

Capital Copiers (Edinburgh) Limited
Trading as Capital solutions ...

**Directors' report and consolidated
financial statements**
Registered number SC80982
31 December 1999



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the auditors to the members of	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8

Company information

Directors	Thomas Flockhart Valerie Flockhart 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	Ian GL Bulloch 101 McDonald Road Edinburgh EH7 4NW

Directors' report

The directors present their annual report and audited accounts for the year ended 31 December 1999.

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 £nil (1998: £0.30) per share be paid. It is proposed to transfer the remaining profit for the year of £68,103 (1998 : £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 1999	1 January 1999
Thomas Flockhart:		
- beneficial	12,908	95,580
- as trustee	92,672	10,000
Valerie Flockhart	20	20
Alan M Smith:		
- as trustee	45,580	-
- beneficial	-	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. Alan M Smith and Joan Smith resigned as directors on 7 April 2000.

Millennium compliance

No major issues were encountered with the passing of the Millennium and, to date, no third party issues have adversely affected the company. The costs associated with preparing for Millennium compliance were not significant.

The directors believe that the company is at an acceptable state of readiness for any potential failures or issues that may arise in the coming year.

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

Ian GL Bulloch
Secretary



Edinburgh
12 April 2000

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 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, and Auditing Practices Board and by our profession's ethical guidance.

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. 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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 1999 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

27 April 2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Turnover		9,694,302	9,417,723
Cost of sales		(4,302,442)	(4,429,156)
Gross profit		5,391,860	4,988,567
Distribution costs		(492,560)	(498,175)
Administrative expenses		(4,774,071)	(4,322,333)
Operating profit		125,229	168,059
Interest receivable	2	4,485	1,319
Interest payable	3	(14,606)	(42,318)
Profit on ordinary activities before taxation	4	115,108	127,060
Tax on profit on ordinary activities	7	(47,005)	(44,962)
Profit on ordinary activities after taxation		68,103	82,098
Dividends on ordinary shares		-	(50,616)
Retained profit for the financial year	15	68,103	31,482

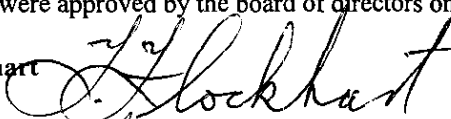
Other than the profit for the current and preceding years there have been no recognised gains or losses.

Balance sheet
at 31 December 1999

	<i>Note</i>	1999 £	1998 £
Fixed assets			
Intangible assets	8	70,693	120,730
Tangible assets	9	673,158	602,069
Investments	10	8,800	8,800
		752,651	731,599
Current assets			
Stocks	11	1,240,318	1,051,705
Debtors	12	1,253,469	1,104,348
Cash in hand		-	435,000
		2,493,787	2,591,053
Creditors: amounts falling due within one year	13	(1,865,630)	(2,009,543)
Net current assets		628,157	581,510
Total assets less current liabilities		1,380,808	1,313,109
Creditors: amounts falling due after more than one year	13	(19,153)	(19,557)
Net assets		1,361,655	1,293,552
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	1,071,290	1,003,187
Equity shareholders' funds		1,361,655	1,293,552

These accounts were approved by the board of directors on 12 April 2000 were signed on its behalf by:

Thomas Flockhart
Director



Ian GL Bulloch
Director



Cash flow statement
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Net cash (outflow)/inflow from operating activities	19	(34,448)	880,624
Returns on investments and servicing of finance	20	(10,121)	(40,999)
Taxation		(47,630)	(7,619)
Capital expenditure and financial investment	20	(274,469)	53,295
Equity dividends paid		(50,616)	-
Cash(outflow)/inflow before financing		(417,284)	885,301
Financing	20	(83,081)	(162,608)
(Decrease)/increase in cash in the period		(500,365)	722,693

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

(Decrease)/increase in cash in the period	(500,365)	722,693
Cash flow from movement in debt	83,081	162,608
Movement in net debt in the period	(417,284)	885,301
Net funds/(debt) at the start of the period	127,550	(757,751)
Net (debt)/funds at the end of the period	(289,734)	127,550

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)
Computer Development costs	33 1/3% per annum (straight line)
Rental equipment	25% per annum (straight line)

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	1999	1998
		£	£
	On bank deposits	4,485	1,319
		<u> </u>	<u> </u>
3	Interest payable	1999	1998
		£	£
	On bank loans and overdrafts	6,606	33,668
	On hire purchase agreements	8,000	8,650
		<u> </u>	<u> </u>
		14,606	42,318
		<u> </u>	<u> </u>

Notes (continued)

4	Profit on ordinary activities before taxation	1999	1998
		£	£
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	202,088	143,914
	Hire of plant and machinery under operating leases	268,940	257,789
	Property rentals under operating leases	295,862	293,020
	Auditors' remuneration - audit	13,000	9,700
	Amorisation of goodwill	50,037	50,040
	Loss/(gain) on disposal of fixed assets	1,292	(8,651)
	Grant income received	(14,555)	(15,485)
		<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:

	1999	1998
	Number	Number
Administration	30	32
Maintenance	75	76
Sales and distribution	41	40
	<u> </u>	<u> </u>
Total	146	148
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	3,112,821	2,902,699
Social security costs	322,692	301,005
Defined contribution pension scheme costs	152,812	92,537
	<u> </u>	<u> </u>
	3,588,325	3,296,241
	<u> </u>	<u> </u>

Notes (continued)

6 Remuneration of directors

	1999 £	1998 £
Directors' emoluments	392,981	409,167
Company contributions to money purchase pension schemes	55,015	55,015
	447,996	464,182

The emoluments of the highest paid director were £143,980 (1998: £153,748), and company pension contributions of £27,600 (1998: £27,600) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to six (1998: six) directors under money purchase schemes.

