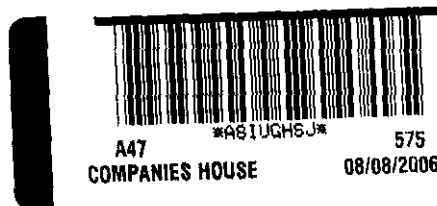


Staples UK Retail Limited (Formerly Globus Office World Plc)
Report and Financial Statements
for the 13 months ended 29 January 2005



Staples UK Retail Limited
(Formerly Globus Office World Plc)

Directors and advisors

Directors

J J Mahoney
R L Sargent
T van Brandenburg
J A van Woerkom
R Neff

Secretary

C Goodwin

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Central Business Exchange
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Staples UK Retail Limited
(Formerly Globus Office World Plc)

Annual report
for the period ended 29 January 2005

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Staples UK Retail Limited **(Formerly Globus Office World Plc)**

1

Directors' report **for the period ended 29 January 2005**

The directors present their report and the audited financial statements for the 13 months ended 29 January 2005.

Results and dividend

The loss for the period, before taxation, amounted to £14,586,000 (Profit 2003: £417,000). The directors do not recommend the payment of a dividend.

Principal activity

The company operates a chain of office supply stores in the United Kingdom.

Review of the business and future Developments

There have been significant changes to the status and ownership of the business during the period:-

1. The company changed its status from plc to limited on 22 July 2004;
2. Staples UK Limited, a subsidiary of the American retailing company Staples Inc, bought the entire issued share capital of Globus Office World Limited, the purchase becoming unconditional on 8 August 2004; and,
3. The company disposed of all its subsidiary undertakings prior to 8 August 2004.

The operating loss for the period before exceptional items was £7,945,000.

The company's accounting period year end date has changed from 31 December to 29 January.

The directors aim to consolidate the company's position in the market place on the back of a period of sustained profitability. A sound platform has been created from which to develop a period of growth and expansion.

Within the period there was a restructure of the company. This involved the closure of some Office World stores in certain areas due to duplication with Staples stores. In this process there were 20 stores closed in the period. The impact on Staples was that this caused a reduction in overheads, rationalisation and avoided duplication of stores in certain areas.

Post Balance Sheet Events

On 30 January 2005, Globus Office World Limited acquired the business and assets of Staples UK Limited, its immediate parent company, creating a single trading company for Staples branded retail outlets in the United Kingdom. The consideration for the transaction was satisfied by the issuance of the 3,000,000 ordinary shares of £1 each in the capital of Globus Office World Limited. On 5 April 2005, Globus Office World Limited changed its name to Staples UK Retail Limited.

Directors' report
for the period ended 29 January 2005

Directors and directors' interests

The directors who held office during the period were as follows:

T Kern	(Resigned 8 August 2004)	
B Höhn	(Resigned 8 August 2004)	
John J Mahoney	(Appointed 8 August 2004)	
Andrew Randall	(Appointed 8 August 2004)	(Resigned 17 November 2005)
Ronald L Sargent	(Appointed 8 August 2004)	
T.W.C van Brandenburg	(Appointed 8 August 2004)	
Jack A. van Woerkom	(Appointed 8 August 2004)	
Richard Neff	(Appointed 19 October 2005)	

There are no directors' interests requiring disclosure under the Companies Act 1985.

Disabled Employees

The company gives full consideration to applicants for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

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.

Policy and practice on payment of creditors

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers providing that all trading terms and conditions have been complied with.

The company's creditor payment period at 29 January 2005 was 24 days (2003: 36 days).

Directors' report
for the period ended 29 January 2005

Statement of 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 group and of the profit or loss 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

PricewaterhouseCoopers LLP will not be seeking reappointment as auditors and a resolution to appoint Ernst & Young LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the board



Claire Goodwin
Company Secretary

7th August 2006

Staples UK Retail Limited
(Formerly Globus Office World Plc)

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Independent auditors' report to the members of Staples UK Retail Limited (Formerly Globus Office World Plc)

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention.

