965)	(15,439)	(12,163)
<b>GROSS PROFIT</b>		8,541	(965)	7,576	7,016
Operating expenses		(6,690)	(1,256)	(7,946)	(6,027)
Group management charge		(750)	-	(750)	(684)
		(7,440)	(1,256)	(8,696)	(6,711)
<b>OPERATING (LOSS) / PROFIT</b>	3	1,101	(2,221)	(1,120)	305
Interest payable and similar charges	6			(650)	(454)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(1,770)	(149)
Tax on Profit on Ordinary Activities	7			-	-
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>				(1,770)	(149)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2001

	2001 £'000	2000 £'000
Loss for the financial year	(1,770)	(149)
Unrealised surplus on revaluation of long leasehold land and buildings in the year	729	-
<b>Total recognised gains and losses in the year</b>	(1,041)	(149)

# Croydex Group Plc

## BALANCE SHEET at 31 December 2001

	Notes	2001 £'000	2000 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	534	568
Tangible assets	9	4,515	5,258
Investments	10	5,884	5,884
		<u>10,933</u>	<u>11,710</u>
<b>CURRENT ASSETS</b>			
Stock	11	5,813	5,816
Debtors	12	8,232	7,292
Cash at bank and in hand		-	-
		<u>14,045</u>	<u>13,108</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	(8,799)	(5,575)
<b>NET CURRENT ASSETS</b>		<u>5,246</u>	<u>7,533</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,179</u>	<u>19,243</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	(10,307)	(12,570)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	16	(505)	(265)
		<u>5,367</u>	<u>6,408</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	5,342	5,342
Revaluation reserve	18	729	-
Profit and loss account	18	(704)	1,066
<b>SHAREHOLDERS' FUNDS - EQUITY INTERESTS</b>	19	<u>5,367</u>	<u>6,408</u>

Director: 

Date: 25 June 2002



NOTES TO THE ACCOUNTS  
at 31 December 2001

1. ACCOUNTING POLICIES

*Accounting convention*

The accounts are prepared under the historical cost convention as modified by the revaluation of long leasehold properties and in accordance with applicable accounting standards.

*Cash flow statement*

The company has taken advantage of the exemption within FRS1 as a wholly owned subsidiary undertaking not to publish its own cash flow statement.

*Fixed assets*

All fixed assets were initially recorded at cost. Long leasehold properties were revalued as at 31 May 2001, with the revaluation surplus being taken to the revaluation reserve. This revaluation was carried out in the year in order to record the properties at the value consistent with that recorded in the parent undertakings group accounts.

*Depreciation*

Depreciation is not provided on freehold land. On other assets it is provided on all fixed assets at rates calculated to write off the cost or revalued amounts, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Long leasehold properties	Period of lease
Plant and machinery	Over 3 to 20 years
Motor vehicles	4 years

*Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials	-	purchase cost on a first-in, first-out basis, including freight costs.
Work-in-progress	-	cost of direct materials and labour, plus attributable
and finished goods		overheads based on normal levels of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

*Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balance is more probable than not.

*Pension costs*

The assets of the funded defined benefit pension scheme are held and managed independently of the company by a licensed institution. The amount charged to the profit and loss account in respect of the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account at a constant percentage of pensionable payroll over the estimated average remaining service life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid is shown as an asset or provision in the balance sheet.

NOTES TO THE ACCOUNTS

at 31 December 2001

**Foreign currency**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**Leases**

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated in accordance with other tangible fixed assets. Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance costs and reduction of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term.

**Intangible assets – Goodwill**

Goodwill arising on the acquisition of unincorporated businesses is capitalised and written off on a straight line basis over its useful economic life of up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the value may not be recoverable.

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves had not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss of disposal.

**Investments**

Fixed asset investments are shown at cost less provision for impairment if events or changes in circumstances indicate the investment value may not be recoverable. Current asset investments are stated at the lower of cost and net realisable value.

**Government grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account on a straight line basis over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

## NOTES TO THE ACCOUNTS

at 31 December 2001

2. **TURNOVER**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and all relates to one continuing activity, the manufacture and distribution of bathroom fittings and related accessories.

