

COMPANY REGISTRATION NUMBER 3045607

Eagle Office Supplies Limited

Financial Statements

31st December 2004



JOLLIFFE CORK LLP

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

Eagle Office Supplies Limited

Financial Statements

Year Ended 31st December 2004

Contents	Page
Officers and Professional Advisers	1
The Directors' Report	2
Independent Auditors' Report to the Shareholders	4
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	11

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 LLP
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 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2004.

Principal Activities and Business Review

The directors are pleased with the results for the period and expect that the present level of activity to be sustained for the foreseeable future.

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

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 recommended the following dividends:

	2004 £	2003 £
Dividends paid on ordinary shares	<u>64,750</u>	<u>—</u>

The Directors and their Interests in the 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 2004	At 1 January 2004
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
	Preferred	—	—
	Ordinary	<u>—</u>	<u>—</u>

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 pages 11 to 12, 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 2004

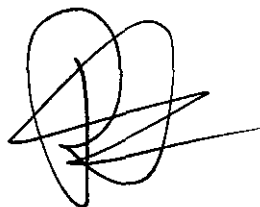
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding 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 LLP 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 extending to the right.

Mr R Coulson
Company Secretary

Approved by the directors on 20th May 2005

Eagle Office Supplies Limited

Independent Auditors' Report to the Shareholders of Eagle Office Supplies Limited

Year Ended 31st December 2004

We have audited the financial statements of Eagle Office Supplies Limited for the year ended 31st December 2004 on pages 6 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 12.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

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 of Eagle Office Supplies Limited *(continued)*

Year Ended 31st December 2004

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 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

33 George Street
Wakefield
WF1 1LX

20th May 2005


JOLLIFFE CORK LLP
Chartered Accountants
& Registered Auditors

Eagle Office Supplies Limited

Profit and Loss Account

Year Ended 31st December 2004

	Note	2004 £	2003 £
Turnover	2	7,134,478	7,567,826
Cost of sales		<u>5,303,091</u>	<u>5,717,937</u>
Gross Profit		1,831,387	1,849,889
Distribution Costs		264,906	340,521
Administrative expenses		<u>1,336,709</u>	<u>1,445,087</u>
Operating Profit	3	229,772	64,281
Amounts written off investments	6	(2,250)	(2,250)
Interest payable and similar charges	7	20,817	17,669
Profit on Ordinary Activities Before Taxation		<u>206,705</u>	<u>44,362</u>
Tax on profit on ordinary activities	8	40,772	3,324
Profit on Ordinary Activities after Taxation		<u>165,933</u>	<u>41,038</u>
Dividends	9	64,750	—
Retained Profit for the Financial Year		<u>101,183</u>	<u>41,038</u>

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

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

The notes on pages 11 to 20 form part of these financial statements.

Eagle Office Supplies Limited

Balance Sheet

31st December 2004

	Note	2004 £	£	2003 £	£
Fixed Assets					
Intangible assets	10		2,000		3,000
Tangible assets	11		180,556		283,009
Investments	12		—		2,250
			<u>182,556</u>		<u>288,259</u>
Current Assets					
Stocks	13	176,484		193,362	
Debtors	14	1,802,823		1,876,462	
Cash in hand		479		—	
		<u>1,979,786</u>		<u>2,069,824</u>	
Creditors: Amounts Falling due Within One Year	15	<u>1,800,599</u>		<u>2,040,804</u>	
Net Current Assets			<u>179,187</u>		<u>29,020</u>
Total Assets Less Current Liabilities			<u>361,743</u>		<u>317,279</u>
Creditors: Amounts Falling due after More than One Year	16		<u>77,889</u>		<u>139,693</u>
			<u>283,854</u>		<u>177,586</u>
Provisions for Liabilities and Charges					
Deferred taxation	18		<u>8,409</u>		<u>3,324</u>
			<u>275,445</u>		<u>174,262</u>
Capital and Reserves					
Called-up equity share capital	21		10,000		10,000
Share premium account			263,144		263,144
Profit and loss account	22		2,301		(98,882)
Shareholders' Funds	23		<u>275,445</u>		<u>174,262</u>

These financial statements were approved by the directors on the 20th May 2005 and are signed on their behalf by:

Mr J R Marlow

Mr R Coulson

Mr A M Hunt

The notes on pages 11 to 20 form part of these financial statements.

