



A27 0449
COMPANIES HOUSE 13/09/02

**WATERPAPER LIMITED
(FORMERLY REEVE (DERBY)
LIMITED)**

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
31 DECEMBER 2001**

REGISTERED NO: 02538266

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

Directors Report and Financial Statements

COMPANY INFORMATION

Registered Number: 02538266

Registered Office: Pentagon Island
Nottingham Road
Derby DE21 6HB

Directors: T J Reeve
A D Flinn
G P Hall

Secretary: A D Flinn

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 (FORMERLY REEVE (DERBY) LIMITED)

Directors Report and Financial Statements

Period ended 31 December 2001

CONTENTS

Directors' report	1 - 2
Statement of directors' responsibilities	3
Report of the auditors	4
Accounting policies	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 21

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

DIRECTORS' REPORT

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

Principal activities

The company was principally engaged in purchasing, selling and repairing of motor vehicles and ancillary services.

On 21 December 2001 the trade and assets of the company were hived up into the parent company, Reeve (Derby) Limited (formerly Waterpaper Limited). On the same day, this company changed its name to Waterpaper Limited.

Business review

Trading summary

The directors consider that the company had an acceptable performance through the nine months ended 31 December 2001.

Company turnover and profit

The overall company turnover of £97.4 million in the nine months to 31 December 2001 increased when compared to £151.6 million in the 15 months ended 31 March 2001.

There was a profit for the period after taxation of £51,000 (March 2001: profit £272,000).

Sales/vehicles

Retail new and fleet vehicles sales have been encouraging in 2001, with a movement in commercial and business activity whilst complemented with measured customer standards and loyalty.

Aftersales

Aftersales performance was pleasing in 2001, with a movement within retail sales and emphasised customer satisfaction and retention.

Proposed dividend

The directors do not recommend the payment of a dividend (2000/01: £nil).

Employment policies

The company operates a policy of full and fair consideration toward disabled persons in respect of all applications for employment and a programme of continuing training and development for all staff.

During the period, the company has taken steps to consult its staff regularly on issues affecting the business and continues to encourage employee involvement in the successful operation of the business through its training and development programmes.

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

DIRECTORS' REPORT

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	
	December 2001	March 2001
Mr T J Reeve	-	135,000
Mrs S Reeve (resigned 21 December 2001)	-	-
Mr A D Flinn	-	7,500
Mr G P Hall	-	7,500

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 £550 (March 2000/01: £270).

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.

On behalf of the board



T J Reeve
Director

19 July 2002

Pentagon Island
Nottingham Road
Derby
DE21 6HB

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WATERPAPER LIMITED
(FORMERLY REEVE (DERBY) LIMITED)**

We have audited the financial statements of Waterpaper Limited (formerly Reeve (Derby) Limited) for the period ended 31 December 2001 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement, and notes 1 to 24 on pages 10 to 21. These financial statements have been prepared under the accounting policies set out therein.

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 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
NOTTINGHAM
19 July 2002**

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) 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.

Motability repurchase commitments

The company has certain obligations to repurchase vehicles at predetermined prices upon the expiry of the contracts, usually after three years, under agreements with Motability Finance Limited. The assets have been disclosed in

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

PRINCIPAL ACCOUNTING POLICIES

stock at the lower of repurchase price and net realisable value. The liabilities have been recorded at the repurchase price. Where there is no obligation to repurchase the vehicles, no disclosure is made.

Deferred Taxation

Deferred tax is provided for using the rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

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 (FORMERLY REEVE (DERBY) LIMITED)**PROFIT AND LOSS ACCOUNT**

For the period ended 31 December 2001

	Note	9 months ended 31 December 2001 £000	15 months ended 31 March 2001 £000
Turnover	1	97,443	151,630
Cost of sales		(88,964)	(138,748)
Gross profit		8,479	12,882
Administrative expenses		(7,288)	(11,256)
Other operating income	4	155	212
Operating profit		1,346	1,838
Interest payable and similar charges	5	(750)	(1,319)
Interest receivable		-	2
Loss on restructuring	22	(250)	-
Profit on ordinary activities before taxation	1	346	521
Tax on profit on ordinary activities	6	(295)	(249)
Profit retained for the period	15	51	272

All results are derived from discontinued activities following the acquisition of the trade and net assets of this company by Reeve (Derby) Limited (formerly Waterpaper Limited).

