Globus Office World plc

2430955

Annual report
for the 53 weeks ended 30 December 1995

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Directors and advisers

Directors

R E Bitterli - Chairman
S R Fox - Managing Director
H P Mahler
J J Schwenter

Secretary and registered office

R Pearlman
65 Caversham Road
Reading
Berkshire
RG1 8AD

Registered Auditors

Coopers & Lybrand
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Solicitors

Richard Pearlman & Co
27 Phipp Street
London
EC2A 4NP

Bankers

Midland Bank plc
61 High Street
Staines
Middlesex
TW18 4QW

Swiss Bank Corporation
Swiss Bank House
1 High Timber Street
London
EC4V 3SB

Directors' report for the 53 weeks ended 30 December 1995

The directors present their report and the audited financial statements for the 53 weeks ended 30 December 1995.

Principal activity

The principal activity of the group is unchanged from last year, that being the retailing of office stationery and equipment.

Review of business

The consolidated profit and loss account for the period is set out on page 6.

The group has continued its programme of rapid expansion, opening nine new stores during the period bringing the total at 30 December 1995 to 41 trading stores. The group continues to have the full support of its parent company, Magazine zum Globus. A capital contribution of £7,497,000 was made during the year. Magazine zum Globus, a large Swiss based retailer, whose shares are quoted on the Zurich stock exchange, is committed to continuing to support the rapid store opening programme and it is anticipated that a large number of stores will be opened during 1996.

Earlier established stores are trading profitably, the operating profit before store opening costs being £1,393,000 (1994: £207,000). Overall, there was a substantial reduction in group operating loss to £93,000 (1994: £1,043,000). The loss for the period is £1,966,000 (1994: £2,266,000) and reflects the rapid expansion programme. Further significant improvements in operating profitability are expected.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the period of £1,966,000 (1994: £2,266,000) will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the period are set out in notes 12 and 13 to the financial statements.

Directors

The directors of the company at 30 December 1995, all of whom have been directors for the whole of the period ended on that date, are:

R E Bitterli	(Chairman)
S R Fox	(Managing Director)
H P Mahler	
J J Schwenter	

Directors' interests

None of the directors had any disclosable interest in the shares of the company and other group companies at any time during the period.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 30 December 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis (see note 1).

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

The group's policy is to consult and discuss with employees matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and newsletters which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

The group has introduced a Profit Related Pay Scheme as a means of further encouraging the involvement of employees in the group's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements would be made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

S R Fox
Director

9 April 1996

Report of the auditors to the members of Globus Office World plc

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 and the group at 30 December 1995 and of the loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading

16th April 1996

Consolidated profit and loss account for the 53 weeks ended 30 December 1995

	Notes	53 weeks ended 30 December 1995 £'000	52 weeks ended 24 December 1994 £'000
Turnover	3	65,868	44,863
Cost of sales	4	47,496	32,516
Gross profit		18,372	12,347
Net operating expenses before store opening costs	4	16,979	12,140
Operating profit before store opening costs		1,393	207
Store opening costs	5	1,486	1,250
Operating loss		(93)	(1,043)
Investment income	8	49	23
Interest payable and similar charges	9	(1,922)	(1,246)
Loss on ordinary activities before taxation	3,10	(1,966)	(2,266)
Tax on loss on ordinary activities	11	-	-
Loss for the period	21	(1,966)	(2,266)

The above results are in respect of continuing activities.

The group has no recognised gains and losses other than those included in the losses above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the periods stated above, and their historical cost equivalents.

Balance sheets at 30 December 1995

	Notes	Group 30 December 1995 £'000	Group 24 December 1994 £'000	Company 30 December 1995 £'000	Company 24 December 1994 £'000
Fixed assets					
Tangible assets	12	**11,653**	8,943	**11,216**	8,447
Investments	13	**-**	-	**103**	103
		11,653	8,943	**11,319**	8,550
Current assets					
Stocks	14	**14,837**	11,770	**14,077**	11,048
Debtors: amounts falling due after one year	15	**693**	478	**2,092**	2,000
Debtors: amounts falling due within one year	15	**4,582**	3,060	**4,151**	2,734
Cash at bank and in hand		**845**	125	**840**	125
		20,957	15,433	**21,160**	15,907
Creditors: amounts falling due within one year	16	**(36,066)**	(33,393)	**(35,746)**	(33,260)
Net current liabilities		**(15,109)**	(17,960)	**(14,586)**	(17,353)
Total assets less current liabilities		**(3,456)**	(9,017)	**(3,267)**	(8,803)
Creditors: amounts falling due after more than one year	17	**(298)**	(268)	**(298)**	(268)
Net liabilities		**(3,754)**	(9,285)	**(3,565)**	(9,071)
Capital and reserves					
Called-up share capital	19	**50**	50	**50**	50
Capital contribution	20	**7,497**	-	**7,497**	-
Profit and loss account (deficit)	21	**(11,301)**	(9,335)	**(11,112)**	(9,121)
Equity shareholders' funds (deficit)	23	**(3,754)**	(9,285)	**(3,565)**	(9,071)

