

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

**Directors' report and consolidated
financial statements**

Registered number SC80982

31 December 2000

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Company information

Directors	Thomas Flockhart Valerie Flockhart Andrew R Aikman Ian GL Bulloch Richard Smith Ross Haston
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 2000.

Principal activities and business review

The principal activities of the company continue to be the sale, leasing, 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 (1999: £nil) per share be paid. It is proposed to transfer the remaining loss for the year of £346,185 from reserves (1999: profit £68,103 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 2000	1 January 2000 or date of appointment
Thomas Flockhart:		
- beneficial	12,908	12,908
- as trustee	92,672	92,672
Valerie Flockhart	20	20
Andrew R Aikman	5,579	5,579
Ian G L Bulloch	2,188	2,188
Richard Smith	907	907
Ross Haston	-	-

Richard Smith and Ross Haston were appointed as directors on 11 September 2000. Alan M Smith and Joan Smith served as directors until their resignations on 7 April 2000.

Acquisition of own shares

During the year the company established an Employee Benefit Trust as a vehicle for incentivising its employees. The Trust to date has bought back 49,232 shares from existing shareholders.

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
24 May 2001

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
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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.

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature of the KPMG firm, written in dark ink.

KPMG
Chartered Accountants
Registered Auditors

7 June 2001

Profit and loss account
for the year ended 31 December 2000

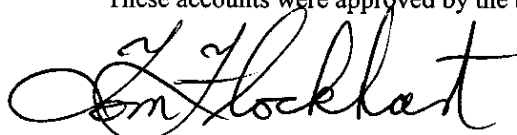
	<i>Note</i>	2000 £	1999 £
Turnover		9,379,924	9,694,302
Cost of sales		(4,076,613)	(4,302,442)
Gross profit		5,303,311	5,391,860
Distribution costs		(504,319)	(492,560)
Administrative expenses		(4,656,852)	(4,774,071)
Operating profit		142,140	125,229
Amounts written off investments	10	(429,009)	-
Interest receivable	2	198	4,485
Interest payable	3	(30,835)	(14,606)
(Loss) / profit on ordinary activities before taxation	4	(317,506)	115,108
Tax on (loss) / profit on ordinary activities	7	(28,679)	(47,005)
Retained (loss) / profit for the financial year	15	(346,185)	68,103

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

Balance sheet
at 31 December 2000

	<i>Note</i>	2000 £	1999 £
Fixed assets			
Intangible assets	8	20,653	70,693
Tangible assets	9	481,848	673,158
Investments	10	304,192	8,800
		806,693	752,651
Current assets			
Stocks	11	1,175,775	1,240,318
Debtors	12	1,080,770	1,253,469
Cash in hand		336,000	-
		2,592,545	2,493,787
Creditors: amounts falling due within one year	13	(1,950,034)	(1,865,630)
Net current assets		642,511	628,157
Total assets less current liabilities		1,449,204	1,380,808
Creditors: amounts falling due after more than one year	13	(433,734)	(19,153)
Net assets		1,015,470	1,361,655
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	725,105	1,071,290
Equity shareholders' funds		1,015,470	1,361,655

These accounts were approved by the board of directors on 24 May 2001 were signed on its behalf by:



Thomas Flockhart
Director



Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Net cash inflow / (outflow) from operating activities	19	723,189	(34,448)
Returns on investments and servicing of finance	20	(30,637)	(10,121)
Taxation		(47,552)	(47,630)
Capital expenditure and financial investment	20	(177,281)	(274,469)
Equity dividends paid		-	(50,616)
Cash inflow / (outflow) before financing		467,719	(417,284)
Financing	20	(26,032)	(83,081)
Increase / (decrease) in cash in the period		441,687	(500,365)

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

Increase/(decrease) in cash in the period	441,687	(500,365)
Cash flow from movement in debt	26,032	83,081
Movement in net debt in the period	467,719	(417,284)
Net (debt)/funds at the start of the period	(289,734)	127,550
Net funds/(debt) at the end of the period	177,985	(289,734)

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. No value is placed on stocks of copier supplies in the field.

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	2000	1999
		£	£
	On bank deposits	198	4,485
3	Interest payable	2000	1999
		£	£
	On bank loans and overdrafts	8,471	6,606
	On hire purchase agreements	5,564	8,000
	Other	16,800	-
		30,835	14,606

Notes (continued)

4	Profit on ordinary activities before taxation	2000	1999
		£	£
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	208,684	202,088
	Hire of plant and machinery under operating leases	210,819	268,940
	Property rentals under operating leases	299,457	295,862
	Auditors' remuneration - audit	13,400	13,000
	Amorisation of goodwill	50,040	50,037
	(Gain) / loss on disposal of fixed assets	(4,494)	1,292
	Grant income received	(8,650)	(14,555)
		<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:

	2000	1999
	Number	Number
Administration	29	30
Maintenance	72	75
Sales and distribution	38	41
	<u> </u>	<u> </u>
Total	139	146
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	2,947,387	3,112,821
Social security costs	320,205	322,692
Defined contribution pension scheme costs	130,813	152,812
	<u> </u>	<u> </u>
	3,398,405	3,588,325
	<u> </u>	<u> </u>

Notes (continued)

6 Remuneration of directors

	2000 £	1999 £
Directors' emoluments	350,197	392,981
Company contributions to money purchase pension schemes	45,745	55,015
	395,942	447,996

The emoluments of the highest paid director were £149,369 (1999 £143,980), and company pension contributions of £27,600 (1999 : £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

	2000 £	1999 £
Corporation tax at 20.5% (1999 - 20.25%)	30,415	49,287
Adjustment for prior years	(1,736)	(2,282)
	28,679	47,005

The effective tax charge is increased as a result of disallowable expenditure, and ineligibility of certain assets for capital allowances.