Reconciliation of historical cost gains and losses

	December 2001 £000	March 2001 £000
Profit for the financial period	51	272
Difference between depreciation on the historical cost basis and the revalued amount	2	3
Profit on the historical cost basis	53	275

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

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

BALANCE SHEET

31 December 2001

	Note	31 December 2001		31 March 2001	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	7	-	-	-	71
Tangible assets	8	-	-	-	4,253
			-		4,324
Current assets					
Stocks	9	-	-	12,564	-
Debtors	10	1,565	-	11,187	-
Cash at bank and in hand		-	-	9	-
		1,565	-	23,760	-
Creditors: amounts falling due within one year	11	(238)	-	(24,011)	-
Net current assets/(liabilities)			1,327		(251)
Total assets less current liabilities			1,327		4,073
Creditors: amounts falling due after more than one year	12	-	-	-	(2,760)
Provisions for liabilities and charges	13	-	-	-	(37)
Net assets			1,327		1,276
Capital and reserves					
Called up share capital	14	-	150	-	150
Capital redemption reserve	15	-	850	-	850
Revaluation reserve	15	-	-	-	110
Profit and loss account	15	-	327	-	166
Equity shareholders' funds			1,327		1,276

The financial statements were approved by the board of directors on 19 July 2002

T J Reeve

T J Reeve
Director

A D Flinn

A D Flinn
Director

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

CASHFLOW STATEMENT

For the period ended 31 December 2001

	Note	9 Months ended 31 December 2001 £000	15 months ended 31 March 2001 £000
Cash inflow/(outflow) from operating activities	19	1,370	(2,341)
Returns on investments and servicing of finance	20	(750)	(1,317)
Taxation		(293)	52
Capital expenditure and financial investment	20	(302)	(36)
Cash inflow/(outflow) before financing		25	(3,642)
Financing	20	(431)	4,050
(Decrease)/increase in cash in the period		<u>(406)</u>	<u>408</u>
Reconciliation of net cash flow to movement in net debt			
		£000	£000
(Decrease)/increase in cash in the year		(406)	408
Cash outflow/(inflow) from increase in debt and lease financing		431	(4,050)
Change in net debt resulting from cash flows		25	(3,642)
New finance leases		-	(91)
Movement in net debt in the period		25	(3,733)
Net debt at the start of the period	21	(15,805)	(12,072)
Net debt on disposal		15,780	-
Net debt at the end of the period	21	<u>-</u>	<u>(15,805)</u>

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the 9 period ended 31 December 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	9 months ended 31 December 2001 £000	15 months ended 31 March 2001 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	21	26
Other services - fees paid to the auditor	2	4
Depreciation and other amounts written off tangible fixed assets:		
Owned	380	487
Leased	49	81
Amortisation of goodwill	18	8
Hire of plant and machinery	42	15
Rentals payable under operating leases	41	77
- plant and machinery		
- other	259	334
(Profit)/loss on disposal of assets	-	(6)

During the previous period the company entered into a new contract with an existing customer and supplied vehicles with a sales value of £45m. Under the terms of the previous arrangement with the customer, the supply of vehicles was not recognised as turnover.

2 REMUNERATION OF DIRECTORS

	31 December 2001 £000	31 March 2001 £000
Directors' emoluments	203	356
Company contributions to money purchase pension schemes	45	46

	Number of directors 31 December 2001	31 March 2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	4

The emoluments of the highest paid director were £82,722 (March 2001: £135,764) and company pension contributions of £28,097 (March 2001: £18,944) were made on his behalf to money purchase schemes.

