

Registered no: 2430955

Globus Office World plc
Annual report
for the year ended 31 December 2002



Annual report for the year ended 31 December 2002

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**Directors' report
for the year ended 31 December 2002**

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Results and dividend

The profit for the year, after taxation, amounted to £3,924,000 (2001: £603,000).

Principal activity and review of the business

The principal activity of the group was the retailing of office stationery, furniture and equipment.

Turnover for the year has fallen slightly on last year's levels but there has still been growth on a like-for-like basis. The net effect of exceptional items on this year's operating profit has been a charge of £195,000 whereas last year's operating results were helped by net exceptional income of over £1m. Before exceptional items, operating profits have increased by £3,656,000 from £1,650,000 in 2001 to £5,306,000 in 2002. Continuing low interest rates and improving profitability have again reduced the net interest paid compared to the previous year, notwithstanding exceptional interest income in the year of £163,000. The welcome return to after tax profitability in 2001 has been continued and enhanced in 2002.

The group continues to have the full support of its parent company, Magazine zum Globus, which in the year has replaced the group's bank loan with a long term intra-group loan, and its ultimate parent company, Migros-Genossenschafts-Bund.

Future developments

The directors aim to maintain the management policies which have resulted in the improvement in the group's financial performance during the last year. Based on this sounder financial footing, consideration will be given to expanding the business.

Directors and their interests

The directors who held office during the year ended 31 December 2002 are given below:

Dr M Bonorand (Chairman) - resigned 25 February 2002

T Kern (Chairman) -- appointed 25 February 2002

M Barker

D Eberle

B Höhn

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

**Directors' report
for the year ended 31 December 2002**

Employee involvement

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'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 are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Policy and practice on payment of creditors

The group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU). For other suppliers, the group's policy is to:

- a) agree the terms of payment with those suppliers when defining the terms of each transaction;
- b) ensure that those suppliers are made aware of the terms of payment by inclusion in the relevant terms of contract; and
- c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

The company's and group's creditor payment period at 31 December 2002 was 18 days (2001: 23 days).

**Directors' report
for the year ended 31 December 2002****Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 (See Note 1).

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 25 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the board

**T Kern
Director**

25 February 2003

Independent auditors' report to the members of Globus Office World plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

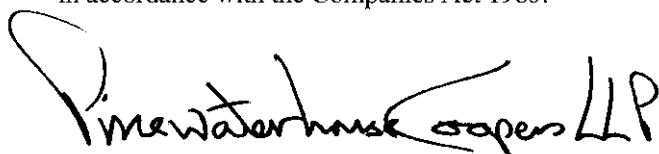
Basis of audit opinion

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 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

25 February 2003

**Group profit and loss account
for the year ended 31 December 2002**

	Notes	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Turnover	2	110,068	111,348
Cost of sales		(62,058)	(66,458)
Gross profit		48,010	44,890
Net operating expenses	3		
- before exceptional items		(42,704)	(43,240)
- exceptional items	4	(195)	1,048
- after exceptional items		(42,899)	(42,192)
Operating profit		5,111	2,698
Interest receivable	7		
- before exceptional items		150	81
- exceptional items	4	163	-
- after exceptional items		313	81
Interest payable and similar charges	8	(1,420)	(1,827)
Profit on ordinary activities before taxation	9	4,004	952
Tax on profit on ordinary activities	10	(80)	(349)
Retained profit for the period	20	3,924	603

The notes on pages 7 to 18 form part of these financial statements.

The group's results relate to continuing activities.

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

Balance sheets
at 31 December 2002

		Group		Company	
	Notes	2002	2001	2002	2001
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11	6,218	7,045	6,218	7,045
Investments	12	-	-	-	-
Current assets					
Stocks	13	21,668	19,242	21,668	19,242
Debtors: amounts falling due within one year	14	7,474	8,010	7,474	8,010
Cash at bank and in hand		5,076	2,605	5,076	2,605
		34,218	29,857	34,218	29,857
Creditors: amounts falling due within one year	15	(11,370)	(45,660)	(12,221)	(46,511)
Net current assets/(liabilities)		22,848	(15,803)	21,997	(16,654)
Total assets less current liabilities		29,066	(8,758)	28,215	(9,609)
Creditors: amounts falling due after more than one year	16	(35,000)	-	(35,000)	-
Provisions for liabilities and charges	17	(100)	(1,200)	(100)	(1,200)
Net liabilities		(6,034)	(9,958)	(6,885)	(10,809)
Capital and reserves					
Called-up share capital	18	50	50	50	50
Capital contribution	19	7,497	7,497	7,497	7,497
Profit and loss account (deficit)	20	(13,581)	(17,505)	(14,432)	(18,356)
Equity shareholders' funds (deficit)	22	(6,034)	(9,958)	(6,885)	(10,809)

The notes on pages 7 to 18 form part of these financial statements.

