

# ARTHUR ANDERSEN

## Office International Limited

Accounts 31 December 1997

together with directors' and auditors' reports

Registered number: 442696



## Directors' report

For the year ended 31 December 1997

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1997.

### Principal activity and business review

The company's principal activity continues to be the distribution of office products.

Despite sales growth of 40% in 1997 (1996 – 27%) a lower net profit margin was reported than in 1996. The following factors accounted for the reduction:

- The Telford Head Office building was purchased in September 1997 and a premium was paid over market value. One third of this premium (£917,000) was written-off in the year.
- To ensure future sales growth continues as planned £2,000,000 was invested in 1997 on doubling the size of the sales force. The return from this investment will materialise in 1998 and beyond.
- A one off non-operating loss of £350,000 was incurred due to the write down of the carrying value of the investment in a subsidiary company.

### Dividends

The directors do not recommend payment of a dividend (1996 – £nil).

### Directors and their interests

The directors who served during the year and subsequently were as follows:

E Bigeard

S Bossut (appointed 1 June 1997)

W J Dunphy (resigned 22 July 1997)

R C H Vale (resigned 7 August 1997)

D Fullwood (appointed 27 August 1997)

Mr E Bigeard is the holder of one £1 ordinary share. None of the other directors have interests in the share capital of the company. With the exception of Mr E Bigeard, none of the directors have any interest in the shares of the ultimate holding company.

## Directors' report (continued)

### Disabled employees

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.

### Employee consultation

The company is committed to involve all employees in the performance and development of the company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company.

### Directors' responsibilities

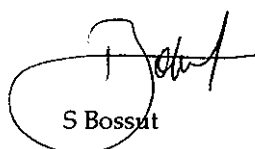
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- 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; 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 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.

45 Church Street  
Birmingham  
B3 2DL

By order of the Board,



S Bossut

Director

25 September 1998

Auditors' report

Birmingham

**To the Shareholders of Office International Limited:**

We have audited the accounts on pages 4 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of directors and auditors**

As described on page 2 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 affairs of the company at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
**Chartered Accountants and Registered Auditors**

1 Victoria Square  
Birmingham  
B1 1BD

25 September 1998

## Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	56,023	39,975
Net operating costs	3	(55,556)	(38,201)
<b>Operating profit</b>		<u>467</u>	<u>1,774</u>
Investment income	4	123	56
Interest payable and similar charges	5	(140)	(17)
<b>Profit on ordinary activities before taxation</b>	6	<u>450</u>	<u>1,813</u>
Tax on profit on ordinary activities	9	-	-
<b>Profit for the financial year</b>	19	<u>450</u>	<u>1,813</u>
Retained deficit brought forward		(16,734)	(18,547)
<b>Retained deficit carried forward</b>		<u>(16,284)</u>	<u>(16,734)</u>

The company had no recognised gains or losses in either year other than the profit for each financial year.

All activities derive from continuing operations in both years.

The accompanying notes are an integral part of this profit and loss account.

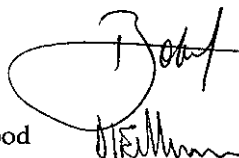
# Balance sheet

31 December 1997

	Notes	1997 £'000	1996 £'000
<b>Fixed assets</b>			
Intangible assets	10	225	270
Tangible assets	11	10,946	2,107
Investments	12	150	504
		<u>11,321</u>	<u>2,881</u>
<b>Current assets</b>			
Stocks	13	3,386	2,645
Debtors	14	11,879	9,182
Fixed asset held for resale	11	175	-
Cash at bank and in hand		35	1,206
		<u>15,475</u>	<u>13,033</u>
Creditors: Amounts falling due within one year	15	(15,821)	(5,671)
<b>Net current (liabilities) assets</b>		<u>(346)</u>	<u>7,362</u>
<b>Total assets less current liabilities</b>		10,975	10,243
Creditors: Amounts falling due after more than one year	16	(5,705)	(5,423)
<b>Net assets</b>		<u>5,270</u>	<u>4,820</u>
<b>Capital and reserves</b>			
Called-up share capital	18	14,841	14,841
Share premium account	19	6,634	6,634
Revaluation reserve	19	79	79
Profit and loss account	19	(16,284)	(16,734)
<b>Shareholders' funds</b>		<u>5,270</u>	<u>4,820</u>
<b>Shareholders' funds may be analysed as</b>			
Equity interests		(9,515)	(9,965)
Non-equity interests		14,785	14,785
		<u>5,270</u>	<u>4,820</u>

