

A/31292

WATERHOUSE LIMITED

**REPORT AND ACCOUNTS
FOR THE FINANCIAL YEAR ENDED
28 DECEMBER 1996**

Company Number: 1626442

REGISTRAR'S COPY



	Page
Directors and Advisers	2
Notice of Annual General Meeting	3
Report of the Directors	4
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Statement of Directors' Responsibilities and Accounting Policies	9 & 10
Notes to the Accounts	11 - 16

Directors

Mr R J Butler
Mrs K Butler

Company Secretary

Mr R J Butler

**Business Address and
Registered Office**

Waterhouse Lane
Chelmsford
Essex
CM1 2UP

Bankers

National Westminster Bank plc

Auditors

Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

Notice is hereby given that the Annual General Meeting of Waterhouse Limited will be held at 1 Park Place, Canary Wharf, London E14 4HJ on Friday 4 April 1997 at 1.00pm, for the following purposes:

Ordinary Business

1. To receive and adopt the Report of the Directors and the Accounts for the financial year ended 28 December 1996 together with the Report of the Auditors.
2. To reappoint the auditors, Littlejohn Frazer, and to authorise the Directors to determine their remuneration.

By Order of the Board

R J Butler



Secretary

4 April 1997

Notes:

1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. No contracts of service exist between the Directors and the Company.
3. The register of the Directors' shareholdings and transactions will be available for reference at the commencement of and during the continuance of the Annual General Meeting.

The Directors have pleasure in presenting their Report together with the Accounts for the financial year ended 28 December 1996.

Activities

The Company's principal activity during the year was the sale of Mercedes-Benz passenger cars.

Results and Dividends

The profit for the financial year before taxation amounted to £194,710 (1995 profit - £248,858). The taxation charge was £48,258 (1995 charge - £67,784), leaving the profit after taxation of £146,452 (1995 profit - £181,074).

The Directors do not recommend the payment of a final dividend.

Fixed Assets

The most significant changes in fixed assets are shown in the Notes to the Accounts.

Directors and their Interests in Shares

The Directors during the year and their interests in the share capital of the Company were as follows:

	At 28 December 1996	At 1 January 1996 (or later date of appointment)
	Ordinary shares	Ordinary shares
Mr R J Butler	6	1
Mr D B Tuckett (resigned 9 October 1996)	-	1
Mrs K Butler (appointed 9 October 1996)	-	-

The above shares were beneficially held for Titanstrong Limited.

Mr R J Butler and Mrs K Butler have the following interests in Gladwell Commercial Holdings Limited, which holds 44,000 ordinary shares in Titanstrong Limited.

	At 28 December 1996	At 1 January 1996 (or later date of appointment)
	Ordinary shares of £1 each	Ordinary shares of £1 each
Beneficial interests	13,002	13,002
Non-beneficial interests	11,498	11,498
Held by minor daughter	1,000	1,000

The Directors consider Gladwell Commercial Holdings Limited to be the ultimate Parent Company.

Auditors

Littlejohn Frazer have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

R J Butler
Secretary



4 April 1997

To the Members of Waterhouse Limited

We have audited the Accounts on pages 6 to 16 which have been prepared under the Accounting Policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 9 the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Accounts 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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's affairs as at 28 December 1996 and of its profit for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

4 April 1997

1 Park Place
Canary Wharf
London E14 4HJ

WATERHOUSE LIMITED**PROFIT AND LOSS ACCOUNT**
Financial year ended 28 December 1996

	Note	1996	1995
Turnover		11,639,587	10,686,793
Cost of sales		10,031,307	9,183,128
		<hr/>	<hr/>
Gross Profit		1,608,280	1,503,665
Net operating expenses		1,372,704	1,235,148
		<hr/>	<hr/>
Operating Profit	1	235,576	268,517
Interest payable less receivable	3	(40,866)	(19,659)
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation		194,710	248,858
Tax on profit on ordinary activities	4	48,258	67,784
		<hr/>	<hr/>
Profit on Ordinary Activities after Taxation		146,452	181,074
Dividends	5	-	176,000
		<hr/>	<hr/>
Profit for the financial year after Dividends		146,452	5,074
Retained profit brought forward		731,018	725,944
Capitalisation of Reserves	13	(206,000)	-
		<hr/>	<hr/>
Retained Profit carried forward		£671,470	£731,018
		<hr/>	<hr/>

All turnover is from continuing operations.