The financial statements on pages 5 to 18 were approved by the board of directors on 25 February 2003 and were signed on its behalf by:


T Kern
Director


B Höhn
Director

**Notes to the financial statements
for the year ended 31 December 2002****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 are prepared in accordance with the historical cost convention and the going concern basis of accounting. The group's parent company has confirmed its intention to continue its financial support of the group so as to ensure that it is able to meet its liabilities as they fall due for at least twelve months after the date of approval of these financial statements.

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 31 December 2002. Intra-group sales and profits are eliminated fully on consolidation.

Goodwill and Intangible Assets

Goodwill arising on acquisitions prior to 31 March 2000 was set off directly against reserves. Goodwill previously eliminated against reserves was not reinstated on implementation of FRS 10.

Positive goodwill arising on acquisitions since 1 April 2000 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

**Notes to the financial statements
for the year ended 31 December 2002****1 Principal accounting policies (continued)****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	10
Office equipment	$12\frac{1}{2} - 33\frac{1}{3}$
Fixtures and fittings	$12\frac{1}{2}$

Estimation of residual values and useful lives includes an assessment of the expected rate of technological development and the intensity at which the assets are expected to be used.

The carrying values of tangible fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

Stocks

Stocks are stated at the lower of cost and the net realisable value. 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. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes valued added tax, sales between group companies and trade discounts, represents income recognised on the provision of goods and services.

**Notes to the financial statements
for the year ended 31 December 2002****1 Principal accounting policies (continued)****Deferred taxation**

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. This represents a change in accounting policy. Previously deferred tax was recognised, using the liability method, on all material timing differences to the extent that it was probable that a liability or asset would crystallise.

There is no effect on the financial statements following the adoption of FRS 19.

Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling on the date of the transaction. Assets and liabilities, including long term liabilities, in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange differences arising are dealt with in the profit and loss account.

Pension scheme arrangements

The group operates a Group Personal Pension scheme which is 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.

Cash flow

The company is a subsidiary of Magazine zum Globus and the cash flows of the group are included in the consolidated group cash flow statement of that company. Consequently, the group is exempt under the terms of Financial Reporting Standard 1 (Revised), 'Cash flow statements', from publishing a cash flow statement.

Related party transactions

Financial Reporting Standard 8, 'Related Party Disclosures', requires the disclosure of the details of material transactions between the group and any related parties. The group has adopted the provisions of FRS 8, however, transactions between the company and other group companies, including their associates and joint ventures, have not been disclosed in accordance with the exemption in paragraph 3(c) of FRS 8.

Fixed asset investments

Fixed asset investments are stated at their cost less any provision for diminution in value.

**Notes to the financial statements
for the year ended 31 December 2002**

2 Turnover

The turnover arises from the group's principal activity in the United Kingdom and is attributable to one continuing activity.

3 Net operating expenses

	2002	2001
	£'000	£'000
Distribution costs	2,403	2,534
Administrative expenses (including exceptional costs of £413,000 (2001: £702,000) – see note 4)	41,615	42,441
	44,018	44,975
Less: other operating income (including exceptional income of £218,000 (2001: £1,750,000) – see note 4)	(1,119)	(2,783)
Net operating expenses	42,899	42,192

4 Exceptional items

Exceptional administrative expenses of £413,000 includes £350,000 which relates to further costs incurred in connection with the surrender in the year of the lease for one of the group's stores which was closed in December 2000. The costs relate mainly to utility charges and professional fees. Costs of £211,000 were recorded in 2001 in connection with this closure and form part of the total exceptional administrative expenses of £702,000 incurred in 2001.

