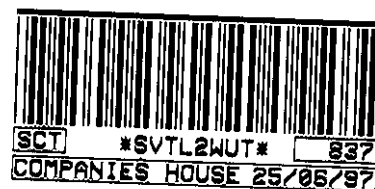


Capital Copiers (Edinburgh) Limited
Directors' report and accounts

31 December 1996

Registered number SC80982

JP



Capital Copiers (Edinburgh) Limited

Directors' report and accounts

<i>Contents</i>	<i>Page</i>
Directors and advisers	1
Directors' report	2 - 3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes	9 - 17

Capital Copiers (Edinburgh) Limited

Directors and advisers

Directors

Thomas Flockhart
Valerie Flockhart
Alan M Smith
Joan Smith
Andrew R Aikman
Ian GL Bulloch

Bankers

The Royal Bank of Scotland plc
2 Ayres Wynd
Prestonpans
East Lothian
EH32 9AB

Solicitors

Shepherd & Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

Auditors

KPMG
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Secretary and registered office

Alan M Smith
101 McDonald Road
Edinburgh
EH7 4NW

Capital Copiers (Edinburgh) Limited

Directors' report

The directors present their annual report and audited accounts for the year ended 31 December 1996.

Principal activities and business review

The principal activities of the company continue to be the sale, maintenance and repair of office equipment. The company has continued to trade successfully and the directors are confident that it will continue to grow.

Proposed dividends and transfer to reserve

The directors do not recommend the payment of a dividend and propose that the loss for the year of £6,533 be transferred to reserves.

Share capital

During the year the company issued 400 ordinary shares of £1 for an aggregate consideration of £2,000. In addition the company repurchased 3,777 ordinary shares of £1 for an aggregate consideration of £18,885.

Directors and directors' interests

The directors at the year end and their interests in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	31 December 1996	1 January 1996
Thomas Flockhart:		
- beneficial	105,580	105,580
- as trustee	10,000	10,000
Valerie Flockhart	20	20
Alan M Smith	45,580	45,580
Joan Smith	20	20
Andrew R Aikman	5,579	5,579
Ian G L Bulloch	2,188	2,188

The above directors were in office throughout the year.

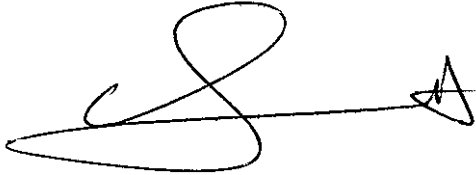
Capital Copiers (Edinburgh) Limited

Directors' report (*continued*)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a horizontal line and a small, sharp upward-pointing stroke at the end.

Alan M Smith
Secretary

18 April 1997

Capital Copiers (Edinburgh) Limited

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those accounts, 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 accounts;
- prepare the accounts 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 accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Report of the auditors to the members of Capital Copiers (Edinburgh) Limited

We have audited the accounts on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

25 April 1997

Capital Copiers (Edinburgh) Limited

Profit and loss account

for the year ended 31 December 1996

	<i>Note</i>	1996 £	1995 £
Turnover		8,671,036	8,849,699
Cost of sales		<u>(3,969,334)</u>	<u>(4,145,534)</u>
Gross profit		4,701,702	4,704,165
Distribution costs		<u>(392,876)</u>	<u>(447,534)</u>
Administrative expenses		<u>(4,231,332)</u>	<u>(4,308,196)</u>
Operating profit/(loss)		77,494	(51,565)
Bank interest receivable		-	782
Interest payable	2	<u>(56,960)</u>	<u>(57,695)</u>
Profit/(loss) on ordinary activities before taxation	3	20,534	(108,478)
Tax on profit/(loss) on ordinary activities	6	<u>(27,067)</u>	<u>21,707</u>
Retained loss for the financial year	15	<u>(6,533)</u>	<u>(86,771)</u>

Other than the loss for the current and preceding years there have been no recognised gains or losses.