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 Auditing 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 at 29 January 2005 and of the loss of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

2 August 2006

Staples UK Retail Limited
(Formerly Globus Office World Plc)

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Profit and Loss Account
for the period ended 29 January 2005

	Notes	13 Months ended 29 January 2005			Year ended 31 December 2003		
		Excluding exceptional items £'000	Exceptional items £'000	Total £'000	Excluding exceptional items £'000	Exceptional items £'000	Total £'000
Turnover	2	124,130	-	124,130	114,010	-	114,010
Cost of sales		(79,235)	-	(79,235)	(66,626)	-	(66,626)
Gross profit		44,895	-	44,895	47,384	-	47,384
Net operating expenses	3,4	(52,840)	(5,920)	(58,760)	(45,598)	(120)	(45,718)
Operating (loss) / profit		(7,945)	(5,920)	(13,865)	1,786	(120)	1,666
Income from subsidiary undertakings		859	-	859	-	-	-
Interest receivable	7	169	-	169	237	-	237
Interest payable and similar charges	8	(1,749)	-	(1,749)	(1,486)	-	(1,486)
(Loss) / profit on ordinary activities before taxation	9	(8,666)	(5,920)	(14,586)	537	(120)	417
Taxation on (loss) / profit on ordinary activities	10	-	-	-	-	-	-
(Loss) / profit retained for the period	18	(8,666)	(5,920)	(14,586)	537	(120)	417

The notes on pages 7 to 17 form part of these financial statements.

The company 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.

The company's results relate to continuing activities.

Staples UK Retail Limited
(Formerly Globus Office World Plc)

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Balance Sheet
at 29 January 2005

	Notes	29 January 2005 £'000	31 December 2003 £'000
Fixed assets			
Tangible assets	11	7,175	8,154
		<u>7,175</u>	<u>8,154</u>
Current assets			
Stocks	12	11,227	21,821
Debtors	13	8,257	8,103
Cash at bank and in hand		8,233	2,942
		<u>27,717</u>	<u>32,866</u>
Creditors: amounts falling due within one year	14	(21,275)	(16,132)
Net current assets		<u>6,442</u>	<u>16,734</u>
Total assets less current liabilities		13,617	24,888
Creditors: amounts falling due after more than one year	15	(31,826)	(31,000)
Provisions for liabilities and charges	16	(2,845)	(356)
Net liabilities		<u>(21,054)</u>	<u>(6,468)</u>
Capital and reserves			
Called up share capital	17,18	50	50
Capital contribution	18	7,497	7,497
Profit and loss account (deficit)	18	(28,601)	(14,015)
Equity shareholders' deficit	18	<u>(21,054)</u>	<u>(6,468)</u>

The notes on pages 7 to 17 form part of these financial statements.

These financial statements were approved by the board of directors on 7th August 2006 and were signed on its behalf by:


R Neff
Director

Notes to the financial statements
for the period ended 29 January 2005

1 Principal accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The company's parent company has confirmed its intention to continue its financial support of the company 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.

Fixed assets

All fixed assets are stated at lower of cost or net realisable value.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life as follows.

Leasehold improvements	- over estimated useful life 10- 25 years
Computers and office equipment	- between 25% and 33 $\frac{1}{3}$ %
Fixtures and fittings	- between 10% and 20%

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

Stocks

Stocks are stated at the lower of cost and the net realisable value. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes valued added tax, represents amounts invoiced to third parties.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at 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.

Notes to the financial statements
for the period ended 29 January 2005

1 Principal accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leased Assets

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.

Pension scheme arrangements

The company operates a Personal Pension scheme, which is a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The contributions are charged to the profit and loss account in the accounting period in which they are payable in accordance with the rules of the scheme.

There were no changes to the pension scheme due to the acquisition, other than that the Office World employees were transferred onto the Staples scheme.

Cash flow

In accordance with FRS1 (revised), as a subsidiary undertaking where 90% or more of the voting rights are controlled within the group, advantage has been taken of the exemption from preparing 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, and so 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.

Notes to the financial statements
for the period ended 29 January 2005

2 Turnover

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

3 Net operating expenses – before exceptional items

	29 January 2005 £'000	31 December 2003 £'000
Distribution	3,402	2,690
Administrative	50,164	43,711
Less: Other Operating Income	(726)	(803)
Net operating expenses	52,840	45,598

4 Exceptional items

	29 January 2005 £'000	31 December 2003 £'000
Settlement of onerous contracts	335	-
Redundancy costs	805	-
Occupancy costs on closed stores	3,134	-
Merger costs on closed stores	2,786	-
Disposal of assets on converted and closed stores	862	-
Net proceeds from lease surrender – Western Avenue store	(1,797)	-
Release of provision on sale of subsidiary companies	(205)	-
Assigning lease	-	120
Exceptional items	5,920	120

All the exceptional items stated above arose as a direct result of the acquisition of the company by Staples UK.

5 Directors' emoluments

	29 January 2005 £'000	31 December 2003 £'000
Aggregate emoluments	-	-

There were no retirement benefits accruing to any of the directors during the period under a money purchase pension scheme (2003: nil).