Exceptional administrative expenses also includes £63,000 for professional fees incurred in relation to an amount received in compensation for the compulsory purchase in 1991 of a small piece of land at one of the group's stores. Exceptional other operating income of £218,000 was received in compensation, together with interest of £163,000.

Exceptional other operating income in 2001 of £1,750,000 relates to premiums received on the full and partial surrender of the leases for two of the group's stores. Exceptional administrative expenses incurred in 2001 of £491,000 were in connection with these surrenders, principally made up of professional fees, fixed asset write downs and associated property refurbishment costs.

**Notes to the financial statements
for the year ended 31 December 2002**

5 Directors' emoluments

	2002	2001
	£'000	£'000
Aggregate emoluments	1	-

There were no retirement benefits accruing to any of the directors during the period under a money purchase pension scheme (2001: none).

6 Employee information

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

	2002	2001
	Number	Number (Restated)
By activity		
Stores	1,091	1,136
Administration	234	245
	1,325	1,381
Staff costs:	2002	2001
	£'000	£'000
Wages and salaries	13,152	12,827
Social security costs	963	942
Pension costs	230	226
	14,345	13,995

**Notes to the financial statements
for the year ended 31 December 2002**

7 Interest receivable

	2002	2001
	£'000	£'000
Interest receivable and similar income (including exceptional interest income of £163,000 – see note 4)	313	81

8 Interest payable and similar charges

	2002	2001
	£'000	£'000
Bank loans and overdrafts	546	1,747
Intra-group loan	871	-
Other interest payable	3	80
	1,420	1,827

9 Profit on ordinary activities before taxation

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation is stated after (crediting) / charging:		
Loss on disposal of tangible fixed assets	3	57
Rent receivable under operating leases	(612)	(665)
Depreciation charge for the period:		
Tangible owned fixed assets	2,452	3,053
Auditors' remuneration for:		
Audit (company £120,000; 2001: £93,000)	120	93
Non audit services (company £31,000; 2001: £48,000)	31	48
Operating lease rentals - plant and machinery	1,459	1,435
- land and buildings	10,417	10,593

10 Tax on profit on ordinary activities

	2002	2001
	£'000	£'000
UK Corporation tax at 30% (2001: 30%)	88	449
Corporation tax over provided in previous years	(8)	(100)
Total Current Tax	80	349

**Notes to the financial statements
for the year ended 31 December 2002**

10 Tax on profit on ordinary activities – continued

The tax charge for the period is lower (2001 –higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax:	4,004	952
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	1,201	286
Effects of:		
Net expenses not deductible for tax purposes	199	311
Capital losses	370	-
Capital allowances in excess of depreciation	(353)	(170)
Other timing differences	(405)	109
Utilisation of brought forward losses	(924)	(87)
Adjustments to tax charge in respect of previous period	(8)	(100)
Current tax charge for the year	80	349

Globus Office World plc has estimated unutilised trading tax losses in excess of £7.0 million (2001: £12.5 million) to carry forward against future trading profits.

The company also has unutilised capital losses of £1.3 million (2001: £nil) available to carry forward against future capital gains.

The majority of both the trading and capital losses have not yet been agreed by the Inland Revenue.

**Notes to the financial statements
for the year ended 31 December 2002**

11 Tangible fixed assets

Group and Company

	Leasehold improve- ments £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2002	13,636	11,350	8,290	33,276
Additions	56	1,319	255	1,630
Disposals	(192)	(66)	(114)	(372)
At 31 December 2002	13,500	12,603	8,431	34,534
Depreciation				
At 1 January 2002	10,084	9,908	6,239	26,231
Charge for the period	904	798	750	2,452
Eliminated in respect of disposals	(191)	(62)	(114)	(367)
At 31 December 2002	10,797	10,644	6,875	28,316
Net book value				
At 31 December 2002	2,703	1,959	1,556	6,218
Net book value				
At 31 December 2001	3,552	1,442	2,051	7,045

12 Fixed asset investments – company

Interests in group undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by company
The Business Superstore Limited	Ordinary £1 shares 10% redeemable preference shares	100%
Globus Office World Superstores Limited	Ordinary £1 shares	100%
Globus Office World Developments (Basildon) Limited	Ordinary £1 shares	100%
Office 1 (Glasgow) Limited	Ordinary £1 shares	100%
Office World Direct Limited	Ordinary £1 shares	100%

The above companies operate wholly in the United Kingdom and none of them traded during the year ended 31 December 2002 or the year ended 31 December 2001.