Eagle Office Supplies Limited

Cash Flow Statement

Year Ended 31st December 2004

	2004		2003
	£	£	£
Net Cash (Outflow)/Inflow From Operating Activities		(34,019)	133,112
Returns on Investments and Servicing of Finance			
Interest paid	(5,316)		(4,679)
Interest element of hire purchase	<u>(15,501)</u>		<u>(12,990)</u>
Net Cash Outflow From Returns on Investments and Servicing of Finance		(20,817)	(17,669)
Taxation		32,750	—
Capital Expenditure			
Payments to acquire tangible fixed assets	(38,584)		(121,170)
Receipts from sale of fixed assets	<u>165,074</u>		<u>23,436</u>
Net Cash Inflow/(Outflow) From Capital Expenditure		126,490	(97,734)
Equity Dividends Paid		(64,750)	—
Cash Inflow Before Financing		39,654	17,709
Financing			
Increase in bank loans	—		(1,443)
Capital element of hire purchase	<u>(67,870)</u>		<u>36,522</u>
Net Cash (Outflow)/Inflow From Financing		(67,870)	35,079
(Decrease)/Increase in Cash		<u>(28,216)</u>	<u>52,788</u>

The notes on pages 11 to 20 form part of these financial statements.

Eagle Office Supplies Limited

Cash Flow Statement *(continued)*

Year Ended 31st December 2004

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

	2004	2003
	£	£
Operating profit	229,772	64,281
Amortisation	1,000	1,000
Depreciation	56,257	65,013
(Profit)/Loss on disposal of fixed assets	(80,294)	2,481
Decrease/(increase) in stocks	16,878	(33,810)
Decrease/(increase) in debtors	73,639	(30,903)
(Decrease)/increase in creditors	(331,271)	65,050
Net cash (outflow)/inflow from operating activities	<u>(34,019)</u>	<u>133,112</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	2004		2003	
	£	£	£	£
(Decrease)/increase in cash in the period	(28,216)		52,788	
Net cash outflow from bank loans	—		1,443	
Cash outflow in respect of hire purchase	<u>67,870</u>		<u>(36,522)</u>	
		<u>39,654</u>		<u>17,709</u>
Change in net debt		39,654		17,709
Net debt at 1 January 2004		<u>(245,345)</u>		<u>(263,054)</u>
Net debt at 31 December 2004		<u>(205,691)</u>		<u>(245,345)</u>

The notes on pages 11 to 20 form part of these financial statements.

Eagle Office Supplies Limited

Cash Flow Statement *(continued)*

Year Ended 31st December 2004

Analysis of Changes in Net Debt

	At 1 Jan 2004 £	Cash flows £	At 31 Dec 2004 £
Net cash:			
Cash in hand and at bank	—	479	479
Overdrafts	<u>(48,941)</u>	<u>(28,695)</u>	<u>(77,636)</u>
	<u>(48,941)</u>	<u>(28,216)</u>	<u>(77,157)</u>
Debt:			
Hire purchase agreements	<u>(196,404)</u>	<u>67,870</u>	<u>(128,534)</u>
Net debt	<u>(245,345)</u>	<u>39,654</u>	<u>(205,691)</u>

The notes on pages 11 to 20 form part of these financial statements.

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

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.

Amortisation

Amortisation 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:

Goodwill - 5 years

Fixed Assets

All fixed assets are initially recorded at cost.

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.