The Company had no recognised gains or losses other than the profit on ordinary activities after taxation stated above. There is no material difference between the reported profit for 1996 and 1995 and the profit for those years restated on an historical cost basis.

The Accounting Policies and Notes on pages 9 to 16 form part of these Accounts.

WATERHOUSE LIMITED

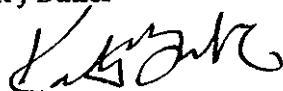
BALANCE SHEET
At 28 December 1996

	Note	1996	1995
Fixed Assets			
Tangible assets	6	122,032	194,890
Current Assets			
Stocks	7	1,268,996	1,149,866
Debtors - due within one year	8	225,319	220,020
- due after one year	8	555,000	-
Cash at bank and in hand		233,102	446,785
		<u>2,282,417</u>	<u>1,816,671</u>
Creditors: due within one year	9	<u>1,206,055</u>	<u>1,236,543</u>
Net Current Assets		<u>1,076,362</u>	<u>580,128</u>
Total Assets less Current Liabilities		<u>1,198,394</u>	<u>775,018</u>
Creditors: due after one year	10	<u>(276,924)</u>	<u>-</u>
		<u>£921,470</u>	<u>£775,018</u>
Capital and Reserves			
Called-up share capital	13	250,000	44,000
Profit and loss account		671,470	731,018
		<u>£921,470</u>	<u>£775,018</u>

Approved by the Board on 4 April 1997.



R J Butler



K Butler

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) Directors
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The Accounting Policies and Notes on pages 9 to 16 form part of these Accounts.

	Note	1996	1995
Operating Activities			
Net cash inflow from operating activities	20	112,599	646,733
Returns on Investments and Servicing of Finance			
Interest received		9,986	9,383
Interest paid		(50,852)	(29,042)
Dividends paid		-	(176,000)
		<hr/>	<hr/>
Net Outflow from Returns on Investing and Servicing of Finance		(40,866)	(195,659)
Taxation		(63,334)	(84,958)
		<hr/>	<hr/>
Net Cash Inflow before Investing Activities and Financing		8,399	366,116
Investing Activities			
Sale of tangible fixed assets		168,372	110,816
Purchase of tangible fixed assets		(135,454)	(178,739)
		<hr/>	<hr/>
Net Cash Inflow/(Outflow) from Investing Activities		32,918	(67,923)
		<hr/>	<hr/>
Net Cash Inflow before Financing		41,317	298,193
Financing			
Loan to ultimate Parent Undertaking		(555,000)	-
		<hr/>	<hr/>
(Decrease)/Increase in Cash and Cash Equivalents	21,22	£(513,683)	£298,193
		<hr/> <hr/>	<hr/> <hr/>

The Accounting Policies and Notes on pages 9 to 16 form part of these Accounts.

Statement of Directors' Responsibilities

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 the profit or loss of the Company for that period. In preparing those Accounts the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments 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;
- 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 maintaining 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 Accounts 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. The Accounting Policies selected are set out below.

Accounting Policies

Basis of Accounting

The Accounts are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

Turnover

Turnover represents amounts invoiced to customers excluding VAT. Credit is taken for sales when a new car is registered and for other sales when the goods are supplied. All income is generated within the United Kingdom.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less any estimated residual value, over its expected useful life, at the following rates:

Leasehold land and buildings	- the lease term
Plant and machinery	- 20% reducing balance basis
Motor vehicles	- charged according to the individual mileage and condition of the vehicle
Fixtures, fittings, tools and equipment	- 20% reducing balance basis

Stocks

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

Costs include costs incurred in bringing each product to its present location and condition and is calculated as follows:

Goods for resale - Purchase cost on a first-in, first-out basis.

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

In accordance with Mercedes-Benz policy new car stock held on consignment is included in the accounts on the following basis:

Stock where a deposit has been paid - at cost price at the date of consignment.

Operating Leases

Rentals paid under operating leases are charged to income as incurred.

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Provision is made to the extent that it is likely that the liability will crystallise in the foreseeable future.

Pension Contributions

The Company operates a defined contribution pension scheme for its senior employees. The funds of the scheme are administered by trustees and are separate from the Company. The pension charge represents contributions payable by the Company for the year. The Company's liability is limited to the amounts of the contribution.

