Company Registration No. 2472621

OFFICE DEPOT INTERNATIONAL (UK) LIMITED

Reports and Financial Statements

Year ended 30 December 2000



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REPORTS AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr K Cain
Mr M B Nelson (USA)
Mr G Cundick
Mr D Hulse
Mr D Fannin (USA)

SECRETARY

Mr G Cundick

REGISTERED OFFICE

Units A & B
Bursom Industrial Park
Tollwell Road
Leicester LE4 1BR

BANKERS

Royal Bank of Scotland
5 Market Street
Leicester LE1 6DN

Citibank
1 North Wall Quay
Dublin 1
Ireland

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Millhouse & Rumble
New Oxford House
22-24 Halford Street
Leicester LE1 1JB

Arthur Cox
Earlsfort Terrace
Dublin 2 Ireland

AUDITORS

Deloitte & Touche
Chartered Accountants
1 Woodborough Road
Nottingham
NG1 3FG

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 December 2000, the comparative period represents the 18 months ended 25 December 1999.

ACTIVITIES

The company's principal activity continues to be the distribution of office supplies by mail order and from telephone, internet and facsimile order. The company traded via operations in Leicester, London, and Manchester in the United Kingdom, and from a branch in Lilles, France.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company had sales of £327,266,000 (1999: 18 months £434,322,000) during the year and is well placed to increase turnover given favourable economic conditions.

DIVIDENDS AND TRANSFERS TO RESERVES

The company paid dividends of £18.30 per share (1999: 18 months £16.69 per share) during the year. The retained profit for the year of £724,000 (1999: 18 months £21,081,000) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are as follows:

Mr K Cain		
Mr M B Nelson	(USA)	
Mr G Cundick		
Mr D Hulse		
Mr D Fannin	(USA)	
Mr B Goldstein	(USA)	(Resigned 31 October 2000)

None of the directors had any interest in the shares of the company during the year.

EMPLOYEE INVOLVEMENT

Regular meetings are held with employee representatives to discuss business performance, prospects and matters that concern them as employees. Opportunity is given at these meetings for senior executives to be questioned about these and other matters relating to the business and their employment.

EMPLOYMENT OF DISABLED PERSONS

The company has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

DIRECTORS' REPORT

IMPACT OF CHANGEOVER TO THE EURO

The impact of the Euro on the current business has been minimal. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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 of the company as at the end of the financial year 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; and,
- 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 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.

Approved by the Board of Directors on 24 MAY 2001
and signed on behalf of the Board

G Cundick

Secretary

AUDITORS' REPORT TO THE MEMBERS OF OFFICE DEPOT INTERNATIONAL (UK) LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 the company's affairs as at 30 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

Deloitte & Touche
1 Woodborough Road
Nottingham
NG1 3FG

12th June 2001

PROFIT AND LOSS ACCOUNT
For the year ended 30 December 2000

	Note	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
TURNOVER – continuing operations	2	327,266	434,322
Cost of sales		(192,761)	(243,976)
Gross profit		134,505	190,346
Distribution costs		(35,000)	(46,522)
Administrative expenses		(49,515)	(73,792)
OPERATING PROFIT - continuing operations	4	49,990	70,032
Share of losses of subsidiary undertaking	10	(10,365)	(5,430)
Income from shares in group undertakings		-	2,147
Interest receivable and similar income	5	1,562	1,648
Interest payable and similar charges	6	(4,551)	(5,551)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		36,636	62,846
Tax on profit on ordinary activities	7	(10,912)	(18,961)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL PERIOD		25,724	43,885
Dividends paid	8	(25,000)	(22,804)
RETAINED PROFIT FOR PERIOD		724	21,081

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
Profit for the financial period	25,724	43,885
Currency translation differences on foreign currency investments	1,275	(7,855)
TOTAL RECOGNISED GAINS AND LOSS RELATING TO THE PERIOD	26,999	36,030

BALANCE SHEET
As at 30 December 2000

	Note	£'000	30 December 2000 £'000	£'000	25 December 1999 £'000
FIXED ASSETS					
Tangible fixed assets	9		25,379		21,345
Investments	10		107,138		116,846
			132,517		138,191
CURRENT ASSETS					
Stocks	11	43		18,125	
Debtors	12	47,665		44,525	
Cash at bank and in hand		9,616		16,641	
		57,324		79,291	
CREDITORS: amounts falling due within one year	13	(116,785)		(146,723)	
NET CURRENT LIABILITIES			(59,461)		(67,432)
TOTAL ASSETS LESS CURRENT LIABILITIES			73,056		70,759
PROVISIONS FOR LIABILITIES AND CHARGES	14		(598)		(300)
NET ASSETS			72,458		70,459
CAPITAL AND RESERVES					
Called up share capital	15		1,366		1,366
Share premium account	16		52,457		52,457
Profit and loss account	16		18,635		16,636
TOTAL EQUITY SHAREHOLDERS' FUNDS			72,458		70,459

These financial statements were approved by the Board of Directors on 24 MAY 2001

Signed on behalf of the Board of Directors

K Cain



NOTES TO THE ACCOUNTS
Year ended 30 December 2000

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention
The financial statements are prepared under the historical cost convention.