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)**NOTES TO THE ACCOUNTS**

For the period ended 31 December 2001

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	
	9 months ended 31 December 2001	15 months ended 31 March 2001
Management and administration	160	127
Retail and productive	165	180
	<u>325</u>	<u>307</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,629	6,128
Social security costs	367	584
Other pension costs	104	164
	<u>4,100</u>	<u>6,876</u>

4 OTHER OPERATING INCOME

	31 December 2001 £000	31 March 2001 £000
Miscellaneous income	105	117
Management charges	-	63
Grant from Vauxhall to support Masterfit	50	25
Consultancy fees	-	7
	<u>155</u>	<u>212</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	31 December 2001 £000	31 March 2001 £000
On bank loans and overdrafts	128	498
On all other loans	612	802
Finance charges payable in respect of finance leases and hire purchase contracts	10	19
	<u>750</u>	<u>1,319</u>

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

6 TAXATION

	9 months ended 31 December 2001 £000	15 months ended 31 March 2001 £000
UK corporation tax at 30% (March 2001: 30 %)	285	236
Adjustment relating to an earlier year	10	-
Deferred tax	-	13
	<u>295</u>	<u>249</u>

7 INTANGIBLE ASSETS

	Goodwill £000
Cost	
At beginning of the period	128
Transferred out on hive up	(128)
	<u>-</u>
At end of the period	-
Amortisation	
At beginning of the period	57
Charged in the period	18
Transferred out on hive up	(75)
	<u>-</u>
At end of the period	-
Net book value	
At 31 December 2001	-
	<u>-</u>
At 31 March 2001	71
	<u>71</u>

Goodwill arose on the acquisition of satellite dealerships.

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

8 TANGIBLE FIXED ASSETS

	Freehold/ leasehold Land and buildings £000	Leasehold improve- ments £000	Plant and equipment £000	Fixtures and fittings £000	Company vehicles £000	Total £000
Cost or valuation						
At beginning of period	2,829	1,495	1,415	225	95	6,059
Additions	-	114	116	18	54	302
Disposals	-	-	(7)	-	-	(7)
Transferred out upon hive up	(2,829)	(1,609)	(1,524)	(243)	(149)	(6,354)
At end of period	-	-	-	-	-	-
Depreciation						
At beginning of period	164	531	910	137	64	1,806
Charge for period	58	118	172	21	9	378
Disposals	-	-	(7)	-	-	(7)
Transferred out upon hive up	(222)	(649)	(1,075)	(158)	(73)	(2,177)
At end of period	-	-	-	-	-	-
Net book value						
At 31 December 2001	-	-	-	-	-	-
At 31 March 2001	2,665	964	505	88	31	4,253

The gross book value of land and buildings includes £nil (March 2001: £1,909,000) of depreciable assets.

Included in the total net book value of plant and equipment is £nil (March 2001: £173,260) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £36,889 (March 2001: £61,562)

Included in the total net book value of company vehicles is £nil (March 2001: £33,054) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £12,069 (March 2001: £20,200).

The freehold land and buildings were revalued on an open market value basis by Weatherall, Green and Smith, an independent firm of chartered surveyors, on 30 June 1997. The directors have taken advantage of the transitional provisions under Financial Reporting Standard 15 *Tangible Fixed Assets* to retain the revalued amount.

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)**NOTES TO THE ACCOUNTS**

For the period ended 31 December 2001

9 STOCKS

	31 December 2001 £000	31 March 2001 £000
Work in progress	-	35
Finished goods and goods for resale	-	12,529
	<u>-</u>	<u>12,564</u>

The company has an obligation to repurchase vehicles under agreements with Motability Finance Limited; such repurchase is usually required after three years. The assets have been disclosed in stock at the lower of repurchase price and net realisable value. The agreement expires in March 2002. The value of repurchase vehicles due after more than one year is £nil (March 2001: £nil).