	1996	1995
1. Operating Profit		
This is stated after charging:		
Auditors' remuneration	£ 5,350	£ 5,100
Loss on sale of fixed assets	£ 21	£ 1,902
Depreciation	£ 39,919	£ 38,571
Rentals under property leases	£ 137,484	£ 137,484
	<u> </u>	<u> </u>
and after crediting:		
Bad debt recovered	£ -	£ 3,776
	<u> </u>	<u> </u>
2. Employees		
Staff Costs (including Directors)		
Wages and salaries	715,195	737,169
Social security costs	73,932	72,070
Other pension costs	180,023	27,855
	<u> </u>	<u> </u>
	£969,150	£837,094
	<u> </u>	<u> </u>
Average number of employees during the year	No.	No.
Vehicle sales	7	6
Administration	4	4
Parts department	4	4
Service department	19	18
	—	—
	34	32
	<u> </u>	<u> </u>
Directors' Remuneration		
Emoluments	80,425	120,584
Pension contributions	153,397	3,128
Benefits-in-kind	9,943	11,596
	<u> </u>	<u> </u>
	£243,765	£135,308
	<u> </u>	<u> </u>
Emoluments, excluding pension contributions		
Chairman	£43,310	£47,476
Highest paid Director	£45,312	£84,704
Other Directors, by bands	No.	No.
£Nil - £5,000	1	-
3. Interest Payable less Receivable		
Interest payable:		
Vehicle stocking loan	(39,457)	(29,042)
Bank interest and other loans	(11,395)	-
	<u> </u>	<u> </u>
	(50,852)	(29,042)
Interest receivable:		
Bank interest	9,986	9,383
	<u> </u>	<u> </u>
	£(40,866)	£(19,659)
	<u> </u>	<u> </u>

4. Taxation

	1996	1995
UK Corporation tax at 27.18% (1995 - 27.3%)	52,924	68,000
Overprovision in previous years	(4,666)	(216)
	<u>£48,258</u>	<u>£67,784</u>

5. Dividends

Ordinary - paid	-	176,000
	<u>£ -</u>	<u>£176,000</u>

6. Tangible Fixed Assets

Cost	Short leasehold property	Plant and machinery	Motor vehicles	Fixtures, fittings, tools and equipment	Total
At 1 January 1996	237,787	110,097	139,843	98,064	585,791
Additions	-	4,154	129,335	1,965	135,454
Disposals	-	-	(187,344)	(129)	(187,473)
	<u>237,787</u>	<u>114,251</u>	<u>81,834</u>	<u>99,900</u>	<u>533,772</u>
Depreciation					
At 1 January 1996	209,761	72,001	29,614	79,525	390,901
Provided during the financial year	6,911	8,451	20,460	4,097	39,919
Disposals	-	-	(18,972)	(108)	(19,080)
	<u>216,672</u>	<u>80,452</u>	<u>31,102</u>	<u>83,514</u>	<u>411,740</u>
Net Book Value					
At 28 December 1996	<u>£21,115</u>	<u>£33,799</u>	<u>£50,732</u>	<u>£16,386</u>	<u>£122,032</u>
At 31 December 1995	<u>£28,026</u>	<u>£38,096</u>	<u>£110,229</u>	<u>£18,539</u>	<u>£194,890</u>

7. Stocks

	1996	1995
Vehicles and parts held for resale	<u>£1,268,996</u>	<u>£1,149,866</u>

Included in the above is stock held on consignment where a deposit has been paid equal to the price due at the date of consignment amounting in total to £699,130. Legal title to this stock does not pass until the full purchase price is paid to Mercedes-Benz Finance Limited.

8. Debtors	1996	1995
Amounts due within one year		
Trade debtors	149,547	158,070
Prepayments and accrued income	75,772	61,950
	<u>225,319</u>	<u>220,020</u>
Amounts due after one year		
Amounts due from ultimate Parent Company	555,000	-
	<u>£780,319</u>	<u>£220,020</u>

The amounts due after one year represent an inter-company loan made to Gladwell Commercial Holdings Limited. This loan is interest free and repayable on demand at any time after 1 January 1999.

