

Eagle Office Supplies Limited

Financial Statements

31st December 2001

Company Registration Number 3045607



JOLLIFFE CORK

Chartered Accountants & Registered Auditors
33 George Street
Wakefield
WF1 1LX

Eagle Office Supplies Limited

Financial Statements

Year Ended 31st December 2001

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Eagle Office Supplies Limited

Officers and Professional Advisers

The Board of Directors

Mr J R Marlow
Mr R Coulson
Mr A M Hunt
Miss S M Bennett

Company Secretary

Mr R Coulson

Registered Office

Fox Way
Trinity Business Park
Wakefield
WF2 8EE

Auditors

Jolliffe Cork
Chartered Accountants
& Registered Auditors
33 George Street
Wakefield
WF1 1LX

Bankers

Barclays Bank plc
1 Wood Street
Wakefield
WF1 2EA

Eagle Office Supplies Limited

The Directors' Report

Year Ended 31st December 2001

The directors present their report and the financial statements of the company for the year ended 31st December 2001.

Principal Activities and Business Review

The principal activity of the company during the year was that of distributors of commercial stationery and office supplies.

Business Review

The directors are very disappointed with the results for the year which have been a result of a number of factors. The rapid expansion of the company has caused significant costs, reductions in margins and operational issues which took longer than expected to address. We are pleased to say that all financial matters are under control and audited accounts to 31st August 2002 disclose a return to profitability.

Results and Dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The Directors and their Interests in Shares of the Company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		At 31 December 2001	At 1 January 2001
Mr J R Marlow	Ordinary	—	—
	Preferred Ordinary	3,000	3,000
Mr R Coulson	Ordinary	—	—
Mr A M Hunt	Ordinary	—	—
Miss S M Bennett	Ordinary	225	225

Both Mr R Coulson and Mr A M Hunt are directors of Eagle Office Smart Limited which holds 6,775 of the 'A' Ordinary shares in Eagle Office Supplies Limited. The interests of the directors in Eagle Office Smart Limited are disclosed in that company's accounts.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 11, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Eagle Office Supplies Limited

The Directors' Report *(continued)*

Year Ended 31st December 2001

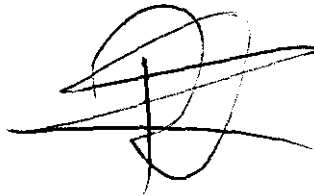
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding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

Auditors

A resolution to re-appoint Jolliffe Cork as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Fox Way
Trinity Business Park
Wakefield
WF2 8EE

Signed by order of the directors

A handwritten signature in black ink, consisting of a large, stylized 'C' with a horizontal line through it, and a vertical line extending downwards from the center of the 'C'.

Mr R Coulson
Company Secretary

Approved by the directors on 18th October 2002

Eagle Office Supplies Limited

Independent Auditors' Report to the Shareholders

Year Ended 31st December 2001

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

Respective Responsibilities of the Directors and the Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on pages 2 to 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of Audit 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.

Eagle Office Supplies Limited

Independent Auditors' Report to the Shareholders *(Continued)*

Year Ended 31st December 2001

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2001 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

33 George Street
Wakefield
WF1 1LX

18th October 2002



JOLLIFFE CORK
Chartered Accountants
& Registered Auditors

Eagle Office Supplies Limited

Profit and Loss Account

Year Ended 31st December 2001

	Note	2001 £	2000 £
Turnover	2	6,135,216	3,725,561
Cost of sales		4,987,949	2,767,462
Gross Profit		1,147,267	958,099
Distribution Costs		266,473	94,930
Administrative expenses		1,131,382	814,381
Operating (Loss)/Profit	3	(250,588)	48,788
Interest receivable		-	327
Interest payable	6	(10,186)	(7,599)
(Loss)/Profit on Ordinary Activities Before Taxation		(260,774)	41,516
Tax on (loss)/profit on ordinary activities	7	1,917	3,658
(Loss)/Profit on Ordinary Activities after Taxation		(262,691)	37,858
Dividends	8	-	22,500
(Loss)/Retained Profit for the Financial Year		(262,691)	15,358

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 11 to 18 form part of these financial statements.