Signed on behalf of the Board

S Bossut



Director

D Fullwood



Director

25 September 1998

The accompanying notes are an integral part of this balance sheet.

## Notes to accounts

31 December 1997

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### *a) Basis of accounting*

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold property and comply with all applicable accounting standards.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. Under the provisions of Financial Reporting Standard Number 1, the company is also exempt from the requirement to present a cash flow statement as it is a wholly owned subsidiary undertaking of Lyreco UK Limited which presents consolidated accounts that include the company.

#### *b) Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for permanent diminution in value. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2%-5% per annum
Leasehold properties and improvements	10% per annum
Plant and machinery	20% per annum
Motor vehicles	25% per annum
Furniture and equipment	20% per annum
Computers	20%-33.33% per annum
Lease premium	33.33% per annum

#### *c) Stocks*

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Net realisable value is based on estimated selling price less further costs to disposal.

#### *d) 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.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### e) Leases

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

#### f) Goodwill

Goodwill relating to business assets purchased by the company is capitalised and amortised over 10 years on a straight line basis.

#### g) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

#### h) Pension costs and other post retirement benefits

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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 payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

#### i) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at 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.

#### j) Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value. Current asset investments are stated at the lower of cost and net realisable value.

### 2 Turnover

Turnover is derived entirely from the company's principal activity carried out within the United Kingdom.



## Notes to accounts (continued)

### 3 Net operating costs

	1997 £'000	1996 £'000
Changes in stock of finished goods and goods for resale	741	530
Purchases	34,923	24,499
Staff costs		
- wages and salaries	7,478	5,210
- social security costs	654	396
- other pension costs	212	185
Depreciation and other amounts written off tangible and intangible fixed assets	1,143	601
Other operating charges	9,134	6,780
Exceptional items	1,271	-
	<u>55,556</u>	<u>38,201</u>

The exceptional items are as follows:

	1997 £'000	1996 £'000
Amortisation of premium on acquisition of property	917	-
Writedown of investment in subsidiary undertaking	354	-
	<u>1,271</u>	<u>-</u>

During the year the company acquired the freehold land and buildings at the Telford Head Office. The acquisition price included a premium in respect of the years remaining on the lease. This premium is being written off over three years, reflecting the expected duration of occupation of the property.

The investment in the subsidiary undertaking was written down to reflect the permanent diminution in value following the disposal of the business of that company.

### 4 Investment income

	1997 £'000	1996 £'000
Interest received from group undertakings	77	-
Bank interest	46	56
	<u>123</u>	<u>56</u>

## Notes to accounts (continued)

### 5 Interest payable and similar charges

	1997 £'000	1996 £'000
Bank overdraft	28	17
Other loans	112	-
	<u>140</u>	<u>17</u>

### 6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1997 £'000	1996 £'000
Profit on sale of fixed assets	-	(7)
Rentals paid under operating leases		
- plant and machinery	764	525
- other	776	904
Auditors' remuneration		
- audit fees	21	18
- other	8	8
Depreciation	2,015	556
Goodwill amortisation	<u>45</u>	<u>45</u>

## Notes to accounts (continued)

### 7 Directors' remuneration

	1997 £'000	1996 £'000
Emoluments	<u>231</u>	<u>197</u>

The emoluments of the highest paid director were:

	1997 £'000	1996 £'000
Emoluments	<u>84</u>	<u>100</u>

The accrued pension entitlement of the highest paid director at 31 December 1997 was £14,423.

