

Capital Copiers (Edinburgh) Limited

Directors' report and financial statements

31 December 1998

Registered number SC80982



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Directors' report and financial statements

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Company information

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

Directors' report

The directors present their annual report and audited accounts for the year ended 31 December 1998.

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 recommend that an ordinary dividend of £0.30 (1997: £Nil) per share be paid. It is proposed to transfer the remaining profit for the year of £31,482 to reserves.

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 1998	1 January 1998
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.

Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunction and resulting widespread commercial disruption.

The company has addressed the impact of the Year 2000 on its business and operations by reviewing the major issues to assess exposure. Plans have been put in place to seek to ensure the elimination of these exposures prior to the Year 2000. Total estimated costs are not believed to be significant.

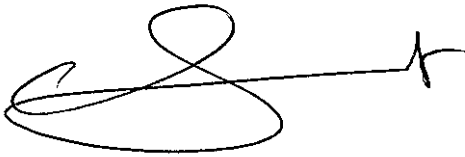
Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that the company will achieve an acceptable state of readiness and will provide resources to deal promptly with significant failures or issues that may arise.

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, appearing to be 'Alan M Smith', with a large loop and a horizontal line extending to the right.

Alan M Smith
Secretary

Edinburgh
21st JUNE 1999

Statement of 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 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.

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. 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
United Kingdom

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

We have audited the financial statements 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

25 June 1999

Profit and loss account
for the year ended 31 December 1998

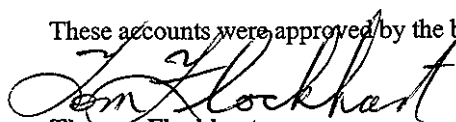
	<i>Note</i>	1998 £	1997 £
Turnover		9,417,723	9,147,423
Cost of sales		(4,429,156)	(4,420,089)
Gross profit		4,988,567	4,727,334
Distribution costs		(498,175)	(488,388)
Administrative expenses		(4,322,333)	(4,210,974)
Operating profit		168,059	27,972
Income from shares in group undertakings		-	95,363
Amounts written off investments		-	(94,733)
Interest receivable	2	1,319	-
Interest payable	3	(42,318)	(64,150)
Profit/(loss) on ordinary activities before taxation	4	127,060	(35,548)
Tax on profit/(loss) on ordinary activities	7	(44,962)	-
Profit/(loss) on ordinary activities after taxation		82,098	(35,548)
Dividends on ordinary shares		(50,616)	-
Retained profit/(loss) for the financial year	15	31,482	(35,548)

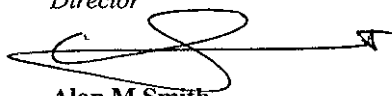
Other than the profit/(loss) for the current and preceding years there have been no recognised gains or losses.

Balance sheet
at 31 December 1998

	<i>Note</i>	1998 £	1997 £
Fixed assets			
Intangible assets	8	120,730	170,770
Tangible assets	9	602,069	752,645
Investments	10	8,800	44,000
		731,599	967,415
Current assets			
Stocks	11	1,051,705	1,182,507
Debtors	12	1,104,348	1,080,952
Cash in hand		435,000	-
		2,591,053	2,263,459
Creditors: amounts falling due within one year	13	(2,009,543)	(1,828,810)
Net current assets		581,510	434,649
Total assets less current liabilities		1,313,109	1,402,064
Creditors: amounts falling due after more than one year	13	(19,557)	(139,994)
Net assets		1,293,552	1,262,070
Capital and reserves			
Called up share capital	14	168,719	168,719
Share premium account	15	88,292	88,292
Capital redemption reserve	15	33,354	33,354
Profit and loss account	15	1,003,187	971,705
Equity shareholders' funds		1,293,552	1,262,070

These accounts were approved by the board of directors on 21 June 1999 and were signed on its behalf by:


Thomas Flockhart
Director


Alan M Smith
Director

Cash flow statement
for the year ended 31 December 1998

	<i>Note</i>	1998 £	1997 £
Net cash inflow from operating activities	19	880,624	278,214
Returns on investments and servicing of finance	20	(40,999)	(64,150)
Taxation		(7,619)	(7,373)
Capital expenditure and financial investment	20	53,295	(71,230)
Cash inflow before financing		885,301	135,461
Financing	20	(162,608)	(242,002)
Increase/(decrease) in cash in the period		722,693	(106,541)

Reconciliation of net cash flow to movement in net funds/(debt) (note 21)

Increase/(decrease) in cash in the period	722,693	(106,541)
Cash flow from movement in debt	162,608	238,117
Change in net debt resulting from cash flows	885,301	131,576
New hire purchase contracts	-	(94,353)
Movement in net debt in the period	885,301	37,223
Net debt at the start of the period	(757,751)	(794,974)
Net funds/(debt) at the end of the period	127,550	(757,751)

Notes

(forming part of the financial statements)

1 Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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.

Notes (continued)

1 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.

Grants

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

2	Interest receivable and similar income	1998	1997
		£	£
	On bank deposits	1,319	-
		<u> </u>	<u> </u>
3	Interest payable	1998	1997
		£	£
	On bank loans and overdrafts	33,668	49,366
	On hire purchase agreements	8,650	14,784
		<u> </u>	<u> </u>
		42,318	64,150
		<u> </u>	<u> </u>

Notes (continued)

4	Profit/(loss) on ordinary activities before taxation	1998 £	1997 £
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	143,914	143,470
	Hire of plant and machinery under operating leases	257,789	263,428
	Property rentals under operating leases	293,020	283,040
	Auditors' remuneration - audit	9,700	9,400
	Amorisation of goodwill	50,040	50,040
	Loss/(gain) on disposal of fixed assets	(8,651)	659
	Grant income received	(15,485)	(22,000)
		<u> </u>	<u> </u>

5 Staff numbers and costs

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

	1998 Number	1997 Number
Administration	32	33
Maintenance	76	76
Sales and distribution	40	37
	<u> </u>	<u> </u>
Total	148	146
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	2,902,699	2,723,504
Social security costs	301,005	275,279
Defined contribution pension scheme costs	92,537	153,792
	<u> </u>	<u> </u>
	3,296,241	3,152,575
	<u> </u>	<u> </u>

Notes (continued)

6 Remuneration of directors

	1998	1997
	£	£
Directors' emoluments	409,167	433,529
Company contributions to money purchase pension schemes	55,015	55,015
	464,182	488,544

The emoluments of the highest paid director were £153,748 (1997: £183,182), and company pension contributions of £27,600 (1997: £27,600) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to six (1997: six) directors under money purchase schemes.

7 Tax on profit/(loss) on ordinary activities

	1998	1997
	£	£
Corporation tax at 21% (1997 - 21.75%)	44,962	12,573
Adjustment for prior years	-	(12,573)
	44,962	-

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

8 Intangible assets

	Goodwill
	£
<i>Cost</i>	
At beginning and end of year	250,000
<i>Amortisation</i>	
At beginning of year	79,230
Charge for year	50,040
At end of year	129,270
<i>Net book value</i>	
At 31 December 1998	120,730
At 31 December 1997	170,770

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At beginning of year	372,513	617,581	582,376	1,572,470
Transferred from stock	-	25,264	-	25,264
Disposals	-	-	(118,467)	(118,467)
At end of year	372,513	642,845	463,909	1,479,267
Depreciation				
At beginning of year	153,772	313,351	352,702	819,825
Charge for year	11,026	71,675	60,493	143,914
Disposals	-	-	(85,821)	(85,821)
At end of year	164,798	385,026	327,374	877,198
Net book value				
At 31 December 1998	207,715	257,819	136,535	602,069
At 31 December 1997	218,741	304,230	229,674	752,645

Included above are assets held under hire purchase contracts. At 31 December 1998 the net book value of these assets was £117,325 (1997: £156,257). Depreciation of £30,348 was charged in the year.