The financial statements on pages 6 to 21 were approved by the board of directors on 9 April 1996 and were signed on its behalf by:

S R Fox

S R Fox
Director

Consolidated cash flow statement for the 53 weeks ended 30 December 1995

	Notes	53 weeks ended 30 December 1995 £'000	52 weeks ended 24 December 1994 £'000
Net cash outflow from continuing operating activities (reconciliation to operating losses on page 9)		(2,077)	(4,656)
Returns on investments and servicing of finance			
Investment income received		49	23
Interest paid		(1,891)	(1,038)
Interest paid on finance leases		(31)	(18)
Net cash outflow from returns on investments and servicing of finance		(1,873)	(1,033)
Investing activities			
Purchase of tangible fixed assets		(4,950)	(4,673)
Proceeds from sale of tangible fixed assets		15	55
Net cash outflow from investing activities		(4,935)	(4,618)
Net cash outflow before financing		(8,885)	(10,307)
Financing			
Capital contribution received	24	7,497	-
Repayment of principal under finance leases	24	(77)	(49)
Repayment of parent company loan		(50)	-
Receipt of bank loan	24	2,998	7,800
Net cash inflow from financing		10,368	7,751
Increase/(decrease) in cash and cash equivalents	25	1,483	(2,556)

Reconciliation of operating loss to net cash outflow from operating activities

	53 weeks ended 30 December 1995 £'000	52 weeks ended 24 December 1994 £'000
Continuing operating activities		
Operating loss	(93)	(1,043)
Depreciation on tangible fixed assets	2,341	1,470
Gain on sale of tangible fixed assets	(10)	(14)
Increase in stocks	(3,067)	(5,326)
Increase in trade debtors	(314)	(155)
Increase in prepayments and accrued income	(1,265)	(219)
Increase in other debtors	(158)	(64)
Increase in trade creditors	1,244	904
Increase in other taxation and social security	263	175
Decrease in accruals and deferred income	(1,018)	(384)
Net cash outflow from continuing operating activities	(2,077)	(4,656)

Notes to the financial statements for the 53 weeks ended 30 December 1995

1 Basis of preparation of financial statements

The ultimate parent company, Magazine zum Globus, has confirmed in writing that it will provide financial support to the company and group to enable it to continue trading for the forthcoming twelve months.

Accordingly, the financial statements have been prepared on a going concern basis.

The comparatives are for the 52 weeks ended 24 December 1994.

2 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 are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 December 1995. Intra-group sales and profits are eliminated fully on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is written off immediately against reserves.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Leasehold improvements	12½-20
Motor vehicles	10 -33 1/3
Office equipment	12½ -33 1/3
Fixtures and fittings	12½

Store opening costs

Certain direct costs relating to opening new stores is carried forward as prepayments. Such cost is amortised over the period expected to benefit which is considered by the directors to be three years.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. When computing net realisable value an allowance is made for future markdowns.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The group operates a defined contribution scheme. The assets of the scheme are held separately from those of the companies in the group in an independently administered fund. The costs are charged to the profit and loss account in the accounting period in which they are payable.

3 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation are attributable to the principal activity of the group, being the retail sales of office supplies, carried out principally in the United Kingdom.

4 Cost of sales and net operating expenses

	1995 £'000	1994 £'000
Cost of sales	47,496	32,516
Distribution costs	898	691
Administrative expenses	16,744	11,725
	17,642	12,416
Less: other operating income	(663)	(276)
Net operating expenses	16,979	12,140

5 Store opening costs

Such costs represent certain direct costs incurred in respect of stores prior to their opening as adjusted for the amortisation of certain direct costs (see note 1).