The number of directors who were members of pension schemes were as follows:

	1997 Number	1996 Number
Defined benefit scheme	<u>4</u>	<u>2</u>

### 8 Staff numbers

The average monthly number of employees was as follows:

	1997 Number	1996 Number
Management and administration	118	96
Distribution and sales	<u>328</u>	<u>219</u>
	<u>446</u>	<u>315</u>

### 9 Tax on profit on ordinary activities

No tax charge arose in either year due to the utilisation of brought forward tax losses.

## Notes to accounts (continued)

### 10 Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
At 1 January 1997 and at 31 December 1997	450
<b>Amortisation</b>	
At 1 January 1997	180
Charge for the year	45
At 31 December 1997	225
<b>Net book value</b>	
At 31 December 1996	270
At 31 December 1997	225

### 11 Tangible fixed assets

	Land and buildings £'000	Plant machinery and computers £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 1997	935	2,666	2,236	5,837
Additions	10,243	134	652	11,029
Disposals	-	(60)	-	(60)
Transfer to current assets	(175)	-	-	(175)
At 31 December 1997	11,003	2,740	2,888	16,631
<b>Depreciation</b>				
At 1 January 1997	483	1,599	1,648	3,730
Charge for the year	1,347	364	304	2,015
Disposals	-	(60)	-	(60)
At 31 December 1997	1,830	1,903	1,952	5,685
<b>Net book value</b>				
At 31 December 1996	452	1,067	588	2,107
At 31 December 1997	9,173	837	936	10,946

Certain freehold land was transferred to current assets at the year end and was subsequently sold during May 1998.

## Notes to accounts (continued)

### 11 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	1997 £'000	1996 £'000
Freehold land and buildings	9,025	269
Leasehold improvements	148	183
	<u>9,173</u>	<u>452</u>

Freehold land and buildings includes non-depreciable land of £25,000 (1996 - £200,000). Freehold land and buildings were revalued by the directors in 1988 on an existing use basis. If stated under historical cost principles the comparable amounts for the total of land and buildings would be:

	1997 £'000	1996 £'000
Cost	10,924	856
Accumulated depreciation	(485)	(471)
	<u>10,439</u>	<u>385</u>

### 12 Investments

#### *Subsidiary undertakings*

	£
Cost	
At 1 January 1997 and at 31 December 1997	<u>504</u>
Amounts written off	
At 1 January 1997	-
Written off	<u>354</u>
At 31 December 1997	<u>354</u>
Net book value	
At 31 December 1996	<u>504</u>
At 31 December 1997	<u>150</u>

## Notes to accounts (continued)

### 12 Investments (continued)

The subsidiary companies at 31 December 1997 were:

	Principal activity	Holding
Copyless Limited	Office equipment suppliers	100%
Ace Stationery Limited	Dormant	100%

The above are holdings of ordinary shares and are directly held by the company.

### 13 Stocks

	1997 £'000	1996 £'000
Goods for resale	<u>3,386</u>	<u>2,645</u>

### 14 Debtors

	1997 £'000	1996 £'000
Trade debtors	11,479	8,173
Amounts owed by group undertakings	173	611
Other debtors	60	33
Prepayments and accrued income	<u>167</u>	<u>365</u>
	<u>11,879</u>	<u>9,182</u>

### 15 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdraft	2,359	-
Trade creditors	6,547	4,024
Amounts owed to group undertakings	4,850	93
Taxation and social security	707	675
Accruals and deferred income	<u>1,358</u>	<u>879</u>
	<u>15,821</u>	<u>5,671</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company and its subsidiaries.