7 Tax on profit on ordinary activities

	1999 £	1998 £
Corporation tax at 20.25% (1998 - 21%)	49,287	44,962
Adjustment for prior years	(2,282)	-
	47,005	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	129,270
Charge for year	50,037
At end of year	179,307
<i>Net book value</i>	
At 31 December 1999	70,693
At 31 December 1998	120,730

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	372,513	642,845	463,909	1,479,267
Additions	-	225,239	56,825	282,064
Disposals	-	-	(47,100)	(47,100)
At end of year	372,513	868,084	473,634	1,714,231
<i>Depreciation</i>				
At beginning of year	164,798	385,026	327,374	877,198
Charge for year	11,027	142,814	48,247	202,088
Disposals	-	-	(38,213)	(38,213)
At end of year	175,825	527,840	337,408	1,041,073
<i>Net book value</i>				
At 31 December 1999	196,688	340,244	136,226	673,158
At 31 December 1998	207,715	257,819	136,535	602,069

Included above are assets held under hire purchase contracts. At 31 December 1998 the net book value of these assets was £116,092 (1998: £117,325). Depreciation of £38,696 was charged in the year.

Included in equipment are assets with a net book value of £64,193 (1998: £90,941) held for rental under operating leases.

10 Investments

	Unlisted investments £
<i>Cost</i>	
At beginning and end of year	8,800

Notes (continued)

11	Stocks	1999	1998
		£	£
	Office equipment	952,003	711,000
	Spare parts for office equipment	145,837	144,797
	Supplies for office equipment	142,478	195,908
		1,240,318	1,051,705
12	Debtors		
	Trade debtors	1,148,306	946,364
	Prepayments and accrued income	105,163	157,984
		1,253,469	1,104,348
13	Creditors		
	Amounts falling due within one year:		
	Bank loans and overdraft (secured)	226,374	236,009
	Trade creditors	706,528	977,884
	Directors' loan account	10,845	-
	Amount due to subsidiary undertaking	5,000	5,000
	Corporation tax	49,288	49,913
	Other taxes and social security	350,596	292,767
	Hire purchase creditors	44,207	51,884
	Accruals and deferred income	472,792	345,470
	Dividend proposed	-	50,616
		1,865,630	2,009,543

Notes (continued)

13 Creditors (continued)

Amounts falling due after more than one year:

	1999 £	1998 £
Hire purchase creditors	19,153	19,557

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	1,003,187
Profit for the financial year	-	-	68,103
At end of year	88,292	33,354	1,071,290

Notes (continued)

16 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit on ordinary activities after taxation	68,103	82,098
Dividends	-	(50,616)
Net increase in shareholders' funds	68,103	31,482
Opening shareholders' funds	1,293,552	1,262,070
Closing shareholders' funds	1,361,655	1,293,552

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	-	60,983
- between 2-5 years	-	44,414
- after 5 years	303,020	-
	303,020	105,397

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.

Notes (continued)

19 Reconciliation of operating profit to cash inflow from operating activities

	1999 £	1998 £
Operating profit	125,229	168,059
Depreciation charges	202,088	143,914
Goodwill amortised	50,037	50,040
Loss/(gain) on disposal of fixed assets	1,292	(8,651)
(Increase)/decrease in stocks	(188,613)	130,802
Increase in debtors	(149,121)	(23,396)
(Decrease)/Increase in creditors	(75,360)	419,856
Cash inflow from operating activities	(34,448)	880,624

20 Analysis of cash flows

	1999 £	1998 £
Returns on investment and servicing of finance		
Interest received	4,485	1,319
Interest paid	(4,049)	(21,947)
Interest element of hire purchase payments	(8,000)	(8,650)
Term loan interest	(2,557)	(11,721)
	(10,121)	(40,999)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(282,064)	-
Sale of tangible fixed assets	7,595	13,295
Sale of investments	-	40,000
	(274,469)	53,295
Financing		
Capital element of hire purchase payments	(8,081)	(62,608)
Decrease in term loans	(75,000)	(100,000)
	(83,081)	(162,608)

Notes (*continued*)

21 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	435,000	(435,000)	-
Overdrafts	(161,009)	(65,365)	(226,374)
Loans due within one year	(75,000)	75,000	-
Hire purchase liabilities	(71,441)	8,081	(63,360)
Total	<u>127,550</u>	<u>(417,284)</u>	<u>(289,734)</u>