The net book value of the above investments held by the company amounts to less than £1,000.

**Notes to the financial statements
for the year ended 31 December 2002**

13 Stocks

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Goods for resale	21,668	19,242	21,668	19,242

The replacement cost of goods for resale is not significantly different from cost.

14 Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	843	817	843	817
Amounts owed by group undertakings	-	307	-	307
Other debtors	787	546	787	546
Prepayments and accrued income	5,844	6,340	5,844	6,340
	7,474	8,010	7,474	8,010

15 Creditors: amount falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	34,500	-	34,500
Trade creditors	6,886	5,780	6,886	5,780
Amounts owed to group undertakings	13	-	864	851
Corporation tax	96	340	96	340
Other taxation and social security	912	1,266	912	1,266
Accruals and deferred income	3,463	3,774	3,463	3,774
	11,370	45,660	12,221	46,511

The loan of £34,500,000 as at 31 December 2001 was funded by HSBC Bank plc and was repayable on demand. This loan was repaid during the year and new funding of £35,000,000 was acquired from the group's immediate parent company, Magazine zum Globus. This loan is repayable in June 2007 and is therefore disclosed as falling due after more than one year (see note 16).

**Notes to the financial statements
for the year ended 31 December 2002**

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	35,000	-	35,000	-

17 Provisions for liabilities and charges

Group and Company

	Deferred tax (i)	Store closure (ii)	Total
	£'000	£'000	£'000
At 1 January 2002	-	1,200	1,200
Utilised in year	-	(1,200)	(1,200)
Addition in year	-	100	100
At 31 December 2002	-	100	100

(i) Deferred taxation

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

	Amount provided		Amount unprovided	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	-	-	(1,544)	(1,125)
Short-term timing differences	-	-	(61)	(475)
Unrelieved tax losses (see note 10)	-	-	(2,486)	(3,772)
	-	-	(4,091)	(5,372)

The group has not recognised a deferred tax asset as its recoverability cannot be assured in the foreseeable future.

(ii) Store closure

The brought forward provision of £1,200,000 relates to estimated vacant property costs associated with the closure of one of the group's stores. This was utilised in the year.

A further provision of £100,000 was made during the year for the costs associated with the future closure of another one of the group's stores.

**Notes to the financial statements
for the year ended 31 December 2002**

18 Called-up share capital

	2002	2001
	£'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

19 Capital contribution

The capital contribution, which was received from the immediate parent company, Magazine zum Globus, represents a permanent addition to the capital of the group.

20 Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 2002 (deficit)	(17,505)	(18,356)
Retained profit for the period	3,924	3,924
At 31 December 2002 (deficit)	(13,581)	(14,432)

The cumulative amounts of positive goodwill eliminated against reserves is £154,000 (2001: £154,000).

21 Profit 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. The parent company's profit for the financial period was £3,924,000 (2001: £602,000).

**Notes to the financial statements
for the year ended 31 December 2002**
22 Reconciliation of movements in equity shareholders' funds

	2002 £'000	2001 £'000
Opening equity shareholders' funds (deficit)	(9,958)	(10,561)
Profit for the period	3,924	603
Closing equity shareholders' funds (deficit)	(6,034)	(9,958)

23 Financial commitments

At 31 December 2002 the group and company had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	71	-	11
Expiring between two and five years inclusive	798	1,263	350	1,390
Expiring in over five years	10,325	-	10,211	-
	11,123	1,334	10,561	1,401

24 Ultimate parent undertaking and controlling party

In the opinion of the directors, the parent company of Globus Office World plc is Magazine zum Globus, a company incorporated in Switzerland. Magazine zum Globus has a 100% interest in the equity capital of Globus Office World plc at 31 December 2002. The directors regard Migros-Genossenschafts-Bund, an organisation registered in Switzerland, as the ultimate parent undertaking and controlling party. Copies of the immediate parent company's consolidated financial statements can be obtained from The Chief Finance Officer, Magazine zum Globus, Eichstrasse 27, 8045 Zurich, Switzerland. Copies of the financial statements of Migros-Genossenschafts-Bund can be obtained from Limmatstrasse 152, CH-8005 Zurich, Switzerland.