## Notes to accounts (continued)

### 16 Creditors: Amounts falling due after more than one year

	1997 £'000	1996 £'000
Amounts owed to group undertakings	<u>5,705</u>	<u>5,423</u>

The above amounts have no set repayment date, however the group undertakings involved have indicated that repayment of this amount will not be sought within one year from the balance sheet date.

### 17 Provisions for liabilities and charges

No deferred taxation liability exists. The maximum potential deferred taxation asset is analysed as follows:

	1997 £'000	1996 £'000
Accelerated capital allowances	(217)	(264)
Tax losses available	3,844	4,534
Other timing differences	<u>78</u>	<u>29</u>
	<u>3,705</u>	<u>4,299</u>

### 18 Called-up share capital

	1997 £'000	1996 £'000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
21,235,000 redeemable preference shares of £1 each	<u>21,235</u>	<u>21,235</u>
	<u>21,335</u>	<u>21,335</u>
<i>Allotted, called-up and fully-paid</i>		
56,100 ordinary shares of £1 each	56	56
14,785,000 redeemable preference shares of £1 each	<u>14,785</u>	<u>14,785</u>
	<u>14,841</u>	<u>14,841</u>

## Notes to accounts (continued)

### 18 Called-up share capital (continued)

The company has the right to redeem, at par, the whole or any part of the redeemable preference shares upon giving not less than 30 days notice in writing to the holder.

The shareholder has the right to require the company to redeem, at par, the whole or any part of the redeemable preference shares upon giving not less than 30 days notice in writing to the company.

In any event, the company shall redeem, at par, the whole of the redeemable preference shares issued, and not previously redeemed, as at 31 December 2100, on that date.

### 19 Reserves

	Share premium account	Revaluation reserve	Profit and loss account	Total
At 1 January 1997	6,634	79	(16,734)	(10,021)
Retained profit for year	-	-	450	450
At 31 December 1997	<u>6,634</u>	<u>79</u>	<u>(16,284)</u>	<u>(9,571)</u>

### 20 Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
Profit for the financial year	450	1,813
Shareholders' funds, beginning of year	<u>4,820</u>	<u>3,007</u>
Shareholders' funds, end of year	<u>5,270</u>	<u>4,820</u>



## Notes to accounts (continued)

### 21 Contingent liabilities and other financial commitments

#### a) Financial commitments

There were no capital commitments at either year end.

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

	Land and buildings		Other	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Leases expiring				
- within one year	-	3	84	137
- between two and five years	206	-	473	365
- after five years	86	949	-	-
	<u>292</u>	<u>952</u>	<u>557</u>	<u>502</u>

#### b) Contingent liabilities

The company offers an unlimited guarantee on overdrafts to Copyless Limited. At 31 December 1997 the outstanding amount under guarantee was £nil (1996 - £nil).

### 22 Pension scheme

The company's employees are eligible for membership of the funded group defined benefit pension scheme, registered in the United Kingdom. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Retirement costs are assessed in accordance with the advice of an independent qualified actuary, using the projected unit method. Particulars of the most recent valuation of the group scheme can be obtained from the accounts for the year ended 31 December 1997 of the company's immediate parent undertaking, Lyreco (UK) Limited. The charge to the company for contributions to the group scheme during the year was £200,000 (1996 - £172,000). Contributions to other pension schemes were £12,000 (1996 - £13,000).

### 23 Parent companies

The immediate parent company is Lyreco (UK) Limited. Copies of Lyreco (UK) Limited consolidated accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The largest group into which the results of the company are consolidated is that of Lyreco SA, a company incorporated in France. The smallest group into which the results are consolidated is that of Lyreco (UK) Limited.

### 24 Related party transactions

The directors consider the ultimate controlling party to be Lyreco SA. During the year the company made purchases amounting to £359,000 (1996 - £281,000) from Lyreco SA. All transactions were at arms length and on commercial business terms.

The ultimate controlling parties of Lyreco SA are G Gaspard and E Gaspard.