Tangible fixed assets
No depreciation is charged on freehold land. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of other fixed assets. The rates of depreciation are as follows:

Freehold buildings	5% per annum
Short-term leasehold improvements	Over the term of the lease
Plant and Machinery	Between 12.5% and 20% per annum
Computer equipment	33.3% per annum
Motor vehicles	33.3% per annum
Fixtures and fittings	20% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents invoice price and associated freight costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Rentals on operating leases are charged to operating profit in the period to which they relate.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transactions are entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Resulting translation gains or losses are dealt with in the profit and loss account.
The financial statements of overseas divisions, who record their transactions in foreign currencies are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is taken direct to reserves.

Pensions

Costs of the company's defined contribution pension scheme are charged to profit and loss in the period to which they relate.

Catalogue costs

Catalogue costs are written off to the profit and loss account in line with the expected period of income arising from each catalogue.

Investments

Investments held as fixed assets are stated at cost less provison for impairment.

Consolidation

The company is exempt from the requirement to prepare and deliver group accounts. Group accounts are prepared for the immediate parent company, Viking Direct (Holdings) Limited.

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

1. ACCOUNTING POLICIES (continued)

Cashflow statements

The company has taken advantage of the exemption conferred by FRS 1 for subsidiary companies not to disclose a cashflow statement.

2. TURNOVER

Turnover derives from one class of business and represents goods sold to third parties at invoiced value and excludes value added tax.

Geographical analysis of Turnover by location	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
United Kingdom	326,954	434,009
France	312	313
	327,266	434,322

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	12 months ended 30 December 2000 £	18 months ended 25 December 1999 £
Directors' emoluments	685,589	805,502
Highest paid Director		
Emoluments	274,932	427,467
Pension contribution	15,466	16,844
	290,398	444,311

Three directors (1999: three) are members of the company's money purchase pension scheme. Total contributions during the period were £34,273 (1999: £31,964).

Average number of persons employed	No.	No.
Distribution	381	367
Administration	650	592
	1,031	959

Staff costs during the period	£'000	£'000
Wages and salaries	18,461	23,320
Social security costs	1,872	2,245
Other pension costs	604	675
	20,937	26,240

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

4. OPERATING PROFIT

Operating profit is stated after charging:		12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
Depreciation and amortisation		3,974	5,275
Rentals under operating leases:	- plant and machinery	7	48
	- other assets	845	1,240
Auditors remuneration	- audit fees	47	50
	- non audit fees	35	37

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
Bank interest	1,251	1,016
Group company loan interest	311	361
Other interest receivable	-	10
Exchange gain on loans	-	261
	1,562	1,648

6. INTEREST PAYABLE AND SIMILAR CHARGES

	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
Interest on bank overdraft	-	38
Group company loan	4,242	5,513
Exchange loss on loans	309	-
	4,551	5,551

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
United Kingdom corporation tax at 30% (1999 – 30%) based on Profit for the year	10,562	18,921
Prior year adjustment	52	-
	10,614	18,921
Deferred taxation - current	298	40
	10,912	18,961

8. DIVIDENDS

	12 months ended 30 December 2000 £'000	18 months ended 25 December 1999 £'000
Dividend paid-£18.30 per share (1999-£16.69 per share)	25,000	22,804

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

9, TANGIBLE FIXED ASSETS

Cost	Freehold land and buildings £'000	Short-term Leasehold improve-ments £'000	Plant and machinery £'000	Motor Vehicles Fixtures & fittings £'000	Total £'000
At 26 December 1999	13,707	247	20,356	1,375	35,685
Additions	3,125	1,571	2,916	395	8,007
Disposals	-	-	(39)	(4)	(43)
Translation differences	-	1	-	-	1
At 30 December 2000	16,832	1,819	23,233	1,766	43,650
Accumulated Depreciation					
At 26 December 1999	2,307	36	11,364	633	14,340
Charge for the year	569	44	3,077	284	3,974
Disposals	-	-	(39)	(4)	(43)
At 30 December 2000	2,876	80	14,402	913	18,271
Net book value					
At 30 December 2000	13,956	1,739	8,831	853	25,379
At 25 December 1999	11,400	211	8,992	742	21,345