Capital Copiers (Edinburgh) Limited

Balance sheet at 31 December 1996

	Note	1996 £	1995 £
Fixed assets			
Intangible assets	7	220,810	-
Tangible assets	8	714,358	740,996
Investments	9	138,733	44,000
		1,073,901	784,996
Current assets			
Stocks	10	1,298,981	1,084,103
Debtors	11	1,050,119	1,141,134
		2,349,100	2,225,237
Creditors: amounts falling due within one year	12	(1,901,669)	(1,609,580)
Net current assets		447,431	615,657
Total assets less current liabilities		1,521,332	1,400,653
Creditors: amounts falling due after more than one year	12	(219,829)	(71,382)
Provisions for liabilities and charges	13	-	(4,350)
Net assets		1,301,503	1,324,921
Capital and reserves			
Called up share capital	14	169,496	172,873
Share premium account	15	88,292	86,692
Capital redemption reserve	15	32,577	28,800
Profit and loss account	15	1,011,138	1,036,556
Shareholders' funds		1,301,503	1,324,921

These accounts were approved by the board of directors on 18 April 1997 and were signed on its behalf by:

Thomas Flockhart
Director



Alan M Smith
Director



Capital Copiers (Edinburgh) Limited

Cash flow statement

for the year ended 31 December 1996

	Note	1996		1995	
		£	£	£	£
Net cash inflow from operating activities	19 (a)		322,112		241,781
Return on investments and servicing of finance					
Interest received		-		782	
Interest paid		(21,599)		(36,397)	
Interest element of hire purchase payments		(19,500)		(21,298)	
Term loan interest		(15,861)		-	
Net cash outflow from returns on investments and servicing of finance			(56,960)		(56,913)
Taxation					
Corporation tax paid		-		(144,096)	
Tax paid			-		(144,096)
Investing activities					
Purchase of subsidiary undertaking		(94,733)		-	
Purchase of goodwill		(250,000)		-	
Purchase of tangible fixed assets		(81,094)		(130,176)	
Sale of tangible fixed assets		16,100		314,150	
Net cash (outflow)/inflow from investing activities			(409,727)		183,974
Net cash (outflow)/inflow before financing			(144,575)		224,746
Financing					
Issue of ordinary share capital		2,000		36,865	
Redemption of ordinary share capital		(18,885)		-	
Capital element of hire purchase payments		(130,103)		(157,935)	
Increase in term loans		314,094		-	
Net cash inflow/(outflow) from financing	19 (c)		167,106		(121,070)
Increase in cash and cash equivalents	19 (b)		22,531		103,676

Capital Copiers (Edinburgh) Limited

Notes to the accounts

1 (a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts of the subsidiary undertaking have not been consolidated as the group is considered a medium sized group and is entitled to the exemption from the requirement to prepare group accounts under section 248 of the Companies Act 1985.

1 (b) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

Goodwill

Purchased goodwill is amortised over its useful life of five years.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write-off the cost less estimated residual value of fixed assets over their estimated useful lives. The rates used are as follows:

Leasehold improvements	4% - 5% per annum (straight line)
Fixtures and fittings	25% per annum (reducing balance)
Office equipment	25% per annum (reducing balance)
Motor vehicles	25% per annum (reducing balance)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Hire purchase agreements

Assets which are acquired on hire purchase are recorded on the balance sheet as tangible fixed assets. Future instalments under such agreements, net of hire purchase charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Capital Copiers (Edinburgh) Limited

Notes (continued)

1 (b) Accounting policies (continued)

Leases

Rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Maintenance agreements

Annual maintenance is paid for in advance and the income is credited to the profit and loss account on an accruals basis over the life of the agreement.

Turnover

Turnover comprises the value (excluding VAT and trade discounts) of goods and services supplied in the normal course of business.

Pension costs

The company operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds.