Notes to the financial statements
for the period ended 29 January 2005

6 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the period, analysed by category, was as follows:

	29 January 2005 Number	31 December 2003 Number
Stores	992	1,073
Administration	223	234
	1,215	1,307

The aggregate payroll costs of these persons were as follows:

	29 January 2005 £'000	31 December 2003 £'000
Wages and salaries	15,128	13,362
Social security costs	1,225	1,066
Pension costs	249	243
	16,602	14,671

7 Interest receivable

	29 January 2005 £'000	31 December 2003 £'000
Interest receivable and similar income	169	237

8 Interest payable and similar charges

	29 January 2005 £'000	31 December 2003 £'000
Other interest payable	62	37
Inter-group loan – Magazine zum Globus (note 15)	860	1,449
Inter-group loan – Luxco (note 15)	827	-
	1,749	1,486

During the year, the company paid interest on loans from the company's former parent company, Magazine zum Globus, and following the acquisition of the company by Staples Inc., on a loan advanced by Luxco, a Staples group undertaking.

Notes to the financial statements
for the period ended 29 January 2005

9 (Loss) / profit on ordinary activities before taxation

	29 January 2005 £'000	31 December 2003 £'000
(Loss)/profit on ordinary activities before taxation is stated after (crediting) / charging:		
Loss on disposal of tangible fixed assets	31	243
Operating exceptional items (note 4)	5,920	120
Rent receivable under operating leases	(607)	(630)
Depreciation charge for the year:		
Tangible owned fixed assets (note 11)	4,139	1,313
Auditors' remuneration for:		
Audit	75	120
Non audit services	52	15
Operating lease rentals:		
Plant and machinery	2,110	2,022
Land and buildings	12,109	11,003

10 Tax on (loss) / profit on ordinary activities

	29 January 2005 £'000	31 December 2003 £'000
Current tax		
UK Corporation tax at 30% (2003: 30%)	-	12
Adjustment in respect of prior period	-	(12)
	-	-

Notes to the financial statements
for the period ended 29 January 2005

10 Tax on (loss) / profit on ordinary activities – continued

The tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	29 January 2005 £'000	31 December 2003 £'000
(Loss) / Profit on ordinary activities before tax:	(14,586)	417
Current tax at 30% (2003: 30%)	(4,376)	125
<i>Effects of:</i>		
Net expenses not deductible for tax purposes	(403)	224
Movement in capital losses	-	-
Capital allowances below/ in excess of depreciation	239	(549)
Other timing differences	101	39
Movement in trading losses	4,287	173
Chargeable gains	152	-
Adjustments to tax charge in respect of previous periods	-	(12)
Total current tax charge (see above)	-	-

Factors that may affect future tax charges:

Staples UK Retail Limited (formerly Globus Office World plc) has estimated unutilised trading tax losses of £21.7 million (2003: £7.4 million) to carry forward against future trading profits.

The company's unutilised capital losses of £1.3 million brought forward have been utilised against the exceptional capital gain on the surrender of the lease of Western Avenue (2003: £1.3 million).

Notes to the financial statements
for the period ended 29 January 2005

11 Tangible fixed assets

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2004	12,323	9,172	10,318	31,813
Additions	1,879	1,283	1,040	4,202
Disposals	(1,150)	(765)	(3,472)	(5,387)
At 29 January 2005	13,052	9,690	7,886	30,628
Depreciation				
At 1 January 2004	9,044	6,977	7,638	23,659
Charge for the period	1,574	1,245	1,320	4,139
Eliminated in respect of disposals	(1,014)	(577)	(2,754)	(4,345)
At 29 January 2005	9,604	7,645	6,204	23,453
Net book value				
At 29 January 2005	3,448	2,045	1,682	7,175
At 31 December 2003	3,279	2,195	2,680	8,154

The estimated useful economic lives of all fixed assets were reviewed as at 31 July 2004 and amended in accordance with Staples UK guidelines. The unamortised cost has been depreciated prospectively over the assets remaining useful economic life. The depreciation rates are set out within note 1 on accounting policies.

The revision to the useful economic lives of the assets has given rise to a higher depreciation charge for the 13 month period ended 29 January 2005 of £2,455,000.

