

Simmons Magee plc
Annual report
for the year ended 31 December 1997



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Directors' report for the year ended 31 December 1997

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activity of the company until 3 March 1997 was the wholesale of computer equipment and related services. However, on that date the business and net assets of the company were sold to Info'Products UK plc, its immediate parent undertaking. The company acted as an undisclosed agent for Info'Products UK plc until 30 June 1997, since when it has not traded.

Business review, future developments in the business and post balance sheet events

The profit and loss account of the company is set out on page 5.

The directors do not expect that the company will trade in the foreseeable future.

Proposed dividend

A final dividend of £255.79 per ordinary share (1996: Nil per ordinary share) has been proposed by the directors.

Directors and directors' interests

The directors who held office during the year were as follows:

D R Simmons	(resigned 28 February 1997)
M M B Magee	(resigned 28 February 1997)
S C P Ognall	(resigned 28 February 1997)
S C D Hosking	(resigned 28 February 1997)
J W Trueman	(appointed 28 February 1997, removed 10 March 1998)
H Winkel	(appointed 28 February 1997, resigned 10 March 1998)

In addition the following directors have been appointed subsequent to the year end:

P Morgan	(appointed 10 March 1998)
F H J Koffrie	(appointed 10 March 1998)
H G Vreedenburgh	(appointed 10 March 1998)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Employees

The directors recognise the importance of human resources. The directors promote good communications and relations with employees throughout the company.

The company continues to give full and fair consideration to applications from disabled persons. If an employee becomes disabled the company endeavours to continue their employment, if this is practical, and in appropriate cases training is given.

Payments to suppliers

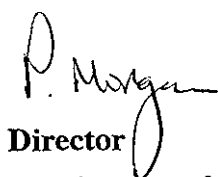
The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not have a standard or code which deals specifically with the payment of suppliers.

No creditors were outstanding at 31 December 1997 and as such no average creditor payment period has been calculated.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board



Director

27 August 1998

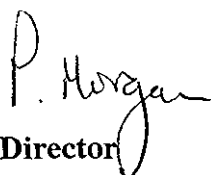
Statement of directors' responsibilities

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 for the company and of the profit or loss of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board


Director

27 August 1998

Report of the auditors to the members of Simmons Magee plc

We have audited the financial statements on pages 5 to 18 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 8 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 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 at 31 December 1997 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Milton Keynes

3 September 1998

**Profit and loss account
for the year ended 31 December 1997**

	Notes	1997 £'000	1996 £'000
Turnover	2	8,587	60,601
Cost of sales		(7,219)	(51,038)
Exceptional cost of sales	3	(620)	-
Gross profit		748	9,563
Administrative expenses		(1,367)	(8,580)
Operating (loss)/profit		(619)	983
Non-operating exceptional item	4	10,542	(287)
Profit on ordinary activities before interest		9,923	696
Interest receivable/(payable) and similar charges	5	(9)	(25)
Profit on ordinary activities before taxation	6	9,914	671
Tax on profit on ordinary activities	9	212	(306)
Profit on ordinary activities after taxation		10,126	365
Dividends proposed	10	(13,547)	-
(Loss)/retained profit for the year		(3,421)	365

All revenue and expenses in the profit and loss account relate to discontinued operations following the disposal of the business and net assets of Info'Products UK plc on 3 March 1997, see note 21.

Statement of total recognised gains and losses

	1997 £'000	1996 £'000
(Loss)/profit for the financial year	(3,421)	365
Unrealised deficit on revaluation of properties	-	(106)
Total recognised (losses)/gains relating to the year	(3,421)	259

Note of historical cost profits and losses

	1997 £'000	1996 £'000
Reported profit on ordinary activities before taxation	9,914	671
Realisation of property revaluation gains of previous year	-	63
Historical cost profit on ordinary activities before taxation	9,914	734
Historical cost (loss)/profit for the year retained after taxation and dividends	(3,421)	428