Consignment vehicles included in the balance sheet relate to categories of stock where allocation has been made in principle to customer order. All other consignment vehicles are available for allocation to other Vauxhall retailers. Consignment vehicles excluded from the balance sheet at 31 December 2001 had a cost of £nil (March 2001: £587,589).

There were no significant differences between the replacement cost and the vehicles disclosed above.

10 DEBTORS

	31 December 2001 £000	31 March 2001 £000
Trade debtors	-	10,504
Prepayments and accrued income	-	683
Amounts owed by group companies	1,565	-
	<u>1,565</u>	<u>11,187</u>

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)**NOTES TO THE ACCOUNTS**

For the period ended 31 December 2001

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2001 £000	31 March 2001 £000
Bank loan and overdrafts	-	666
Obligations under finance leases and hire purchase contracts	-	125
Trade creditors	-	5,495
Vehicle consignments	-	3,624
Vehicle stocking loan	-	11,853
Corporation tax	238	236
Other taxation and social security	-	426
Other loans	-	410
Accruals and deferred income	-	1,176
	<u>238</u>	<u>24,011</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2001 £000	31 March 2001 £000
Bank loan	-	279
Obligations under finance leases and hire purchase contracts	-	280
Other loans	-	2,201
	<u>-</u>	<u>2,760</u>

During the year ended 31 December 1997 the company took out a bank loan of £500,000, repayable over 10 years. Interest was charged on the loan at a rate of 1.5% above the bank's base rate, with a minimum rate of 5.5%.

The bank and other loans were repayable over a 10 year period.

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED).

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

12 CREDITORS (CONTINUED)

Analysis of debt:

	31 December 2001 £000	31 March 2001 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	-	12,887
Between one and two years	-	316
Between two and five years	-	653
In five years or more	-	1,552
	<u>-</u>	<u>15,408</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	31 December 2001 £000	31 March 2001 £000
Within one year	-	125
In the second to fifth years	-	280
	<u>-</u>	<u>405</u>

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000
At beginning of the period	37
Transferred out on hive up	(37)
At end of the period	<u>-</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	31 December 2001		31 March 2001	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	-	39	-
Other timing differences	-	-	(2)	-
On revaluation of land	-	-	-	33
	<u>-</u>	<u>-</u>	<u>37</u>	<u>33</u>

Deferred taxation has not been provided upon the revalued land as there is no intention to dispose of the asset outside the group in the foreseeable future.

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

14 CALLED UP SHARE CAPITAL

	31 December 2001 £000	31 March 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	<u>150</u>	<u>150</u>

15 SHARE PREMIUM AND RESERVES

	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of the period	110	850	166
Profit for the period	-	-	51
Revaluation reserve released to profit and loss reserves	(110)	-	110
	<u>-</u>	<u>850</u>	<u>327</u>
At end of the period	-	850	327

16 COMMITMENTS

- (a) Capital commitments at the end of the period for which no provision has been made, are as follows:

	31 December 2001 £000	31 March 2001 £000
Contracted	-	142

- (b) Annual commitments under non-cancellable operating leases are as follows:

	31 December 2001		31 March 2001	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
In the second to fifth years inclusive	-	-	-	74
Over five years	-	-	223	-
	<u>-</u>	<u>-</u>	<u>223</u>	<u>74</u>

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

17 PENSION SCHEME

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £57,097 (March 2001: £112,297). The company also contributed to personal Money Purchase Plans on behalf of the directors.

There were no outstanding or prepaid contributions at either the beginning or end of the period.

