

WATERPAPER LIMITED

DIRECTORS REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2002

REGISTERED NO: 02538266



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WATERPAPER LIMITED

Directors Report and Financial Statements

COMPANY INFORMATION

Registered Number: 02538266

Registered Office: Pentagon Island
Nottingham Road
Derby
DE21 6HB

Directors: T J Reeve
Motors Directors Limited

Secretary: Motors Secretaries Limited

Bankers: Royal Bank of Scotland
27 Park Row
Leeds LS1 5QB

Solicitors: Masser & Co
15 Victoria Street
Nottingham NG1 2JZ

Auditors: Grant Thornton
30 Hounds Gate
Nottingham NG1 7DH

WATERPAPER LIMITED

Directors Report and Financial Statements

Year ended 31 December 2002

CONTENTS

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors	3
Accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 13

WATERPAPER LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The company did not trade during the year. There was a profit for the year after taxation as a result of £7,000 overprovision for corporation tax in the previous year which has now been transferred to reserves.

Directors and directors' interests

The directors who held office during the period and their interests in the ordinary shares of the company according to the register of directors' interests were as follows:

	Ordinary shares of £1 each	
	31 December 2002	1 January 2001
Mr T J Reeve	-	-
Motors Directors Limited	-	-
	=====	=====

The interest of the directors in the shares of the parent undertaking are disclosed in the financial statements of that company.

Political and charitable contributions

The company made no political contributions during the period. Donations to UK charities amounted to £nil (2001: £550).

Auditors

A resolution for the re-appointment of Grant Thornton as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Motors Secretaries Limited
Secretary

Pentagon Island
Nottingham Road
Derby
DE21 6HB

10 APRIL 2003

WATERPAPER LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 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.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WATERPAPER LIMITED

We have audited the financial statements of Waterpaper Limited for the year ended 31 December 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement, and notes 1 to 14 on pages 9 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom 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.

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 company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

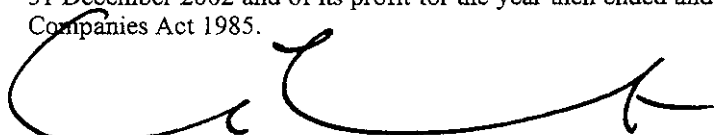
BASIS OF OPINION

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 the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
NOTTINGHAM
10 April 2003

WATERPAPER LIMITED

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain land and buildings.

Turnover

Turnover represents the net amounts invoiced to customers, excluding Value Added Tax, and trade discounts and is derived from the provision of goods and services to customers.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land and buildings	- 50 years
Long leasehold property improvements	- Life of the lease
Plant and equipment	- 2 to 10 years
Company vehicles	- 2 to 3 years
Fixtures and fittings	- 2 to 10 years
Computer equipment	- 2 to 5 years

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension scheme

The company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Under supply agreements with General Motors, the company has access to 'consignment stock' during a consignment period. Where the nature of these supply agreements transfers the risks and rewards to the company, which in substance gives the company control over the stock during the consignment period and liabilities in respect of holding costs, the company recognises these costs in the balance sheet together with the equivalent liability.

Where supply agreements do not provide risks and rewards to the company until such time as legal title actually passes at the end of the consignment stock period, these are not included in the balance sheet. Both the terms under which the stocks are held and the financial commitment in respect of these stocks are disclosed in the notes to the financial statements.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

WATERPAPER LIMITED

PRINCIPAL ACCOUNTING POLICIES

Goodwill

The company's amortisation policy has been amended to write off purchased goodwill over a five year period on a straight line basis.

WATERPAPER LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	Note	Year ended 31 December 2002 £000	9 months ended 31 December 2001 £000
Turnover	1	-	97,443
Cost of sales		-	(88,964)
Gross profit		-	8,479
Administrative expenses		-	(7,288)
Other operating income	4	-	155
Operating profit		-	1,346
Interest payable and similar charges	5	-	(750)
Loss on restructuring		-	(250)
Profit on ordinary activities before taxation	1	-	346
Tax on profit on ordinary activities	6	7	(295)
Profit retained for the period	10	7	51

Reconciliation of historical cost gains and losses

	December 2002 £000	December 2001 £000
Profit for the financial period	7	51
Difference between depreciation on the historical cost basis and the revalued amount	-	2
Profit on the historical cost basis	<u>7</u>	<u>53</u>

There were no recognised gains or losses other than the profit for the financial period.