**Balance sheet
at 31 December 1997**

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	11	-	996
Current assets			
Property held for resale	12	-	1,400
Stocks	13	-	4,886
Debtors	14	13,600	8,027
Cash at bank and in hand		-	562
		<u>13,600</u>	<u>14,875</u>
Creditors: amounts falling due within one year	15	<u>13,547</u>	<u>12,338</u>
Net current assets		<u>53</u>	<u>2,537</u>
Total assets less current liabilities		<u>53</u>	<u>3,533</u>
Creditors: amounts falling due after more than one year	16	-	40
Provisions for liabilities and charges	17	-	22
Net assets		<u>53</u>	<u>3,471</u>
Capital and reserves			
Called up share capital	18	53	50
Profit and loss account	19	-	3,421
Equity shareholders' funds	20	<u>53</u>	<u>3,471</u>

The financial statements on pages 5 to 18 were approved by the board of directors on 27 August 1998 and were signed on its behalf by:

P. Morgan
Director

**Notes to the financial statements
for the year ended 31 December 1997****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that Simmons Magee plc is a wholly-owned subsidiary undertaking of Buhrmann NV (formerly NV Koninklijke KNP BT), whose consolidated financial statements include a consolidated cash flow statement dealing with the cash flows of the group.

Related party transactions

The company has taken advantage of the exemption available to 90% subsidiaries under Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions with other group companies. Consolidated financial statements of the ultimate parent company of the group, in which the results of Simmons Magee plc are included, are available from the address given in note 24.

Tangible fixed assets

Land and buildings are shown at original historical cost or subsequent valuation as set out in note 11. Other fixed assets are shown at cost. Depreciation is provided at rates calculated to write off the cost or valuation of each asset over its expected useful life as follows:

Freehold property	2% per annum on a straight line basis
Motor vehicles, furniture and equipment	25% per annum on a reducing balance basis

Stock

Stocks of goods for resale are stated at the lower of cost and net realisable value. Cost is based on the purchase cost and includes the cost incurred in bringing each product to its present location and condition. This is determined on a first in first out basis. Net realisable value is based on estimated normal selling price less any further costs expected to be incurred in disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Stocks of maintenance parts are stated at cost less amortisation. Amortisation is charged so as to write off the cost of maintenance parts over their expected useful lives.

Taxation

Corporation tax payable is provided on taxable profits at current rates.

Advance corporation tax paid or payable on dividends paid in the year is written off, except where future recovery is reasonably assured.

Deferred taxation is calculated on the liability method and is provided for in respect of liabilities arising as a result of timing differences that occur between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that such a liability will crystallise in the foreseeable future.

Turnover

Turnover comprises the value of sales of goods and services, net of value added tax and trade discounts.

Leases

The company enters into operating and finance leases.

Assets held under finance leases are initially reported at the present value of the minimum lease payments at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance costs and reduction of the liability.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis.

Assets owned by the company and leased out under finance leases are shown on the balance sheet as debtors at the amount of the net investment in the leases. Earnings on finance leases are allocated to accounting periods to give a constant periodic rate of return on the net investment in the leases in each period. Investments in finance leases are shown in note 14.

Pensions

The company operated a money purchase pension scheme for the directors as described in note 22. The charge against profits is the amount of contributions payable to the pension scheme in respect of the accounting period.

The company does not provide any other post-retirement benefits.

2 Segmental information

Turnover and profit before taxation are attributable to the company's principal activities. All turnover originates in the United Kingdom. The geographical analysis of turnover by destination is as follows:

	1997 £'000	1996 £'000
United Kingdom	8,459	59,044
Exports	128	1,557
	<u>8,587</u>	<u>60,601</u>

The company disposed of its business to Info'Products UK plc, its immediate parent undertaking, on 3 March 1997 (see note 21).

3 Exceptional cost of sales

The exceptional cost of sales incurred in the year ended 31 December 1997 relate to provisions made by the directors in the period against certain debtor balances.

4 Non-operating exceptional item

The non-operating exceptional item incurred in the year ended 31 December 1997 relates to the profit on the sale of the business and net assets of the company to Info'Products UK plc (see note 21).

The non-operating exceptional item incurred in the year ended 31 December 1996 relates to the provision for the permanent diminution in value of properties held by the company, as a result of the directors' intention to sell these properties within the foreseeable future.

5 Interest receivable/(payable) and similar charges

	1997 £'000	1996 £'000
On bank loans and overdrafts	(9)	(58)
Other interest receivable	-	33
	<u>—</u>	<u>—</u>
	(9)	(25)
	<u>—</u>	<u>—</u>

Included in the above is the interest element of charges payable under finance leases amounting to £Nil (1996: £3,944).