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

1. Accounting Policies *(continued)*

Pension Costs

The company operates a defined contribution pension scheme for directors. 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

Following the introduction of FRS 19, the company has revised its accounting policy for deferred tax. Standard accounting practice now requires the recognition of deferred tax arising from timing differences and the creation of a provision for deferred tax liabilities. Under previous practice no provision was required where deferred tax liabilities were not expected to crystallise.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	<u>7,134,478</u>	<u>7,567,826</u>

3. Operating Profit

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Amortisation	1,000	1,000
Depreciation of owned fixed assets	17,349	19,184
Depreciation of assets held under hire purchase agreements	38,908	45,829
(Profit)/Loss on disposal of fixed assets	(80,294)	2,481
Auditors' remuneration		
- as auditors	<u>4,275</u>	<u>5,000</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

4. Particulars of Employees

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of administrative staff	<u>53</u>	<u>48</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	784,517	808,901
Social security costs	68,507	79,321
Other pension costs	<u>4,800</u>	<u>4,800</u>
	<u>857,824</u>	<u>893,022</u>

5. Directors' Emoluments

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

	2004	2003
	£	£
Emoluments receivable	99,750	114,779
Value of company pension contributions to money purchase schemes	<u>4,800</u>	<u>4,800</u>
	<u>104,550</u>	<u>119,579</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004	2003
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6. Amounts Written Off Investments

	2004	2003
	£	£
Amount written off investments	<u>2,250</u>	<u>2,250</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

7. Interest Payable and Similar Charges

	2004	2003
	£	£
Interest payable on bank borrowing	2,204	1,845
Finance charges	15,501	12,990
Other similar charges payable	3,112	2,834
	<u>20,817</u>	<u>17,669</u>

8. Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 19% (2003 - 19%)	35,687	—
Total current tax	<u>35,687</u>	—
Deferred tax:		
Origination and reversal of timing differences (note 18)		
Capital allowances	5,085	3,324
Tax on profit on ordinary activities	<u>40,772</u>	<u>3,324</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2003 - 19%).

	2004	2003
	£	£
Profit on ordinary activities before taxation	<u>206,705</u>	<u>44,362</u>
Profit/(loss) on ord actvs by rate of tax	39,274	8,429
Expenses not deductible for tax purposes	(2,335)	15,618
Capital allowances	(8,779)	(11,735)
Utilised losses	(3,738)	(12,273)
Charges on income	(354)	(39)
Chargeable gain	11,619	—
Total current tax (note 8(a))	<u>35,687</u>	<u>—</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

9. Dividends

The following dividends have been paid in respect of the year:

	2004	2003
	£	£
Dividend paid on ordinary shares	<u>64,750</u>	<u>—</u>

10. Intangible Fixed Assets

	Goodwill
	£
Cost	
At 1st January 2004 and 31st December 2004	<u>5,000</u>
Amortisation	
At 1st January 2004	2,000
Charge for the year	<u>1,000</u>
At 31st December 2004	<u>3,000</u>
Net Book Value	
At 31st December 2004	<u>2,000</u>
At 31st December 2003	<u>3,000</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

11. Tangible Fixed Assets

	Leasehold Improvements £	Fixtures, Plant & Equipment £	Motor Vehicles £	Computer Equipment £	Total £
Cost					
At 1 January 2004	63,847	61,998	225,264	111,039	462,148
Additions	—	6,225	26,260	6,099	38,584
Disposals	(63,847)	—	(64,283)	—	(128,130)
At 31 December 2004	<u>—</u>	<u>68,223</u>	<u>187,241</u>	<u>117,138</u>	<u>372,602</u>
Depreciation					
At 1 January 2004	12,769	18,491	58,935	88,944	179,139
Charge for the year	2,483	7,228	38,515	8,031	56,257
On disposals	(15,252)	—	(28,098)	—	(43,350)
At 31 December 2004	<u>—</u>	<u>25,719</u>	<u>69,352</u>	<u>96,975</u>	<u>192,046</u>
Net Book Value					
At 31 December 2004	<u>—</u>	<u>42,504</u>	<u>117,889</u>	<u>20,163</u>	<u>180,556</u>
At 31 December 2003	<u>51,078</u>	<u>43,507</u>	<u>166,329</u>	<u>22,095</u>	<u>283,009</u>

Hire purchase agreements

Included within the net book value of £180,556 is £137,560 (2003 - £195,573) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £38,908 (2003 - £45,829).