Eagle Office Supplies Limited

Balance Sheet

31st December 2001

	Note	2001 £	2000 £
Fixed Assets			
Tangible assets	9	156,991	147,119
Investments	10	9,177	9,177
		<u>166,168</u>	<u>156,296</u>
Current Assets			
Stocks	11	178,893	163,860
Debtors	12	1,568,380	1,586,991
Cash in hand		5,026	4,071
		<u>1,752,299</u>	<u>1,754,922</u>
Creditors: Amounts Falling due Within One Year	13	<u>1,872,121</u>	<u>1,596,905</u>
Net Current (Liabilities)/Assets		<u>(119,822)</u>	<u>158,017</u>
Total Assets Less Current Liabilities		<u>46,346</u>	<u>314,313</u>
Creditors: Amounts Falling due after More than One Year	14	<u>39,004</u>	<u>44,280</u>
		<u>7,342</u>	<u>270,033</u>
Capital and Reserves			
Called-up equity share capital	18	10,000	10,000
Share premium account		263,144	263,144
Profit and Loss Account	19	(265,802)	(3,111)
Shareholders' Funds	20	<u>7,342</u>	<u>270,033</u>

These financial statements were approved by the directors on the 18th October 2002 and are signed on their behalf by:

Mr J R Marlow

Mr R Coulson

Mr A M Hunt

The notes on pages 11 to 18 form part of these financial statements.

Eagle Office Supplies Limited

Cash Flow Statement

Year Ended 31st December 2001

	2001		2000
	£	£	£
Net Cash Inflow/(Outflow) From Operating Activities		198,376	(54,232)
Returns on Investments and Servicing of Finance			
Interest received	-		327
Interest paid	(5,659)		(3,484)
Interest element of hire purchase	(4,527)		(4,115)
Net Cash Outflow From Returns on Investments and Servicing of Finance		(10,186)	(7,272)
Taxation		(5,575)	8,897
Capital Expenditure			
Payments to acquire tangible fixed assets	(89,725)		(91,411)
Receipts from sale of fixed assets	38,476		37,237
Net Cash Outflow From Capital Expenditure		(51,249)	(54,174)
Equity Dividends Paid		-	(22,500)
Cash Inflow/(Outflow) Before Financing		131,366	(129,281)
Financing			
New bank loan	-		5,195
Repayment of bank loans	(1,732)		(288)
New hire purchase	24,988		61,221
Capital element of hire purchase	(43,426)		(37,033)
Net Cash (Outflow)/Inflow From Financing		(20,170)	29,095
Increase/(Decrease) in Cash		111,196	(100,186)

The notes on pages 11 to 18 form part of these financial statements.

Eagle Office Supplies Limited

Cash Flow Statement *(continued)*

Year Ended 31st December 2001

Reconciliation of Operating (Loss)/Profit to Net Cash (Outflow)/Inflow From Operating Activities

	2001	2000
	£	£
Operating (loss)/profit	(250,588)	48,788
Depreciation	40,244	38,670
Loss on disposal of fixed assets	1,133	5,110
Increase in stocks	(15,033)	(83,937)
Decrease/(Increase) in debtors	18,611	(784,717)
Increase in creditors	404,009	721,854
Net cash inflow/(outflow) from operating activities	198,376	(54,232)

Reconciliation of Net Cash Flow to Movement in Net Debt

	2001	2000
	£	£
Increase/(Decrease) in cash in the period	111,196	(100,186)
Net cash outflow from/(inflow) from bank loans	1,732	(4,907)
Cash outflow in respect of hire purchase	18,438	(24,188)
	<u>131,366</u>	<u>(129,281)</u>
Change in net debt	131,366	(129,281)
Net debt at 1 January 2001	(301,309)	(172,028)
Net debt at 31 December 2001	(169,943)	(301,309)

The notes on pages 11 to 18 form part of these financial statements.