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1997 £'000	1996 £'000
Depreciation of fixed assets:		
Owned	46	297
Held under finance leases	2	13
Loss on sale of tangible fixed assets	-	8
Operating lease rentals:		
Plant and machinery	54	374
Land and buildings	26	163
Auditors' remuneration:		
Audit services	-	25
	<u>—</u>	<u>—</u>

The audit fee in respect of the year ended 31 December 1997 has been incurred by Info'Products UK plc, its immediate parent company.

7 Remuneration of directors

	1997 £'000	1996 £'000
Aggregate emoluments	83 ==	484 ==
Company pension contributions to money purchase schemes	17 ==	100 ==

No directors (1996: None) are accruing benefits under defined benefit pension schemes, whilst 2 directors (1996: 2) accrued benefits during the year under a defined contribution pension scheme.

8 Employee information

The average monthly number of persons (including executive directors) employed by the company prior to the disposal of the business on 3 March 1997 was 198. The average monthly number of persons employed by the company during the year ended 31 December 1996 (including executive directors) was 195.

	1997 £'000	1996 £'000
Staff costs (for the above persons)		
Wages and salaries	799	5,037
Social security costs	86	546
Other pension costs (see note 22)	17	100
	902 ==	5,683 ==

9 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1997 £'000	1996 £'000
United Kingdom corporation tax at 31.5% (1996: 33%):		
Current	212	(357)
Deferred	-	8
Over provision in previous years:		
Current	-	18
Deferred	-	25
	212 ==	(306) ==

No tax charge has arisen on the exceptional profit arising on the disposal of the business and net assets of the company to Info'Products UK plc (see note 21), as this transaction was between two undertakings within the same tax group.

10 Dividends proposed

	1997 £'000	1996 £'000
Final dividends proposed on ordinary equity shares of £255.79 (1996: £Nil) per share	13,547	-

11 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
At 1 January 1997	103	1,920	2,023
Additions	-	23	23
Disposals	-	(14)	(14)
Disposal of business (note 21)	(103)	(1,929)	(2,032)
At 31 December 1997	-	-	-
Depreciation			
At 1 January 1997	35	992	1,027
Charge for year	3	45	48
Disposals	-	(9)	(9)
Disposal of business (note 21)	(38)	(1,028)	(1,066)
At 31 December 1997	-	-	-
Net book value			
At 31 December 1997	-	-	-
At 31 December 1996	68	928	996

The net book value of tangible fixed assets includes £Nil (1996: £37,696) in respect of assets under finance leases.

12 Properties held for resale

Properties held for resale relate to freehold properties which the directors are intending to sell within the next twelve months.

13 Stock

The following are included in the net book value of stock:

	1997 £'000	1996 £'000
Maintenance parts	-	646
Goods for resale	-	4,240
	-	4,886

14 Debtors

The following are included in the net book value of debtors:

	1997 £'000	1996 £'000
Amounts falling due within one year		
Trade debtors	-	7,649
Other debtors	-	73
Amounts due from group undertakings	13,600	-
ACT recoverable	-	67
Net investment in finance leases	-	22
Prepayments and accrued income	-	216
	<u>13,600</u>	<u>8,027</u>

The aggregate rentals receivable in relation to finance leases during 1997 were £7,473 (1996: £44,840).

The proposed dividend payable at the year end has been offset against amounts due from group undertakings in arriving at the amount disclosed above.

15 Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1997 £'000	1996 £'000
Bank loans	-	104
Trade creditors	-	10,325
Dividends payable	13,547	-
Obligations under finance leases	-	14
Corporation tax	-	377
Other taxation and social security	-	608
Accruals and deferred income	-	910
	<u>13,547</u>	<u>12,338</u>

16 Creditors: amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	1997 £'000	1996 £'000
Bank loans	-	13
Obligations under finance leases	-	27
	<u> </u>	<u> </u>
	-	40
	<u> </u>	<u> </u>

Bank loans are payable as follows:

	1997 £'000	1996 £'000
Amounts payable		
On demand or within one year	-	104
Between one and two years	-	13
	<u> </u>	<u> </u>
	-	117
	<u> </u>	<u> </u>

These loans were secured by fixed and floating charges on various company assets.