6 Directors' emoluments

	1995 £'000	1994 £'000
Emoluments (including pension contributions and benefits in kind)	95	85

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1995 £'000	1994 £'000
The chairman	-	-
The highest paid director	87	77

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1995 Number	1994 Number
£0 to £5,000	3	3
£75,001 to £80,000	-	1
£85,001 to £90,000	1	-

7 Employee information

The average weekly number of persons (including executive directors) employed by the group during the period was:

	1995 Number	1994 Number
By activity:		
Stores	814	600
Administration	105	85
	919	685

	1995 £'000	1994 £'000
Staff costs (for the above persons):		
Wages and salaries	7,023	4,794
Social security costs	519	378
Other pension costs	105	74
	7,647	5,246

8 Investment income

	1995 £'000	1994 £'000
Interest receivable and similar income	49	23

9 Interest payable and similar charges

	1995 £'000	1994 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	1,891	1,228
On finance leases	31	18
	1,922	1,246

10 Loss on ordinary activities before taxation

	1995 £'000	1994 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Profit on sale of tangible fixed assets	**(10)**	(14)
Depreciation charge for the period:		
Tangible owned fixed assets	**2,261**	1,421
Tangible fixed assets held under finance leases	**80**	49
Auditors remuneration for:		
Audit services (company £25,000; 1994: £21,000)	**30**	25
Non-audit services for company	**28**	18
Hire of plant and machinery - operating leases	**250**	70
Hire of other assets - operating leases	**3,985**	2,336

11 Taxation

Tax losses available for relief in future years are estimated to be in excess of £15 million. Of these, £9 million have yet to be agreed with the Inland Revenue.

12 Tangible fixed assets

The group

	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 25 December 1994	5,080	683	2,394	3,631	11,788
Additions	2,078	216	1,136	1,626	5,056
Disposals	-	(44)	(16)	-	(60)
At 30 December 1995	**7,158**	**855**	**3,514**	**5,257**	**16,784**
Depreciation					
At 25 December 1994	1,204	177	763	701	2,845
Charge for the period	815	181	798	547	2,341
Eliminated in respect of disposals	-	(39)	(16)	-	(55)
At 30 December 1995	**2,019**	**319**	**1,545**	**1,248**	**5,131**
Net book value					
At 30 December 1995	**5,139**	**536**	**1,969**	**4,009**	**11,653**
Net book value					
At 24 December 1994	3,876	506	1,631	2,930	8,943

The company

	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 25 December 1994	4,768	670	2,316	3,238	10,992
Additions	2,061	216	1,122	1,597	4,996
Disposals	-	(44)	-	-	(44)
At 30 December 1995	**6,829**	**842**	**3,438**	**4,835**	**15,944**
Depreciation					
At 25 December 1994	1,091	168	718	568	2,545
Charge for the period	774	177	775	496	2,222
Eliminated in respect of disposals	-	(39)	-	-	(39)
At 30 December 1995	**1,865**	**306**	**1,493**	**1,064**	**4,728**
Net book value					
At 30 December 1995	**4,964**	**536**	**1,945**	**3,771**	**11,216**
Net book value					
At 24 December 1994	3,677	502	1,598	2,670	8,447

The net book value of tangible fixed assets of the company and group includes an amount of £373,000 (1994: £347,000) in respect of assets held under finance leases.

13 Fixed asset investments

The company

	Interests in group undertakings £'000
Cost and net book value	
At 24 December 1994 and 30 December 1995	103

During the period, the company established a new subsidiary, Globus Office World Superstores Limited. The investment comprises £2 ordinary shares.

Interests in group undertakings

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held by company
The Business Superstore Limited	England and Wales	Ordinary £1 shares	100%
		10% redeemable preference shares	100%
Globus Office World Superstores Limited	England and Wales	Ordinary £1 shares	100%

The above companies operated wholly in their countries of registration.

The principal activity of The Business Superstore Limited is the retailing of office stationery and equipment. Globus Office World Superstores Limited did not trade during the period.

14 Stocks

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Goods for resale	14,837	11,770	14,077	11,048

15 Debtors

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertaking	-	-	1,399	1,522
Prepayments and accrued income	693	478	693	478
	693	478	2,092	2,000
Amounts falling due within one year:				
Trade debtors	1,793	1,479	1,572	1,209
Other debtors	910	752	883	891
Prepayments and accrued income	1,879	829	1,696	634
	4,582	3,060	4,151	2,734

16 Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	30,127	27,892	30,127	27,892
Obligations under finance leases	76	77	76	77
Trade creditors	4,572	3,328	4,572	3,328
Amounts owed to group undertakings:				
Loan from parent company	-	50	-	50
Other taxation and social security	567	304	247	171
Accruals and deferred income	724	1,742	724	1,742
	36,066	33,393	35,746	33,260

At 30 December 1995 the company had a committed facility of £35,000,000 from Swiss Bank Corporation, London which is guaranteed by the ultimate parent company. This facility may be used by way of short term advances, acceptances, overdrafts and/or issuance of guarantees. Of this facility, £26,999,000 had been utilised at 30 December 1995 (1994: £24,001,000) by way of fixed advance deposits all of which are repayable within twelve months.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	1995	1994	1995	1994
Obligations under finance leases falling due:	£'000	£'000	£'000	£'000
Between one and two years	76	77	76	77
Between two and five years	222	191	222	191
	298	268	298	268