2	Interest payable	1996 £	1995 £
	On bank loans and overdrafts	37,460	36,397
	On hire purchase agreements	19,500	21,298
		56,960	57,695
3	Profit/(loss) on ordinary activities before taxation	1996 £	1995 £
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	169,553	163,505
	Hire of plant and machinery under operating leases	245,242	280,132
	Property rentals under operating leases	283,040	256,083
	Auditors' remuneration - audit	9,850	9,573
	- other	11,470	1,500
	Amorisation of goodwill	29,190	-
	Gain on disposal of fixed assets	(4,137)	(3,290)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	1996 Number	1995 Number
Administration	39	43
Maintenance	72	72
Sales and distribution	36	43
Total	147	158

Capital Copiers (Edinburgh) Limited

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	2,667,523	2,744,232
Social security costs	282,853	287,436
Defined contribution pension scheme costs	152,414	150,792
	3,102,790	3,182,460

5 Remuneration of directors

	1996 £	1995 £
Emoluments as executives	443,593	447,785
Pension contributions	55,015	54,960
	498,608	502,745

The emoluments, excluding pension contributions, of the chairman and highest paid director were £180,412 (1995: £179,442)

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	1996 Number	1995 Number
£ 10,001 - £ 15,000	-	1
£ 15,001 - £ 20,000	1	-
£ 25,001 - £ 30,000	1	1
£ 50,001 - £ 55,000	1	1
£ 75,001 - £ 80,000	1	-
£ 85,001 - £ 90,000	-	1
£ 90,001 - £ 95,000	1	1
£175,001 - £180,000	-	1
£180,001 - £185,000	1	-

The above figures for emoluments do not include any amount for the value of share options exercised by directors.

Capital Copiers (Edinburgh) Limited

Notes (continued)

6 Tax on profit/(loss) on ordinary activities

	1996 £	1995 £
Corporation tax at 24% (1995 - 29%)	31,417	(11,472)
Adjustment for prior years	-	(6,704)
Deferred taxation	(4,350)	(3,531)
	27,067	(21,707)

The effective tax charge is increased as a result of disallowable expenditure.

7 Intangible assets

	Goodwill £
<i>Cost</i>	
Acquired during the year	250,000
<i>Amortisation</i>	
Charge for year	29,190
Net book value	
At 31 December 1996	220,810

Capital Copiers (Edinburgh) Limited

Notes (continued)

8 Tangible fixed assets

	Leasehold Improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	372,513	394,974	536,498	1,303,985
Additions	-	19,224	135,654	154,878
Disposals	-	-	(43,157)	(43,157)
At end of year	372,513	414,198	628,995	1,415,706
<i>Depreciation</i>				
At beginning of year	131,713	194,117	237,159	562,989
Charge for year	11,033	55,020	103,500	169,553
Disposals	-	-	(31,194)	(31,194)
At end of year	142,746	249,137	309,465	701,348
<i>Net book value</i>				
At 31 December 1996	229,767	165,061	319,530	714,358
At 31 December 1995	240,800	200,857	299,339	740,996

Included above are assets held under hire purchase contracts. At 31 December 1996 the net book value of these assets was £258,849 (1995: £278,897). Depreciation of £88,170 was charged in the year.

9 Investments

	Shares in subsidiary undertaking £	Unlisted investments £	Total £
<i>Cost</i>			
At beginning of year	-	44,000	44,000
Additions	94,733	-	94,733
At end of year	94,733	44,000	138,733
<i>Subsidiary</i>	<i>Country of registration or incorporation</i>	<i>Principal activity</i>	<i>Class of shares held</i>
Dunedin Business Services Limited	Scotland	Dormant	100% of ordinary share capital

Capital Copiers (Edinburgh) Limited

Notes (continued)

10	Stocks	1996	1995
		£	£
	Office equipment	986,347	833,642
	Spare parts for office equipment	132,794	102,736
	Supplies for office equipment	179,840	147,725
		1,298,981	1,084,103
11	Debtors	1996	1995
		£	£
	Amounts falling due within one year:		
	Trade debtors	924,836	1,010,905
	Corporation tax recoverable	11,472	11,472
	Prepayments and accrued income	113,810	118,757
		1,050,118	1,141,134
12	Creditors	1996	1995
		£	£
	Amounts falling due within one year:		
	Bank loans and overdraft (secured)	481,255	364,692
	Trade creditors	580,022	514,704
	Directors' loan account	51,688	7,730
	Amount due to subsidiary undertaking	100,363	-
	Corporation tax	31,417	-
	Other taxes and social security	231,672	289,420
	Hire purchase creditors	93,890	123,656
	Accruals and deferred income	331,362	309,378
		1,901,669	1,609,580
	Amounts falling due after more than one year:		
	Bank loan	175,000	-
	Hire purchase creditors	44,829	71,382
		219,829	71,382