12. Investments

	Other Investments £
Cost	
At 1st January 2004 and 31st December 2004	<u>9,177</u>
Amounts Written Off	
At 1st January 2004	6,927
Written off in year	<u>2,250</u>
At 31st December 2004	<u>9,177</u>
Net Book Value	
At 31st December 2004	<u>—</u>
At 31st December 2003	<u>2,250</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

13. Stocks

	2004 £	2003 £
Stock	<u>176,484</u>	<u>193,362</u>

14. Debtors

	2004 £	2003 £
Trade debtors	1,245,997	1,424,588
Amounts owed by group undertakings	333,225	332,745
Other debtors	1,139	3,075
S419 tax recoverable	32,750	—
Directors current accounts	131,000	—
Prepayments and accrued income	58,712	116,054
	<u>1,802,823</u>	<u>1,876,462</u>

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

	2004 £	2003 £
Amounts owed by group undertakings	<u>333,225</u>	<u>332,780</u>

The maximum indebtedness to the company on the directors' current accounts during year was £65,500 relating to Mr R Coulson and £65,500 relating to Mr A M Hunt.

15. Creditors: Amounts Falling due Within One Year

	2004 £	2003 £
Sales ledger financing	710,767	1,053,831
Bank loans and overdrafts	77,636	48,941
Trade creditors	792,291	801,818
Other creditors including taxation and social security:		
Corporation tax	68,437	—
PAYE and social security	21,270	18,876
VAT	66,776	52,773
Hire purchase agreements	50,645	56,711
Directors current accounts	—	679
	<u>207,128</u>	<u>129,039</u>
Accruals and deferred income	12,777	7,175
	<u>1,800,599</u>	<u>2,040,804</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

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

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

	2004	2003
	£	£
Bank loans and overdrafts	77,636	51,226
Sales ledger financing	710,767	1,053,831
	<u>788,403</u>	<u>1,105,057</u>

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

	2004	2003
	£	£
Other creditors:		
Hire purchase agreements	<u>77,889</u>	<u>139,693</u>

17. Commitments under Hire Purchase Agreements

Future commitments under hire purchase agreements are as follows:

	2004	2003
	£	£
Amounts payable within 1 year	50,645	56,711
Amounts payable between 1 and 2 years	77,889	139,693
	<u>128,534</u>	<u>196,404</u>

18. Deferred Taxation

The movement in the deferred taxation provision during the year was:

	2004	2003
	£	£
Provision brought forward	3,324	—
Profit and loss account movement arising during the year	5,085	3,324
Provision carried forward	<u>8,409</u>	<u>3,324</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	8,409	3,324
	<u>8,409</u>	<u>3,324</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

19. Commitments under Operating Leases

At 31st December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	—	—	—	40,977
Within 2 to 5 years	—	64,774	—	20,084
After more than 5 years	42,500	—	42,500	—
	<u>42,500</u>	<u>64,774</u>	<u>42,500</u>	<u>61,061</u>

20. Related Party Transactions

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

Both Mr R Coulson and Mr A M Hunt are directors and shareholders of Eagle Office Smart Limited, Complete Office Solutions Limited and COS UK Limited which owes £332,480, £550 and £75 to Eagle Office Supplies Limited respectively.

21. Share Capital

Authorised share capital:

	2004 £	2003 £
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:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	7,000	7,000	7,000	7,000
Preferred Ordinary shares of £1 each	3,000	3,000	3,000	3,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

22. Profit and Loss Account

	2004 £	2003 £
Balance brought forward	(98,882)	(139,920)
Retained profit for the financial year	101,183	41,038
Balance carried forward	<u>2,301</u>	<u>(98,882)</u>

Eagle Office Supplies Limited

Notes to the Financial Statements

Year Ended 31st December 2004

23. Reconciliation of Movements in Shareholders' Funds

	2004	2003
	£	£
Profit for the financial year	165,933	41,038
Dividends	(64,750)	—
	101,183	41,038
Opening shareholders' equity funds	174,262	133,224
Closing shareholders' equity funds	275,445	174,262

24. Ultimate Parent Company

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