Turnover by geographical market was as follows:

	2001 £'000	2000 £'000
United Kingdom	22,264	18,452
Continental Europe	436	259
Far East	271	425
Other	44	43
	<u>23,015</u>	<u>19,179</u>

3. **OPERATING PROFIT**

This is stated after charging/(crediting):

	2001 £'000	2000 £'000
<i>Exceptional items:</i>		
- Impairment of tangible fixed assets (note 9)	1,256	191
- Stock provision arising from parent fair value adjustment	965	540
<i>Other items:</i>		
Depreciation of tangible fixed assets		
- owned	316	564
- held under finance leases	57	100
Amortisation of goodwill	34	25
Government grant amortisations	(10)	(10)
Operating lease rentals		
- plant & machinery	204	160
- other	529	511
Auditors' remuneration		
- audit	22	22
- non audit	5	5
	<u></u>	<u></u>

Exceptional items relate to the write-down of tangible fixed assets and stock recorded by the parent undertaking as fair value adjustments as of the date of acquisition of the company.

NOTES TO THE ACCOUNTS  
at 31 December 2001

4. STAFF COSTS

	2001	2000
	£'000	£'000
Wages and salaries	4,558	5,258
Social security costs	343	347
Pension costs paid in the year (see note 22)	459	542
	<u>5,360</u>	<u>6,147</u>

The average monthly number of persons employed by the company during the year was as follows:

	2001	2000
	No.	No.
Production	192	206
Administration and sales	117	130
	<u>309</u>	<u>336</u>

5. DIRECTORS REMUNERATION

	2001	2000
	£'000	£'000
Directors emoluments	53	4
Accrued pension	<u>2</u>	<u>-</u>

Remuneration of the other directors is paid by the parent undertaking.

6. INTEREST

	2001	2000
	£'000	£'000
Bank loans and overdrafts	197	59
Finance charges payable under finance lease	38	35
Interest payable to group undertakings	313	329
Other	102	31
	<u>650</u>	<u>454</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

No taxation is payable on the loss for the year (2000: - £Nil) due to the utilisation of available tax losses brought forward of approximately £8.7m (2000: £8.9m).

NOTES TO THE ACCOUNTS

at 31 December 2001

8. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £'000
Cost at 1 January and 31 December 2001.	650
	<hr/>
<i>Amortisation</i>	
As at 1 January 2001	82
Charge for the year	34
	<hr/>
As at 31 December 2001	116
	<hr/>
<i>Net book value</i>	
At 31 December 2001	534
	<hr/> <hr/>
At 1 January 2001	568
	<hr/> <hr/>
Goodwill is being written off in equal annual instalments over its estimated economic life of 20 years	

# Croydex Group Plc

## NOTES TO THE ACCOUNTS at 31 December 2001

### 9. TANGIBLE FIXED ASSETS

	<i>Land and Buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost or valuation</b>				
At 1 January 2001	2,167	9,947	68	12,182
Transfer between asset categories	261	(261)	-	-
Additions	-	203	-	203
Disposals	-	(6,059)	-	(6,059)
Revaluation	364	-	-	364
At 31 December 2001	2,792	3,830	68	6,690
<b>Depreciation:</b>				
At 1 January 2001	279	6,611	34	6,924
Transfer between asset categories	62	(62)	-	-
Charge for the year	50	314	9	373
Impairment (note 3)	-	1,256	-	1,256
Disposals	-	(6,013)	-	(6,013)
Revaluation	(365)	-	-	(365)
At 31 December 2001	26	2,106	43	2,175
<b>Net book value:</b>				
At end of year	2,766	1,724	25	4,515
At start of year	1,888	3,336	34	5,258
Leased assets included in the above:				
	<i>Long Leasehold £</i>	<i>Plant and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Net book value:				
As at 31 December 2001	2,751	298	-	3,044
At 1 January 2001	1,855	425	31	2,311

# Croydex Group Plc

## NOTES TO THE ACCOUNTS

at 31 December 2001

The net book value of land and buildings comprises:

	2001 £'000	2000 £'000
Freehold	15	15
Long leasehold	2,751	1,873
	<u>2,766</u>	<u>1,888</u>

A valuation at open market value, with full vacant possession, of the long leasehold land and buildings was carried out on 31 May 2001 in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Chesterton plc, International Property Consultants and Chartered Surveyors. Comparative figures as at 31 December are stated at cost.