Included in equipment are assets with a net book value of £90,941 (1997: £111,588) held for rental under operating leases.

10 Investments

	Unlisted investments £
Cost	
At beginning of year	44,000
Disposals	(35,200)
At end of year	8,800

Notes (continued)

11	Stocks	1998	1997
		£	£
	Office equipment	711,000	830,814
	Spare parts for office equipment	144,797	145,863
	Supplies for office equipment	195,908	205,830
		1,051,705	1,182,507
12	Debtors		
	Trade debtors	946,364	955,836
	Prepayments and accrued income	157,984	125,116
		1,104,348	1,080,952
13	Creditors		
	Amounts falling due within one year:		-
	Bank loans and overdraft (secured)	236,009	548,702
	Trade creditors	977,884	563,110
	Directors' loan account	-	36,221
	Amount due to subsidiary undertaking	5,000	5,000
	Corporation tax	49,913	12,572
	Other taxes and social security	292,767	270,519
	Hire purchase creditors	51,884	69,055
	Accruals and deferred income	345,470	323,631
	Dividend proposed	50,616	-
		2,009,543	1,828,810

Notes (continued)

13 Creditors (continued)

Amounts falling due after more than one year:

	1998 £	1997 £
Bank loan	-	75,000
Hire purchase creditors	19,557	64,994
	19,557	139,994

The maturity of bank loans and hire purchase creditors can be analysed as falling due:

	1998 £	1997 £
In one year or less	126,884	169,055
Between one and two years	19,557	113,841
Between two and five years	-	26,153
	146,441	309,049

14 Called up share capital

Authorised

Ordinary shares of £1 each	500,000	500,000

Allotted, called up and fully paid

Ordinary shares of £1 each	168,719	168,719

15 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At beginning of year	88,292	33,354	971,705
Profit for the financial year	-	-	31,482
At end of year	88,292	33,354	1,003,187

Notes (continued)

16 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit/(loss) on ordinary activities before taxation	82,098	(35,548)
Dividends	(50,616)	-
Share capital redeemed	-	(3,885)
Net increase/(reduction) in shareholders' funds	31,482	(39,433)
Opening shareholders' funds	1,262,070	1,301,503
Closing shareholders' funds	1,293,552	1,262,070

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	-	79,687
- between 2-5 years	-	165,457
- after 5 years	303,020	-
	303,020	245,144

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 £197,000 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 £36,221 of a loan from Mr T Flockhart made in earlier years. At the year end the balance on this loan account was £nil. The loan was interest free.

Notes (continued)

19 Reconciliation of operating profit to cash inflow from operating activities

	1998 £	1997 £
Operating profit	168,059	27,972
Depreciation charges	143,914	158,937
(Gain)/loss on disposal of fixed assets	(8,651)	659
Decrease in stocks	130,802	84,174
Increase in debtors	(23,396)	(42,307)
Increase/(decrease) in creditors	419,856	(1,263)
Goodwill amortised	50,040	50,040
Cash inflow from operating activities	880,624	278,214

20 Analysis of cash flows

	1998 £	1997 £
Returns on investment and servicing of finance		
Interest received	1,319	-
Interest paid	(21,947)	(29,137)
Interest element of hire purchase payments	(8,650)	(14,784)
Term loan interest	(11,721)	(20,229)
	(40,999)	(64,150)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(97,230)
Sale of tangible fixed assets	13,295	26,000
Sale of investments	40,000	-
	53,295	(71,230)
Financing		
Redemption of ordinary share capital	-	(3,885)
Capital element of hire purchase payments	(62,608)	(99,023)
Decrease in term loans	(100,000)	(139,094)
	(162,608)	(242,002)

Notes *(continued)*

21 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	-	435,000	-	435,000
Overdrafts	(448,702)	287,693	-	(161,009)
Loans due after one year	(100,000)	-	100,000	-
Loans due within one year	(75,000)	100,000	(100,000)	(75,000)
Hire purchase liabilities	(134,049)	62,608	-	(71,441)
Total	(757,751)	885,301	-	127,550