The amounts payable to hire purchase creditors are due within two to five years of the balance sheet date.

The bank loan amounting to £300,000 is repayable in quarterly instalments of £25,000 commencing December 1996. The first instalment was not actually paid until February 1997.

Capital Copiers (Edinburgh) Limited

Notes (continued)

13 Provisions for liabilities and charges

<i>Deferred taxation</i>	£
At beginning of year (accelerated capital allowances)	4,350
Released to profit and loss account	(4,350)
At end of year	-

The company has a deferred tax asset of £729 which has not been recognised in the accounts.

14 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
Ordinary shares of £1 each	500,000	500,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	169,496	172,873

During the year 400 ordinary shares of £1 each were allotted to employees. The aggregate consideration received was £2,000.

During the year the company repurchased 3,777 ordinary shares of £1 each for an aggregate consideration of £18,885.

15 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At beginning of year	86,692	28,800	1,036,556
Premium on shares issued	1,600	-	-
Share capital redeemed	-	3,777	(18,885)
Loss for the financial year	-	-	(6,533)
At end of year	88,292	32,577	1,011,138

Capital Copiers (Edinburgh) Limited

Notes (continued)

16 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Retained loss for the financial year	(6,533)	(86,771)
New share capital subscribed	2,000	36,865
Share capital redeemed	(18,885)	-
Net reduction in shareholders' funds	(23,418)	(49,906)
Opening shareholders' funds	1,324,921	1,374,827
Closing shareholders' funds	1,301,503	1,324,921

17 Lease commitments

The company is committed to paying lease rentals on certain office equipment and vehicles under operating leases. In addition the company leases certain land and buildings on long-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repair of these properties.

The minimum annual rentals under the foregoing leases are as follows:

	Property £	Plant and machinery and vehicles £
Leases which expire		
- within one year	-	63,987
- between 2-5 years	-	29,807
- after 5 years	292,170	-
	292,170	93,794

18 Transactions with directors

The company leases a property from two of the directors, Mr T Flockhart and Mr A Smith, at an annual rental of £187,000 on an arm's length basis. In addition the company leases two further properties from Mr T Flockhart at an annual rental of £38,000 on an arm's length basis.

During the year Mr T Flockhart advanced £61,870 to the company by way of a loan. At the year end the balance on this loan account was £51,688. The loan is interest free.

Capital Copiers (Edinburgh) Limited

Notes (continued)

19 Notes to cash flow statement

a) Reconciliation of operating profit/(loss) to cash inflow from operating activities

	1996 £	1995 £
Operating profit/(loss)	77,494	(51,565)
Depreciation charges	169,553	163,503
Gain on disposal of fixed assets	(4,137)	(3,290)
Increase in stocks	(214,878)	(4,398)
Decrease/(increase) in debtors	91,015	(12,606)
Increase in creditors	173,875	150,137
Goodwill amortised	29,190	-
Cash inflow from operating activities	322,112	241,781

b) Analysis of changes in cash and cash equivalents during the year

	Bank overdraft 1996 £	1995 £
At beginning of year	(364,692)	(468,368)
Net cash inflow/(outflow)	22,531	103,676
At end of year	(342,161)	(364,692)

c) Analysis of changes in financing

	Term loan £	Share capital including share premium account £	Hire purchase finance £
At beginning of year	-	259,565	195,038
Inception of hire purchase contracts	-	-	73,784
Net cash inflow/(outflow)	314,094	(16,885)	(130,103)
At end of year	314,094	242,680	138,719