Comparable amounts determined according to the historical cost convention:

	<i>Land and Buildings</i> £'000	<i>Plant and machinery</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
Cost	2,428	3,830	68	6,326
Accumulated depreciation	(391)	(2,106)	(43)	(2,540)
Net Book Value At 31 December 2001	<u>2,037</u>	<u>1,724</u>	<u>25</u>	<u>3,786</u>
At 1 January 2001	<u>1,888</u>	<u>3,336</u>	<u>34</u>	<u>5,258</u>

## 10. INVESTMENTS

	<i>Shares in Subsidiary Undertakings</i> £000
Cost At 1 January 2001 and 31 December 2001	<u>5,884</u>
Net book value At 1 January 2001 and 31 December 2001	<u>5,884</u>

All of the subsidiaries listed below are unlisted and registered and operated in England & Wales. The company owns 100% of the ordinary share capital. All of the subsidiary companies are dormant and did not trade during the year. Group accounts have not been prepared in the year in accordance with the exemption provided in Section 228 of the Companies Act 1985.

# Croydex Group Plc

## NOTES TO THE ACCOUNTS

at 31 December 2001

### Subsidiary Undertakings:

Aquadart Limited  
Bacchante Limited  
Beekay Design Limited  
Carpenters Workshop Limited  
Check Tools Limited  
Croydex Home Products Limited  
Croydex Group Pension Trust Limited  
Croydex Group Pension Investments Limited  
Lionheart Innovations Limited

Murell Sales Limited  
Netherealm Limited  
Paintbrush (No. 1) Limited  
Paintbrush (No. 2) Limited  
Paintbrush (No. 3) Limited  
Precis (1406) Limited  
Regent Mouldings Limited  
Stem Shelving Limited  
Thorpac Limited

### 11. STOCK

	2001 £'000	2000 £'000
Raw materials and consumables	1,902	3,124
Work-in-progress	128	150
Finished goods and goods for resale	3,783	2,542
	<u>5,813</u>	<u>5,816</u>

### 12. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	4,425	3,282
Amounts owed by group undertakings	2,716	3,240
Prepayments and accrued income	1,091	770
	<u>8,232</u>	<u>7,292</u>

Included in Trade Debtors are £2,374,000 (2000: £nil) given as security against bank invoice financing arrangements.

Included above are amounts owed by group undertakings falling due after more than one year of £2,716,000 (2000: £2,716,000). All other amounts fall due within one year.



NOTES TO THE ACCOUNTS

at 31 December 2001

13. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Obligations under finance leases	91	100
Bank overdrafts (secured)	4,578	1,135
Trade creditors	3,090	3,073
Other taxes and social security	745	894
Accruals and deferred income	295	373
	<u>8,799</u>	<u>5,575</u>

Bank overdrafts are secured by way of fixed and floating charges over the assets of the company and other group undertakings and are subject to an unlimited multilateral guarantee between the parent company and all of its subsidiary undertakings. At 31 December 2001 the total group bank facilities guaranteed were £8,478,000 (2000: £6,791,000).

14. CREDITORS: amounts falling due after more than one year

	2001 £'000	2000 £'000
Obligations under finance leases due within two to five years	14	124
Amounts due to parent company	1,124	2,753
Amounts owed to other group undertakings	9,169	9,693
	<u>10,307</u>	<u>12,570</u>

15. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	2001 £'000	2000 £'000
Amounts payable:		
Within one year	112	141
In two to five years	18	130
	<u>130</u>	<u>271</u>
Less: finance charges allocated to future periods	(25)	(47)
	<u>105</u>	<u>224</u>
Analysed as:		
Current obligations	91	100
Non-current obligations	14	124
	<u>105</u>	<u>224</u>

NOTES TO THE ACCOUNTS

at 31 December 2001

16. PROVISION FOR LIABILITIES AND CHARGES

Provision for liabilities and charges comprises:

	<i>£'000</i>
Pension provision:	
At 1 January 2001	265
Provided during the year	240
	<hr/>
At 31 December 2001	505
	<hr/>

Deferred taxation:

No deferred tax has been provided due to the carry forward of significant taxation losses which off-set any liability relating to accelerated capital allowances and other short term timing differences.