Eagle Office Supplies Limited

Cash Flow Statement *(continued)*

Year Ended 31st December 2001

Analysis of Changes in Net Debt

	At 1 Jan 2001 £	Cash flows £	At 31 Dec 2001 £
Net cash:			
Cash in hand and at bank	4,071	955	5,026
Overdrafts	(229,102)	110,241	(118,861)
	<u>(225,031)</u>	<u>111,196</u>	<u>(113,835)</u>
Debt:			
Debt due within 1 year	(1,732)	–	(1,732)
Debt due after 1 year	(3,175)	1,732	(1,443)
Hire purchase agreements	(71,371)	18,438	(52,933)
	<u>(76,278)</u>	<u>20,170</u>	<u>(56,108)</u>
Net debt	<u>(301,309)</u>	<u>131,366</u>	<u>(169,943)</u>

The notes on pages 11 to 18 form part of these financial statements.

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- 15 years
Fixtures, plant and equipment	- 15% reducing balance
Motor vehicles	- 25% reducing balance
Computer equipment	- 33 1/3% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension Costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

Deferred Taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2001 £	2000 £
United Kingdom	<u>6,135,216</u>	<u>3,725,561</u>

3. Operating (Loss)/Profit

Operating (loss)/profit is stated after charging:

	2001 £	2000 £
Depreciation	40,244	38,670
Loss on disposal of fixed assets	1,133	5,110
Auditors' remuneration - as auditors	<u>5,000</u>	<u>5,000</u>

4. Particulars of Employees

The aggregate payroll costs of the above were:

	2001 £	2000 £
Wages and salaries	601,534	491,713
Social security costs	50,515	42,844
Other pension costs	4,400	2,400
	<u>656,449</u>	<u>536,957</u>

5. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2001 £	2000 £
Emoluments receivable	146,450	123,905
Value of company pension contributions to money purchase schemes	4,400	2,400
	<u>150,850</u>	<u>126,305</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2001 No.	2000 No.
Money purchase schemes	<u>1</u>	<u>1</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

6. Interest Payable

	2001	2000
	£	£
Interest payable on bank borrowing	5,376	3,437
Finance charges	4,527	4,115
Other similar charges payable	283	47
	<u>10,186</u>	<u>7,599</u>

7. Tax on Loss or Profit on Ordinary Activities

Taxation

	2001	2000
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 20% (2000 - 17.40%)	-	3,658
Over/under provision in prior year	1,917	-
Total current tax	<u>1,917</u>	<u>3,658</u>
Tax on loss or profit on ordinary activities	<u>1,917</u>	<u>3,658</u>

8. Dividends

No dividend has been recommended for the year ended 31st December 2001.

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

9. Tangible Fixed Assets

	Leasehold Improvements £	Fixtures, Plant & Equipment £	Motor Vehicles £	Computer Equipment £	Total £
Cost					
At 1 January 2001	15,000	9,748	122,303	94,304	241,355
Additions	48,847	28,740	7,209	4,929	89,725
Disposals	—	—	(79,321)	—	(79,321)
At 31 December 2001	63,847	38,488	50,191	99,233	251,759
Depreciation					
At 1 January 2001	—	3,944	38,307	51,985	94,236
Charge for the year	4,257	3,421	17,267	15,299	40,244
On disposals	—	—	(39,712)	—	(39,712)
At 31 December 2001	4,257	7,365	15,862	67,284	94,768
Net Book Value					
At 31 December 2001	59,590	31,123	34,329	31,949	156,991
At 31 December 2000	15,000	5,804	83,996	42,319	147,119

Hire purchase agreements

Included within the net book value of £156,991 is £57,502 (2000 - £80,038) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £13,736 (2000 - £19,801).

