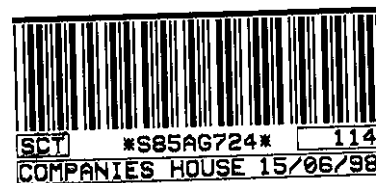


Capital Copiers (Edinburgh) Limited

Directors' report and accounts

31 December 1997

Registered number SC80982



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 - 18

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 1997.

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 £35,548 be transferred to reserves.

Share capital

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

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 1997	1 January 1997
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.

Political and charitable donations

During the year the company made political donations of £2,500.

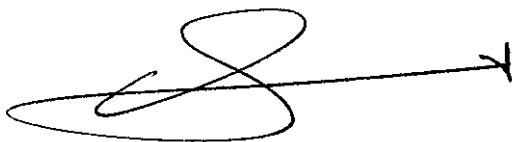
Capital Copiers (Edinburgh) Limited

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 ending in an arrowhead.

Alan M Smith
Secretary

2nd June 1998

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 18.

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 1997 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

3 June 1998

Capital Copiers (Edinburgh) Limited

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover		9,147,423	8,671,036
Cost of sales		(4,420,089)	(3,969,334)
Gross profit		4,727,334	4,701,702
Distribution costs		(488,388)	(392,876)
Administrative expenses		(4,210,974)	(4,231,332)
Operating profit		27,972	77,494
Income from shares in group undertakings		95,363	-
Amounts written off investments		(94,733)	-
Interest payable	2	(64,150)	(56,960)
(Loss)/profit on ordinary activities before taxation	3	(35,548)	20,534
Tax on (loss)/profit on ordinary activities	6	-	(27,067)
Retained loss for the financial year	14	(35,548)	(6,533)

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 1997

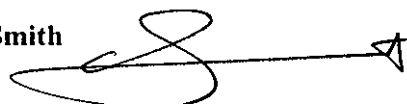
	Note	1997 £	1996 £
Fixed assets			
Intangible assets	7	170,770	220,810
Tangible assets	8	752,645	714,358
Investments	9	44,000	138,733
		967,415	1,073,901
Current assets			
Stocks	10	1,182,507	1,298,981
Debtors	11	1,080,952	1,050,119
		2,263,459	2,349,100
Creditors: amounts falling due within one year	12	(1,828,810)	(1,901,669)
Net current assets		434,649	447,431
Total assets less current liabilities		1,402,064	1,521,332
Creditors: amounts falling due after more than one year	12	(139,994)	(219,829)
Net assets		1,262,070	1,301,503
Capital and reserves			
Called up share capital	13	168,719	169,496
Share premium account	14	88,292	88,292
Capital redemption reserve	14	33,354	32,577
Profit and loss account	14	971,705	1,011,138
Equity shareholders' funds		1,262,070	1,301,503

These accounts were approved by the board of directors on 2nd June 1998 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 1997

	<i>Note</i>	1997 £	1996 £
Net cash inflow from operating activities	<i>19</i>	278,214	322,112
Returns on investments and servicing of finance	<i>20</i>	(64,150)	(56,960)
Taxation		(7,373)	-
Capital expenditure and financial investment	<i>20</i>	(71,230)	(64,994)
Acquisitions and disposals	<i>20</i>	-	(344,733)
Cash inflow/(outflow) before financing		135,461	(144,575)
Financing	<i>21</i>	(242,002)	167,106
(Decrease)/increase in cash in the period		(106,541)	22,531
Reconciliation of net cash flow to movement in net debt	<i>21</i>		
(Decrease)/increase in cash in the period		(106,541)	22,531
Cash flow from movement in debt		238,117	(183,991)
Change in net debt resulting from cash flows		131,576	(161,460)
New hire purchase contracts		(94,353)	(73,784)
Movement in net debt in the period		37,223	(235,244)
Net debt at the start of the period		(794,974)	(559,730)
Net debt at the end of the period		(757,751)	(794,974)

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.

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.

Capital Copiers (Edinburgh) Limited

Notes (continued)

1(b) Accounting policies (continued)

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.