Obligations under finance leases are payable as follows:

	1997 £'000	1996 £'000
Amounts payable		
On demand or within one year	-	14
Between one and two years	-	15
Between two and five years	-	12
	<u> </u>	<u> </u>
	-	41
	<u> </u>	<u> </u>

17 Provisions for liabilities and charges

	£'000
Deferred taxation at 31 December 1996	22
Realised on transfer of business and net assets	(22)
	<u> </u>
Deferred taxation at 31 December 1997	-
	<u> </u>

Deferred taxation has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of the management, that it is probable that the liability will crystallise. The above provision primarily represented the excess of tax allowances over book depreciation of fixed assets. There were no unprovided deferred tax liabilities (1996: £Nil).

18 Called up share capital

	1997 £'000	1996 £'000
Authorised		
52,966 (1996: 52,632) ordinary shares of £1 each	53	53
	<u>==</u>	<u>==</u>
Allotted, called up and fully paid		
52,966 (1996: 50,000) ordinary shares of £1 each	53	50
	<u>==</u>	<u>==</u>

On 28 February 1997 the authorised share capital was increased to 52,966 ordinary shares of £1 each to facilitate the issue of a further 2,966 ordinary £1 shares to the directors of the company. The company's entire share capital was then transferred on the same date to NV Koninklijke KNP BT, now known as Buhrmann NV, a company incorporated in the Netherlands.

On 3 March 1997 the share capital was subsequently transferred to Info'Products UK plc, a company incorporated in the United Kingdom.

19 Profit and loss account

	£'000
At 1 January 1997	3,421
Loss for the year	(3,421)
	<u>==</u>
At 31 December 1997	-
	<u>==</u>

20 Reconciliation of movement in shareholders' funds

	1997 £'000	1996 £'000
Opening shareholders' funds	3,471	3,212
(Loss)/profit for the financial year	(3,421)	365
New share capital issued	3	-
Revaluation of freehold property	-	(106)
	<u>==</u>	<u>==</u>
	53	3,471
	<u>==</u>	<u>==</u>

21 Disposals

On 3 March 1997 the company disposed of its business and net assets to Info'Products UK plc, its immediate parent undertaking.

	£'000
Net assets disposed of	
Tangible fixed assets	966
Properties held for resale	1,400
Stock	3,445
Debtors	8,098
Liabilities	(10,851)
	<hr/> 3,058
Profit on disposal	10,542
	<hr/>
Satisfied by inter-company debt	13,600
	<hr/> <hr/>

Info'Products UK plc committed to fulfil all known obligations of the company at the date of acquisition and as such all liabilities have been disclosed as being transferred at this date.

22 Financial commitments

Capital commitments

There were no capital commitments at 31 December 1997 (1996: £Nil).

Operating lease commitments

Info'Products UK plc have committed to fulfil any operating lease agreements which were not assigned to it before 31 December 1997. As a result any commitments relating to such lease agreements have been disclosed in the accounts of Info'Products UK plc.

Pension costs

During the year the company operated a money purchase scheme for D R Simmons and M M B Magee. The assets of the scheme are held separately from those of the company in an independently administered fund. The charge for the year was £17,000 (1996: £100,000). Contributions to this scheme ceased from 28 February 1997, the date of resignation as directors of D R Simmons and M M B Magee.

23 Related party transactions

During the year the company rented a property from a company jointly owned by D R Simmons and M M B Magee for a monthly rental of £3,099 (1996: £3,099). D R Simmons and M M B Magee were directors of the company until 28 February 1997.

The directors do not consider that the company entered into any other transactions with related parties during the year.

24 Ultimate and immediate holding company and ultimate controlling party

Until 28 February 1997 the share capital of the company was divided equally between D R Simmons and M M B Magee, with control jointly held.

On 28 February 1997 the entire share capital of the company was sold to NV Koninklijke KNP BT, now known as Buhrmann NV and then transferred to Info'Products UK plc on 3 March 1997.

As of 28 February 1997 the ultimate parent company and the largest and smallest group in which the results are consolidated is that headed by Buhrmann NV (formerly NV Koninklijke KNP BT), a company incorporated in The Netherlands. From this date the directors consider Buhrmann NV to be the ultimate controlling party. The consolidated financial statements of this group are available to the public and may be obtained from Museumplein 9, 1080 JS, Amsterdam, The Netherlands.