WATERPAPER LIMITED

BALANCE SHEET

31 December 2002

	Note	2002 £000	2001 £000
Current assets			
Debtors: amounts falling due after more than one year	7	1,335	1,565
Creditors: amounts falling due within one year	8	(1)	(238)
Net current assets		<u>1,334</u>	<u>1,327</u>
Net assets		<u>1,334</u>	<u>1,327</u>
Capital and reserves			
Called up share capital	9	150	150
Capital redemption reserve	10	850	850
Profit and loss account	10	334	327
Equity shareholders' funds		<u>1,334</u>	<u>1,327</u>

The financial statements were approved by the board of directors on 10 APRIL 2003

T J Reeve

T J Reeve
Director

WATERPAPER LIMITED

CASHFLOW STATEMENT

For the year ended 31 December 2002

	Note	Year ended 31 December 2002 £000	9 Months ended 31 December 2001 £000
Cash inflow from operating activities	12	-	1,370
Returns on investments and servicing of finance	13	-	(750)
Taxation		-	(293)
Capital expenditure and financial investment	13	-	(302)
Cash inflow before financing		-	25
Financing	13	-	(431)
Decrease in cash in the period		-	(406)
Reconciliation of net cash flow to movement in net debt			
		£000	£000
Decrease in cash in the period		-	(406)
Cash outflow from increase in debt and lease financing		-	431
Change in net debt resulting from cash flows		-	25
Movement in net debt in the period		-	25
Net debt at the start of the period		-	(15,805)
Net debt on disposal		-	15,780
Net debt at the end of the period		-	-

WATERPAPER LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2002 £000	9 months ended 31 December 2001 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	-	21
Other services - fees paid to the auditor	-	2
Depreciation and other amounts written off tangible fixed assets:		
Owned	-	380
Leased	-	49
Amortisation of goodwill	-	18
Hire of plant and machinery	-	42
Rentals payable under operating leases	-	41
- plant and machinery	-	
- other	-	259

2 REMUNERATION OF DIRECTORS

	2002 £000	2001 £000
Directors' emoluments	-	203
Company contributions to money purchase pension schemes	-	45

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	4

The emoluments of the highest paid director were £Nil (2001: £82,722) and company pension contributions of £Nil (2001: £28,097) were made on his behalf to money purchase schemes.

WATERPAPER LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

3 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2002	2001
Management and administration	-	160
Retail and productive	-	165
	-	325

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	-	3,629
Social security costs	-	367
Other pension costs	-	104
	-	4,100

4 OTHER OPERATING INCOME

	2002 £000	2001 £000
Miscellaneous income	-	105
Grant from Vauxhall to support Masterfit	-	50
	-	155

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
On bank loans and overdrafts	-	128
On all other loans	-	612
Finance charges payable in respect of finance leases and hire purchase contracts	-	10
	-	750

WATERPAPER LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

6 TAXATION

	Year ended 31 December 2002 £000	9 months ended 31 December 2001 £000
Tax charge:		
UK corporation tax payable (2001: 30 %)	-	285
Adjustment relating to an earlier year	(7)	10
	<u>(7)</u>	<u>295</u>
Tax reconciliation:		
Profit on ordinary activities before tax	-	346
Tax on profit on ordinary activities - standard rate 30%	-	103
Effects of:		
Expenses not deductible for tax	-	166
Capital allowances in excess of depreciation	-	16
Adjustments in respect of prior periods	(7)	10
	<u>(7)</u>	<u>295</u>

7 DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2002 £000	2001 £000
Amounts owed by group companies	1,335	1,565

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £000	2001 £000
Corporation tax	1	238

9 CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised		
150,000 ordinary shares of £1 each	150	150
850,000 redeemable participating preference shares of £1 each	850	850
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
150,000 ordinary shares of £1 each	150	150

WATERPAPER LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

10 SHARE PREMIUM AND RESERVES

	Capital redemption reserve £000	Profit and loss account £000
At beginning of the period	850	327
Profit for the period	-	7
At end of the period	850	334

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Profit for the financial period	7	51
Net addition to shareholders' funds	7	51
Opening shareholders' funds	1,327	1,276
Closing shareholders' funds	1,334	1,327

12 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £000	2001 £000
Operating profit	-	1,346
Depreciation and amortisation	-	396
Increase in stocks	-	(8,041)
Decrease in debtors	-	7,652
Increase in creditors	-	17
Net cash inflow from operating activities	-	1,370

WATERPAPER LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

13 ANALYSIS OF CASH FLOWS

	31 December 2002 £000	31 December 2001 £000
Returns on investment and servicing of finance		
Interest paid	-	(740)
Interest element of finance lease payments	-	(10)
Net cash outflow from returns on investment and servicing of finance	-	(750)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(302)
Net cash outflow from capital expenditure and financial investment	-	(302)
	2002 £000	2001 £000
Financing		
Other loans	-	444
Repayment of bank loan	-	(50)
Capital element of finance lease	-	(359)
Movement on vehicle stocking loans	-	(466)
Net cash outflow from financing	-	(431)

14 ULTIMATE PARENT COMPANY

The directors consider that the ultimate parent company undertaking of this company is Reeve (Derby) Limited.

The directors consider that the controlling related party is Mr T J Reeve by virtue of his majority shareholding in Reeve (Derby) Limited.