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2001 £000	31 March 2001 £000
Profit(loss) for the financial period	199	272
Revaluation of fixed assets	-	-
Net addition to/(reduction in) shareholders' funds	199	272
Opening shareholders' funds	1,276	1,004
Closing shareholders' funds	1,475	1,276

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

	31 December 2001 £000	31 March 2001 £000
Operating profit	1,346	1,838
Depreciation and amortisation	396	576
Profit on sale of fixed assets	-	(6)
(Increase)/decrease in stocks	(8,041)	4,663
Decrease/(increase) in debtors	7,652	(7,656)
Increase/(decrease) in creditors	17	(1,756)
Net cash inflow/(outflow) from operating activities	1,370	(2,341)

20 ANALYSIS OF CASH FLOWS

	31 December 2001 £000	31 March 2001 £000
Returns on investment and servicing of finance		
Interest received	-	2
Interest paid	(740)	(1,309)
Interest element of finance lease payments	(10)	(10)
Net cash outflow from returns on investment and servicing of finance	(750)	(1,317)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(302)	(124)
Sale of tangible fixed assets	-	88
Net cash outflow from capital expenditure and financial investment	(302)	(36)

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED).

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

20 ANALYSIS OF CASH FLOWS (CONTINUED)

	31 December 2001 £000	31 March 2001 £000
Financing		
Other loans	444	(483)
Repayment of bank loan	(50)	(51)
Capital element of finance lease	(359)	124
Movement on vehicle stocking loans	(466)	4,460
Net cash (outflow)/inflow from financing	(431)	4,050

21 ANALYSIS OF NET DEBT

	At beginning of year £000	Cash flow £000	Other non cash changes on disposal £000	At end of year £000
Cash in hand, at bank	9	(12)	(3)	-
Overdrafts	(616)	(394)	(1,010)	-
	(607)	(406)	(1,013)	-
Debt due after one year				
- Bank loan	(279)	50	(229)	-
- Other loan	(2,201)	1,842	(359)	-
Debt due within one year				
- Bank loan	(50)	-	(50)	-
- Other loan	(410)	(2,286)	(2,696)	-
- Stocking loan	(11,853)	466	(11,387)	-
Finance leases	(405)	359	(46)	-
Total	(15,805)	25	(15,780)	-

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

22 DISPOSALS

On 21 December 2001 the company's share capital was acquired by Reeve (Derby) Limited (formerly Waterpaper Limited). On the same day this company's assets and liabilities were acquired by Reeve (Derby) Limited (formerly Waterpaper Limited). The consideration was satisfied by an inter-company loan.

The assets and liabilities of this company acquired by Reeve (Derby) Limited (formerly Waterpaper Limited) were as follows:

	Book Value £
Fixed assets	
Intangible	53
Tangible	4,177
Current assets	
Stocks	20,605
Debtors	3,535
Cash at bank and in hand	(3)
Total assets	<u>28,367</u>
Liabilities	
Creditors less than one year	23,581
Creditors greater than one year	2,934
Provisions for liabilities and charges	37
Total liabilities	<u>26,552</u>
Net assets	<u>1,815</u>
Fair value of Net assets	1,815
Loss on restructuring	(250)
	<u>1,565</u>
Satisfied by Inter-company loan	<u>1,565</u>

WATERPAPER LIMITED (FORMERLY REEVE (DERBY) LIMITED)

NOTES TO THE ACCOUNTS

For the period ended 31 December 2001

23 RELATED PARTY DISCLOSURES

During the period the company made sales and purchases of £88,402 (March 2001: £131,375) and £253,453 (March 2001: £91,486) respectively, with Pentagon Development Services Limited, a company in which Mr T J Reeve, Mr G P Hall and Mr A D Flinn are connected.

At the period end, the company had debtor and creditor balances of £nil (March 2001: £81,674) and £nil (March 2001: £234,783) respectively, with Pentagon Development Services Limited.

There is a bank guarantee amounting to £20,000 given by the company on 26 February 2001 in respect of borrowings by Pentagon Development Services Limited.

During the period, the company made sales and purchases of £448,206 (March 2001: £1,007,183) and £50,498 (March 2001: £71,895) respectively, with Reeve Burrows Limited, a company in which Mr T J Reeve has a material interest.

At the period end, the company had debtor and creditor balances of £nil (March 2001: £77,795) and £nil (March 2001: £71,895) respectively, with Reeve Burrows Limited.

24 ULTIMATE PARENT COMPANY

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

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