12 Stocks

	29 January 2005 £'000	31 December 2003 £'000
Goods for resale	11,227	21,821

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

13 Debtors

	29 January 2005 £'000	31 December 2003 £'000
Trade debtors	452	1,214
Amounts owed by group undertakings	1,305	-
Other debtors	2,252	673
Prepayments and accrued income	4,248	6,216
	8,257	8,103

Notes to the financial statements
for the period ended 29 January 2005

14 Creditors: amount falling due within one year

	29 January 2005 £'000	31 December 2003 £'000
Trade creditors	5,865	10,109
Amounts due to group undertakings	8,530	864
Corporation tax	49	50
Other taxation and social security	1,772	1,307
Accruals and deferred income	5,059	3,802
	<hr/>	<hr/>
	21,275	16,132

Included within accruals and deferred income is an amount of £nil (2003: £31,000) for outstanding pension contributions at the balance sheet date.

15 Creditors: amounts falling due after more than one year

	29 January 2005 £'000	31 December 2003 £'000
Amounts due to group undertakings	31,826	31,000

The loan from the company's former parent company, Magazine zum Globus, was repaid in full upon the acquisition of the company by Staples Inc. A new loan was advanced by Luxco, a Staples group undertaking, on the same terms and is repayable in June 2007.

Notes to the financial statements
for the period ended 29 January 2005

16 Provisions for liabilities and charges

	Deferred tax (i) £'000	Store closure (ii) £'000	Other (iii) £'000	Total £'000
At 1 January 2004		-	356	356
Utilised in period		-	(177)	(177)
Profit and loss account		2,709	130	2,839
Transferred to debtors		-	(173)	(173)
At 29 January 2005	-	2,709	136	2,845

(i) Deferred taxation

The elements of deferred taxation are as follows:

	29 January 2005 £'000	31 December 2003 £'000
<i>Tax effect of timing differences because of:</i>		
Difference between accumulated depreciation and capital allowances	1,345	1,026
Short-term timing differences	76	116
Unrelieved tax losses (note 10)	6,504	2,619
Deferred tax asset	<u>7,925</u>	<u>3,761</u>
Deferred tax asset unrecognised	<u>7,925</u>	<u>3,761</u>

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

(ii) Store closure

This relates to the cost of maintaining the stores that closed following the merger until the surrender of their leases. The period anticipated for the full surrender of all leases is no longer than 30th September 2007.

(iii) Other

Various small provisions made against bounced cheques, returns in stock and un-redeemed gift vouchers. These are short term in nature and are reviewed and re-assessed on a monthly basis.

Notes to the financial statements
for the period ended 29 January 2005

17 Called-up share capital

	29 January 2005 £'000	31 December 2003 £'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

18 Reconciliation of Shareholders funds and movements on reserves

	Share Capital £'000	Capital Contribution £'000	Profit and Loss account £'000	Total Shareholders Funds £'000
At 1 January 2003	50	7,497	(14,432)	(6,885)
Profit for the year	-	-	417	417
At 1 January 2004	50	7,497	(14,015)	(6,468)
Loss for the period	-	-	(14,586)	(14,586)
At 29 January 2005	50	7,497	(28,601)	(21,054)

19 Financial commitments

There are no capital commitments at the end of the financial year for the company.

The company had the following annual commitments under non-cancelable operating leases:

	29 January 2005		31 December 2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<i>Operating leases which expire:</i>				
within one year	195	214	-	207
in the second to fifth years inclusive	550	504	702	841
over five years	10,946	-	10,483	135
	11,691	718	11,185	1,183

Notes to the financial statements
for the period ended 29 January 2005

20 Post Balance Sheet Events

On 30 January 2005, Globus Office World Limited acquired the business and assets of Staples UK Limited, its immediate parent company, creating a single trading company for Staples branded retail outlets in the United Kingdom. The consideration for the transaction was satisfied by the issuance of the 3,000,000 ordinary shares of £1 each in the capital of Globus Office World Limited. On 5 April 2005, the company changed its name to Staples UK Retail Limited.

21 Related Party Transactions

During the period there were a number of transactions with the former parent company, Magazine zum Globus, all of which arose in the normal course of business. These transactions were the settlement of the loan (note 15) and payment in relation to services rendered. Balances outstanding at the period end are as follows:

	Outstanding balance	
	29 January 2005 £'000	31 December 2003 £'000
Services rendered (note 13)	-	(13)
Long term loan (note 15)	-	(31,000)
	-	(31,013)

22 Ultimate parent undertaking and controlling party

The immediate parent company of Staples UK Retail Limited is Staples UK Limited a company incorporated in England.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Staples Inc., which is incorporated in Delaware, USA. Copies of its group's financial statements, which include the company, are available from 500 Staples Drive, Framingham, MA 01702, USA.