9. Creditors: amounts falling due within one year	1996	1995
Bank loan (see note 11)	23,076	-
Payments received on account	199,549	330,664
Trade creditors	113,972	183,925
Amounts due to ultimate Parent Undertaking	2,056	-
Vehicle stocking loan (see note 7)	699,130	522,219
Current corporation tax	52,924	24,000
Advance corporation tax payable	-	44,000
Other taxes and social security	43,440	101,005
Accruals	71,908	30,730
	<u>£1,206,055</u>	<u>£1,236,543</u>
10. Creditors: amounts falling due after more than one year		
Bank loan (see note 11)	<u>£276,924</u>	<u>£ -</u>

11. Bank Loan	1996	1995
The bank loan bears interest at 2% above the Bank's base rate and is repayable in quarterly instalments of £11,538 commencing April 1997.		
Amounts repayable within five years	207,684	-
Amounts repayable after five years	92,316	-
	<u> </u>	<u> </u>
	£300,000	£ -
	<u> </u>	<u> </u>

The bank loan and overdraft facilities are secured by a fixed and floating charge over the assets of Waterhouse Limited and an unlimited Guarantee provided by Gladwell Commercial Holdings Limited. The amount repayable within one year is shown at note 9.

12. Deferred Taxation	1996	1995	1996	1995
	Provision		Full potential liability	
Deferred taxation provided and the potential liability, including the amounts for which provision has been made, are as follows:				
Capital allowances in advance of depreciation	-	-	9,734	14,100
Other timing differences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£ -	£ -	£9,734	£14,100
	<hr/>	<hr/>	<hr/>	<hr/>

13. Called-up Share Capital	1996	1995	1996	1995
	Authorised		Allotted, called-up and fully paid	
Ordinary shares of £1 each	£250,000	£100,000	£250,000	£44,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year £206,000 of Reserves were capitalised as fully paid share capital.

14. Reconciliation of movements in Shareholders' Funds	1996	1995
Profit for the financial year	146,452	181,074
Dividends	-	(176,000)
	<u> </u>	<u> </u>
Net increase in shareholders' funds	146,452	5,074
Opening shareholders' funds	775,018	769,944
	<u> </u>	<u> </u>
Closing shareholders' funds	£921,470	£775,018
	<u> </u>	<u> </u>

15. Obligations Under Operating Leases

The minimum lease payments to which the Company is committed under non-cancellable operating leases for the coming year are:

	1996	1995
	Land and buildings	Land and buildings
On leases expiring		
Between 2 and 5 years	46,642	46,642
After 5 years	90,842	90,842
	<hr/>	<hr/>
	£137,484	£137,484
	<hr/>	<hr/>

16. Pension Costs

	1996	1995
Profit and Loss Account charge	£180,023	£27,855
	<hr/>	<hr/>

The pension cost charge represents contributions payable by the Company to the fund. There were no contributions payable to the fund at the year-end included in creditors (1995 - £Nil).

17. Ultimate Parent Company

The ultimate Parent Company is Gladwell Commercial Holdings Limited incorporated in Great Britain and registered in England.

18. Capital Commitments

There were no contracted capital commitments at 28 December 1996 (1995 - None).

19. Contingent Liabilities

There were no contingent liabilities at 28 December 1996 (1995 - None).

**20. Reconciliation of Operating Profit to
Net Cash Inflow from Operating Activities**

Operating profit	235,576	268,517
Depreciation charges	39,919	38,571
Loss on sale of tangible fixed assets	21	1,902
Increase in stocks	(119,130)	(427,234)
(Increase)/decrease in debtors	(5,299)	36,803
(Decrease)/increase in creditors	(38,488)	728,174
	<hr/>	<hr/>
Net cash inflow from operating activities	£112,599	£646,733
	<hr/>	<hr/>

**21. Analysis of Changes in Cash and Cash
Equivalents during the financial year**

	1996	1995
Balance at 1 January 1996	446,785	148,592
Net cash (outflow)/inflow	(513,683)	298,193
	<hr/>	<hr/>
Balance at 28 December 1996	£(66,898)	£446,785
	<hr/>	<hr/>

**22. Analysis of the Balances of Cash and Cash
Equivalents as shown in the Balance Sheet**

	Change in year	1996	1995
Cash at bank and in hand	(213,683)	233,102	446,785
Bank loan	(300,000)	(300,000)	-
	<hr/>	<hr/>	<hr/>
	£(513,683)	£(66,898)	£446,785
	<hr/>	<hr/>	<hr/>

23. Transactions with Related Parties

During the year:

- (a) Gladwell Commercial Holdings Limited, the Ultimate Holding Company, received £2,945 and D B Tuckett received £3,137 as interest on short term loans made to the Company.
- (b) Gladwell Commercial Holdings Limited charged Waterhouse Limited £10,000 in respect of management fees for services provided.