Finance leases

The net finance lease obligations to which the group and company are committed are:

	1995	1994
	£'000	£'000
In one year or less	76	77
Between one and two years	76	77
Between two and five years	222	191
	374	345

18 Provisions for liabilities and charges

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability/(asset), are as follows:

Group

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	382	369	(53)	-
Short term timing differences	369	151	(4)	-
Unrelieved tax losses	(751)	(520)	(4,387)	(3,440)
	-	-	(4,444)	(3,440)

Company

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	382	286	-	-
Short term timing differences	369	128	-	-
Unrelieved tax losses	(751)	(414)	(3,154)	(2,556)
	-	-	(3,154)	(2,556)

The deferred tax asset has not been recognised in the financial statements.

19 Called-up share capital

	1995	1994
	£'000	£'000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
Allotted, called-up and fully paid		
50,000 ordinary shares of £1 each	50	50

20 Capital contribution

	1995	1994
	£'000	£'000
Capital contribution	7,497	-

On 31 March 1995, the permanent capital of the company was increased from £50,000 to £7,547,000 (net of associated costs) by a capital contribution of £7,500,000 received from the parent company, Magazine zum Globus. The capital contribution represents a permanent addition to the capital of the company and is not available for distribution.

21 Profit and loss account

Group

	£'000
At 25 December 1994 (deficit)	(9,335)
Loss for the period	(1,966)
At 30 December 1995 (deficit)	**(11,301)**

Company

	£'000
At 25 December 1994 (deficit)	(9,121)
Loss for the period	(1,991)
At 30 December 1995 (deficit)	**(11,112)**

22 Loss for the period

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. Of the loss for the period £1,991,000 (1994: £2,305,000) is dealt with in the financial statements of the company.

23 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Loss for the period	(1,966)	(2,266)
Capital contribution	7,497	-
Net increase/(decrease) in shareholders' funds	5,531	(2,266)
Opening shareholders' funds	(9,285)	(7,019)
Closing shareholders' funds	**(3,754)**	(9,285)

24 Analysis of changes in financing during the period

	1995		1994	
	Share capital and capital contribution	Loans and finance lease obligations	Share capital and capital contribution	Loans and finance lease obligations
	£'000	£'000	£'000	£'000
At 25 December	50	24,396	50	16,251
Receipt of bank loan	-	2,998	-	7,800
Repayment of parent company loan	-	50	-	-
Inception of finance lease contracts	-	106	-	394
Repayments of principal under finance leases	-	(77)	-	(49)
Receipt of capital contribution	7,497	-	-	-
At 30 December	7,547	27,373	50	24,396

25 Cash and cash equivalents

	1995	1994
	£'000	£'000
Changes during the period		
At 25 December	(3,766)	(1,210)
Net cash inflow/(outflow)	1,483	(2,556)
At 30 December	(2,283)	(3,766)

	1995	1995 Change in period	1994	1994 Change in period	1993
	£'000	£'000	£'000	£'000	£'000
Analysis of balances					
Cash at bank and in hand	845	720	125	(1,150)	1,275
Bank overdrafts	(3,128)	763	(3,891)	(1,406)	(2,485)
At 30 December	(2,283)	1,483	(3,766)	(2,556)	(1,210)

26 Major non-cash transactions

During the period the group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of £106,000.

27 Capital commitments

	1995 £'000	1994 £'000
Capital expenditure that has been contracted for but has not been provided for in financial statements	1,000	-

28 Financial commitments

At 30 December 1995 the group had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	16	-	255	6
Expiring between two and five years inclusive	83	200	-	162
Expiring in over five years	4,716	-	3,043	-
	4,815	200	3,298	168

The group has an additional commitment for warehousing accommodation until 1999. The amount of this commitment varies depending on the level of throughput, and has not therefore been disclosed in the above figures.

The company has entered into an agreement to enter a lease for a new central distribution warehouse. Under the terms of the agreement the company will enter into a lease on completion of the development of the warehouse. The annual commitment under the operating lease will be £750,000, and this commitment will last for a minimum of 15 years.

29 Ultimate and immediate parent company

Magazine zum Globus, a company incorporated in Switzerland, is the ultimate and immediate parent company. According to the register kept by the company, Magazine zum Globus has a 100% interest in the equity capital of Globus Office World plc at 30 December 1995. Copies of the parent's consolidated financial statements may be obtained from Globus Office World plc, 82 Caversham Road, Reading, RG1 8AE.