Grants

Revenue based grants are credited to income in the period in which the related expenditure is incurred.

2	Interest payable	1997	1996
		£	£
	On bank loans and overdrafts	49,366	37,460
	On hire purchase agreements	14,784	19,500
		64,150	56,960
3	(Loss)/profit on ordinary activities before taxation	1997	1996
		£	£
	<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	143,470	169,553
	Hire of plant and machinery under operating leases	263,428	245,242
	Property rentals under operating leases	283,040	283,040
	Auditors' remuneration - audit	9,400	9,850
	- other	-	11,470
	Amorisation of goodwill	50,040	29,190
	Loss/(gain) on disposal of fixed assets	659	(4,137)
	Grant income received	(22,000)	-

Capital Copiers (Edinburgh) Limited

Notes (continued)

4 Staff numbers and costs

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

	1997 Number	1996 Number
Administration	33	39
Maintenance	76	72
Sales and distribution	37	36
Total	146	147

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	2,723,504	2,667,523
Social security costs	275,279	282,853
Defined contribution pension scheme costs	153,792	152,414
	3,152,575	3,102,790

5 Remuneration of directors

	1997 £	1996 £
Directors' emoluments	433,529	443,593
Company contributions to money purchase pension schemes	55,015	55,015
	488,544	498,608

The emoluments of the highest paid director were £183,182 (1996: £180,412), and company pension contributions of £27,600 (1996: £27,600) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to six (1996: six) directors under money purchase schemes.

Capital Copiers (Edinburgh) Limited

Notes (continued)

6 Tax on (loss)/profit on ordinary activities

	1997 £	1996 £
Corporation tax at 21.75 % (1996 - 24%)	12,573	31,417
Adjustment for prior years	(12,573)	-
Deferred taxation	-	(4,350)
	-	27,067

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

7 Intangible assets	Goodwill £
<i>Cost</i>	
At beginning and end of year	250,000
<i>Amortisation</i>	
At beginning of year	29,190
Charge for year	50,040
At end of year	79,230
<i>Net book value</i>	
At 31 December 1997	170,770
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 £
Cost				
At beginning of year	372,513	414,198	628,995	1,415,706
Additions	-	171,083	20,500	191,583
Transferred from stock	-	32,300	-	32,300
Disposals	-	-	(67,119)	(67,119)
At end of year	372,513	617,581	582,376	1,572,470
Depreciation				
At beginning of year	142,746	249,137	309,465	701,348
Charge for year	11,026	64,214	83,697	158,937
Disposals	-	-	(40,460)	(40,460)
At end of year	153,772	313,351	352,702	819,825
Net book value				
At 31 December 1997	218,741	304,230	229,674	752,645
At 31 December 1996	229,767	165,061	319,530	714,358

Included above are assets held under hire purchase contracts. At 31 December 1997 the net book value of these assets was £156,257 (1996: £258,849). Depreciation of £64,398 was charged in the year.

Included in equipment are assets with a net book value of £111,588 held for rental under operating leases.

9 Investments

	Shares in subsidiary undertaking £	Unlisted investments £	Total £
Cost			
At beginning and end of year	94,733	44,000	138,733
Provisions			
Provided in year	(94,733)	-	(94,733)
Net book value			
At 31 December 1997	-	44,000	44,000
At 31 December 1996	94,733	44,000	138,733

Capital Copiers (Edinburgh) Limited

Notes (continued)

9 Investments (continued)

Subsidiary	Country of registration or incorporation	Principal activity	Class of shares held
Dunedin Business Services Limited	Scotland	Dormant	100% of ordinary share capital

10 Stocks

	1997 £	1996 £
Office equipment	830,814	986,347
Spare parts for office equipment	145,863	132,794
Supplies for office equipment	205,830	179,840
	1,182,507	1,298,981

11 Debtors

Amounts falling due within one year:

Trade debtors	955,836	924,837
Corporation tax recoverable	-	11,472
Prepayments and accrued income	125,116	113,810
	1,080,952	1,050,119

12 Creditors

Amounts falling due within one year:

Bank loans and overdraft (secured)	548,702	481,255
Trade creditors	563,110	580,022
Directors' loan account	36,221	51,688
Amount due to subsidiary undertaking	5,000	100,363
Corporation tax	12,572	31,417
Other taxes and social security	270,519	231,672
Hire purchase creditors	69,055	93,890
Accruals and deferred income	323,631	331,362
	1,828,810	1,901,669

Amounts falling due after more than one year:

Bank loan	75,000	175,000
Hire purchase creditors	64,994	44,829
	139,994	219,829

Capital Copiers (Edinburgh) Limited

Notes (continued)

12 Creditors (continued)

The bank loan amounting to £175,000 is repayable in quarterly instalments of £25,000. The majority of bank loans and hire purchase creditors can be analysed as falling due:

	1997 £	1996 £
In one year or less	169,055	193,890
Between one and two years	113,841	140,414
Between two and five years	26,153	104,415
	309,049	438,719

13 Called up share capital

Authorised

Ordinary shares of £1 each	500,000	500,000
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Allotted, called up and fully paid

Ordinary shares of £1 each	168,719	169,496
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During the year the company repurchased 777 ordinary shares of £1 each for an aggregate consideration of £3,885.

14 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At beginning of year	88,292	32,577	1,011,138
Share capital redeemed	-	777	(3,885)
Loss for the financial year	-	-	(35,548)
At end of year	88,292	33,354	971,705

Capital Copiers (Edinburgh) Limited

Notes (continued)

15 Reconciliation of movement in shareholders' funds

	1997 £	1996 £
Retained loss for the financial year	(35,548)	(6,533)
New share capital subscribed	-	2,000
Share capital redeemed	(3,885)	(18,885)
Net reduction in shareholders' funds	(39,433)	(23,418)
Opening shareholders' funds	1,301,503	1,324,921
Closing shareholders' funds	1,262,070	1,301,503

16 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	-	300
- between 2-5 years	-	221,446
- after 5 years	293,020	-
	293,020	221,746

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 the company repaid £15,467 of a loan from Mr T Flockhart made in earlier years. At the year end the balance on this loan account was £36,221. The loan is interest free.

Mr T Flockhart purchased a motor vehicle from the company for £10,000.

Capital Copiers (Edinburgh) Limited

Notes (continued)

19 Reconciliation of operating profit to cash inflow from operating activities

	1997 £	1996 £
Operating profit	27,972	77,494
Depreciation charges	158,937	169,553
Loss/(gain) on disposal of fixed assets	659	(4,137)
Decrease/(increase) in stocks	84,174	(214,878)
(Increase)/decrease in debtors	(42,307)	91,015
(Decrease)/increase in creditors	(1,263)	173,875
Goodwill amortised	50,040	29,190
Cash inflow from operating activities	278,214	322,112

20 Analysis of cash flows

	1997 £	1996 £
Returns on investment and servicing of finance		
Interest paid	(29,137)	(21,599)
Interest element of hire purchase payments	(14,784)	(19,500)
Term loan interest	(20,229)	(15,861)
	(64,150)	(56,960)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(97,230)	(81,094)
Sale of tangible fixed assets	26,000	16,100
	(71,230)	(64,994)
Acquisitions and disposals		
Purchase of subsidiary undertaking	-	(94,733)
Purchase of goodwill	-	(250,000)
	-	(344,733)
Financing		
Issue of ordinary share capital	-	2,000
Redemption of ordinary share capital	(3,885)	(18,885)
Capital element of hire purchase payments	(99,023)	(130,103)
(Decrease)/increase in term loans	(139,094)	314,094
	(242,002)	167,106

Capital Copiers (Edinburgh) Limited

Notes (continued)

21 Analysis of net debt

	At beginning of year	Cash flow	Other non cash changes	At end of year
	£	£	£	£
Overdrafts	(342,161)	(106,541)	-	(448,702)
Loans due after one year	(175,000)	-	75,000	(100,000)
Loans due within one year	(139,094)	139,094	(75,000)	(75,000)
Hire purchase liabilities	(138,719)	99,023	(94,353)	(134,049)
Total	(794,974)	131,576	(94,353)	(757,751)