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

10. INVESTMENTS

	Shares in Group Undertakings £'000
Cost	
Balance as at 26 December 1999	122,276
Exchange difference	563
Balance as at 30 December 2000	122,839
Provisions	
Balance as at 26 December 1999	5,430
Share of losses for year	10,365
Exchange difference	(94)
Balance as at 30 December 2000	15,701
Net book value	
As at 30 December 2000	107,138
As at 25 December 1999	116,846

Aditional information on the subsidiaries is given in note 19

11. STOCKS

	30 December 2000 £'000	25 December 1999 £'000
Goods for resale	43	18,125

12. DEBTORS: DUE WITHIN ONE YEAR

	30 December 2000 £'000	25 December 1999 £'000
Trade debtors	39,723	36,661
Amounts owed by other group companies	1,403	863
Other debtors	3,800	4,729
Advance corporation tax recoverable	-	172
Prepayments and accrued income	2,739	2,100
	47,665	44,525

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 December 2000 £'000	25 December 1999 £'000
Trade creditors	6,027	38,244
Amounts owed to other group companies	104,029	91,482
Current corporation tax	3,622	13,320
Other taxes and social security	690	2,173
Other creditors	853	473
Accruals and deferred income	1,564	1,031
	116,785	146,723

Loans from group companies are unsecured, bear market rates of interest and are repayable on demand.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
Balance at 26 December 1999	300
Current period charge	298
Balance at 30 December 2000	598

Full provision is made for deferred tax, the amounts provided are as follows:

	30 December 2000 £'000	25 December 1999 £'000
Capital allowances in excess of depreciation	598	300
	598	300

15. CALLED UP SHARE CAPITAL

		25 December 1999 £
Authorised		
1,500,000 ordinary shares of £1 each	1,500,000	1,500,000
Called up, allotted and fully paid		
1,365,957 ordinary shares of £1 each	1,365,957	1,365,957

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

16. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £'000	Share premium account £'000
Balance at 26 December 1999	16,636	52,457
Retained profit for the period	724	-
Foreign exchange differences	1,275	-
Balance at 30 December 2000	18,635	52,457

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 December 2000 £'000	25 December 1999 £'000
Profit attributable to members of the company	25,724	43,885
Dividends	(25,000)	(22,804)
	724	21,081
Other recognised gains /(losses) for the period	1,275	(7,855)
Issue of shares	-	143
Premium on issue of shares	-	52,457
Net addition to shareholders' funds	1,999	65,826
Opening shareholders' funds	70,459	4,633
Closing shareholders' funds	72,458	70,459

NOTES TO THE ACCOUNTS
Year ended 30 December 2000

18. COMMITMENTS

The company has continuing financial commitments in respect of leases. The rents payable on property are subject to negotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of leased properties. The annual rental payable under these leases in the forthcoming year is as shown below:

	Land and buildings		Plant, machinery and motor vehicles	
	30 December 2000 £'000	25 December 1999 £'000	30 December 2000 £'000	25 December 2000 £'000
Leases which expire:				
Within one year	-	-	57	31
Within 2 to 5 years	-	-	480	184
After 5 years	791	542	-	-
	791	542	537	215

19 ADDITIONAL INFORMATION ON SUBSIDIARIES

Subsidiary Undertakings	Country of incorporation	Main activity	Portion of shares held
Viking Direct SARL	France	Mail order Office Supplies	100%
Office Depot SNC	France	Retail Office Supplies	95.1%

20. PENSION SCHEME

The company operates a defined contribution pension scheme for selected employees. Contributions are held in a fund administered by a separate trustee. The profit and loss charge of £604,000 (1999: 18 months £675,000) represents actual contributions paid in the period. As at 30 December 2000 there were no contributions due to the scheme by the company.

21. ULTIMATE PARENT COMPANY

The immediate parent company is Viking Direct (Holdings) Limited, a company registered in England and Wales. Copies of Viking Direct (Holdings) Limited's accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The ultimate parent company is Office Depot Inc., a company incorporated in the United States of America. Copies of Office Depot Inc.'s accounts can be obtained from 2200 Old Germantown Road, Delray Beach, FL 33445.

The company has taken advantage of the exemption given in FRS8 - Related Party Disclosures and not disclosed all transactions with other group companies.