Capital commitments

	2001 £	2000 £
Contracted but not provided for in the financial statements	—	41,565

10. Investments

	Other Investments £
Cost:	
At 1st January 2001 and 31st December 2001	9,177
Net Book Value:	
At 31st December 2001	9,177
At 31st December 2000	9,177

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

11. Stocks

	2001	2000
	£	£
Stock	<u>178,893</u>	<u>163,860</u>

12. Debtors

	2001	2000
	£	£
Trade debtors	1,096,920	1,149,375
Amounts owed by group undertakings	332,480	332,480
Other debtors	37,081	16,888
Prepayments and accrued income	101,899	88,248
	<u>1,568,380</u>	<u>1,586,991</u>

The debtors above include the following amounts falling due after more than one year:

	2001	2000
	£	£
Amounts owed by group undertakings	<u>332,480</u>	<u>332,480</u>

13. Creditors: Amounts Falling due Within One Year

	2001	2000
	£	£
Sales ledger financing	791,026	568,552
Bank loans and overdrafts	120,593	230,834
Trade creditors	893,456	701,001
Other creditors including taxation and social security:		
Corporation tax	—	3,658
PAYE and social security	15,131	15,949
VAT	21,329	28,348
Hire purchase agreements	15,372	30,266
Other creditors	910	—
Directors current accounts	679	679
	<u>53,421</u>	<u>78,900</u>
Accruals and deferred income	13,625	17,618
	<u>1,872,121</u>	<u>1,596,905</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

13. Creditors: Amounts Falling due Within One Year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2001	2000
	£	£
Bank loans and overdrafts	54,030	233,920
Sales ledger financing	887,831	568,552
	<u>941,861</u>	<u>802,472</u>

14. Creditors: Amounts Falling due after More than One Year

	2001	2000
	£	£
Bank loans and overdrafts	1,443	3,175
Other creditors:		
Hire purchase agreements	37,561	41,105
	<u>39,004</u>	<u>44,280</u>

15. Commitments under Hire Purchase Agreements

Future commitments under hire purchase agreements are as follows:

	2001	2000
	£	£
Amounts payable within 1 year	15,372	30,266
Amounts payable between 2 to 5 years	37,561	41,105
	<u>52,933</u>	<u>71,371</u>
Hire purchase agreements are analysed as follows:		
Current obligations	15,372	30,266
Non-current obligations	37,561	41,105
	<u>52,933</u>	<u>71,371</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

16. Commitments under Operating Leases

At 31st December 2001 the company had annual commitments under non-cancellable operating leases as set out below.

	2001		2000	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	18,600	—	18,600	—
Within 2 to 5 years	—	74,972	—	17,758
After more than 5 years	42,500	—	42,500	—
	<u>61,100</u>	<u>74,972</u>	<u>61,100</u>	<u>17,758</u>

17. Related Party Transactions

The company was under the control of Mr R Coulson and Mr A M Hunt throughout the current year.

Both Mr R Coulson and Mr A M Hunt are directors and shareholders of Eagle Office Smart Limited which owes £332,480 to Eagle Office Supplies Limited.

18. Share Capital

Authorised share capital:

	2001 £	2000 £
7,000 Ordinary shares of £1 each	7,000	7,000
3,000 Preferred Ordinary shares of £1 each	3,000	3,000
	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	2001		2000	
	No.	£	No.	£
Ordinary shares	7,000	7,000	7,000	7,000
Preferred Ordinary shares	3,000	3,000	3,000	3,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

19. Profit and Loss Account

	2001 £	2000 £
Balance brought forward	(3,111)	(18,469)
(Accumulated loss)/retained profit for the financial year	(262,691)	15,358
Balance carried forward	<u>(265,802)</u>	<u>(3,111)</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2001

20. Reconciliation of Movements in Shareholders' Funds

	2001 £	2000 £
(Loss)/Profit for the financial year	(262,691)	37,858
Dividends	—	(22,500)
	<u>(262,691)</u>	<u>15,358</u>
Opening shareholders' equity funds	270,033	254,675
Closing shareholders' equity funds	<u>7,342</u>	<u>270,033</u>

21. Ultimate Parent Company

The ultimate parent company is Eagle Office Smart Limited, a company registered in England.