17. CALLED-UP SHARE CAPITAL

	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>
Authorised, allotted called-up and fully paid		
5,342,000 Ordinary shares of £1 each	5,342	5,342
	<hr/>	<hr/>

18. MOVEMENT ON RESERVES

	<i>Revaluation Reserve</i>	<i>Profit and Loss Account</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2001	-	1,066	1,066
Retained loss for the year	-	(1,770)	(1,770)
Surplus on revaluation of fixed assets	729	-	729
	<hr/>	<hr/>	<hr/>
At 31 December 2001	729	(704)	25
	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS  
at 31 December 2001

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Retained (loss) for the year	(1,770)	(149)
Revaluation surplus on long leasehold premises	729	-
Net movement in the year	(1,041)	(149)
Opening shareholders' fund	6,408	6,557
Closing shareholders' funds	5,367	6,408

20. CAPITAL COMMITMENTS

At the end of the year there were no capital commitments (2000: - £Nil).

21. OTHER FINANCIAL COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Operating leases which expire				
- within 1 year	-	-	26	20
- within 2-5 years	105	105	163	99
- after 5 years	411	411	-	-
	516	516	189	119

22. PENSION ARRANGEMENTS

An independent actuary performs a valuation every three years using the projected unit method to determine the level of contributions that should be paid into the defined benefit pension scheme. The company's historic practice, based on advice from the actuaries, has been that the pension charge for the year has been taken as the contributions paid, on the basis that there has been no material deficit. However, following the most recent actuarial valuation, this practice has changed for the current year as the change in assumptions used in the most recent valuation led to a deficit.

The pension scheme provides funded final salary pension benefits for eligible employees of Croydex Group plc. The total pension cost for the year of £510,000 (2000: £542,000) arose in relation to the funded defined benefit pension arrangement. The actual amount paid into the scheme was £270,000 (2000: £277,000) and therefore the provision as at 31 December 2001 is £505,000 (2000: £265,000).

## NOTES TO THE ACCOUNTS

at 31 December 2001

## 22. PENSION ARRANGEMENTS (Continued)

The most recent actuarial assessment for the scheme was made as at 1 January 2000. The main assumptions in this review were that the long-term investment return would be 6.1% per annum for those assets backing pre-retirement liabilities and 4.5% per annum on the remaining assets, pensionable salary increases would average 3.7% per annum, and the majority of present and future pensions would increase at the rate of 2.6% per annum. The formal actuarial valuation report states that as at 1 January 2000, the market value of the assets of the scheme was £16,540,000 and that this asset value was sufficient to cover 87% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

	2001 £'000
Regular cost	320
Variation cost	190
Total pension scheme cost	510
Contributions paid	(270)
Additional amount provided in the year	240
Provision at 1 January 2001	265
Provision at 31 December 2001	505

**Disclosure required under the Financial Reporting Standard 17***Balance Sheet Presentation:*

	£'000
Net assets at 31 December 2001	5,368
Additional FRS17 pension liability	(3,525)
Net assets including FRS17 pension liability	1,843

*Reserves Note*

Profit & Loss reserve excluding FRS17 pension liability	(703)
FRS17 pension liability	(3,525)
Profit and loss reserve including FRS17 pension liability	(4,228)

*Composition of the scheme:*

An actuarial valuation of the defined benefit scheme was performed as at 1 January 2000 and updated to 31 December 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

Rate of increase in salaries	3.6%
Rate of increase of pensions in payment	2.5%
Discount rate	5.8%
Inflation assumption	2.5%

NOTES TO THE ACCOUNTS  
at 31 December 2001

22. PENSION ARRANGEMENTS (Continued)

The assets as at 31 December 2001 were:

	<i>Expected Return</i>	<i>2001 £'000</i>
Equities	7.0%	6,789
Corporate bonds	5.8%	218
Government bonds	5.0%	7,047
Cash	4.0%	216
Total market value of assets		14,270
Actuarial valuation of liabilities		(18,300)
Deficit in the Scheme		(4,030)

The actuarial valuation at 1 January 2000 showed an increase in the deficit from that calculated for the 1st January 1998 actuarial valuation from £431,000 to £2,399,000

Company contributions are payable at the following rates

Main scheme	11.1%
Former members of the Croydex Pension Scheme	15.8%
Senior staff	10.3%
Directors	18.6%

It has been agreed with the trustees that contributions will remain at this level until the outcome of the next MFR re-certification.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Croydex Limited, a company registered in England and Wales.

The largest and smallest group of which Croydex Group plc is a member and for which group accounts are prepared is Croydex Limited. Copies of these accounts can be obtained from its registered office, Central Way, Andover, Hants SP10 5AW.

24. RELATED PARTIES

The company has utilised the exemption under Financial Reporting Standard No 8 as a wholly owned subsidiary undertaking not to disclose transactions with other group undertakings.