8 Intangible assets

	Goodwill £
Cost	
At beginning and end of year	250,000
Amortisation	
At beginning of year	179,307
Charge for year	50,040
At end of year	229,347
Net book value	
At 31 December 2000	20,653
At 31 December 1999	70,693

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At beginning of year	372,513	868,084	473,634	1,714,231
Additions	-	22,657	20,800	43,457
Disposals	-	-	(156,169)	(156,169)
At end of year	372,513	890,741	338,265	1,601,519
Depreciation				
At beginning of year	175,825	527,840	337,408	1,041,073
Charge for year	25,151	146,970	36,563	208,684
Disposals	-	-	(130,086)	(130,086)
At end of year	200,976	674,810	243,885	1,119,671
Net book value				
At 31 December 2000	171,537	215,931	94,380	481,848
At 31 December 1999	196,688	340,244	136,226	673,158

Included above are assets held under hire purchase contracts. At 31 December 2000 the net book value of these assets was £46,422 (1999: £116,092). Depreciation of £12,006 (1999 : £38,696) was charged in the year.

Included in equipment are assets with a net book value of £28,887 (1999: £64,193) held for rental under operating leases.

Notes (continued)

10 Intangible fixed assets

	Investment in own shares £	Unlisted Investments £	Total £
<i>Cost</i>			
At beginning of year	-	8,800	8,800
Additions	724,401	-	724,401
At end of year	724,401	8,800	733,201
<i>Amounts written off</i>			
At beginning of year	-	-	-
Charge for year	429,009	-	429,009
At end of year	429,009	-	429,009
<i>Net book value</i>			
At 31 December 2000	295,392	8,800	304,192
At 31 December 1999	-	8,800	8,800

The investment in own shares represents 49,232 ordinary shares of the company held by the company's Employee Benefit Trust. The purchase of these shares is funded by contributions from the company. Amounts outstanding are included within other creditors. The dividend rights in respect of these shares have been waived. All costs of administering the Trust have been charged to the profit and loss account as they arise.

11 Stocks

	2000 £	1999 £
Office equipment	926,556	952,003
Spare parts for office equipment	114,078	145,837
Supplies for office equipment	135,141	142,478
	1,175,775	1,240,318

12 Debtors

	2000 £	1999 £
Trade debtors	1,007,835	1,148,306
Prepayments and accrued income	72,935	105,163
	1,080,770	1,253,469

Notes (continued)

13	Creditors	2000 £	1999 £
	Amounts falling due within one year:		
	Bank loans and overdraft (secured)	120,687	226,374
	Trade creditors	706,839	706,528
	Directors' loan account	10,845	10,845
	Amount due to subsidiary undertaking	5,000	5,000
	Corporation tax	30,415	49,288
	Other taxes and social security	323,757	350,596
	Hire purchase creditors	23,594	44,207
	Other creditor	140,000	-
	Accruals and deferred income	588,897	472,792
		1,950,034	1,865,630
		2000 £	1999 £
	Amounts falling due after more than one year:		
	Hire purchase creditors	13,734	19,153
	Other creditor	420,000	-
		433,734	19,153
14	Called up share capital	2000 £	1999 £
	<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	168,719	168,719
15	Reserves		
		Share premium account £	Capital redemption reserve £
	At beginning of year	88,292	33,354
	Loss for the financial year	-	-
	At end of year	88,292	33,354
			Profit and loss account £
			1,071,290
			(346,185)
			725,105

Notes (continued)

16 Reconciliation of movement in shareholders' funds

	2000 £	1999 £
(Loss)/profit on ordinary activities after taxation	(346,185)	68,103
Opening shareholders' funds	1,361,655	1,293,552
Closing shareholders' funds	1,015,470	1,361,655

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	215,000	7,142
- between 2-5 years	-	126,247
- after 5 years	68,020	-
	283,020	133,389

18 Transactions with directors

The company leases two properties from Mr T Flockhart at an annual rental of £160,825 on an arm's length basis.

Notes (continued)

19 Reconciliation of operating profit to cash inflow from operating activities

	2000 £	1999 £
Operating profit	142,140	125,229
Depreciation charges	208,684	202,088
Goodwill amortised	50,040	50,037
(Gain)/loss on disposal of fixed assets	(4,494)	1,292
Decrease/(increase) in stocks	64,543	(188,613)
Decrease/(increase) in debtors	172,699	(149,121)
Increase/(decrease) in creditors	89,577	(75,360)
Cash inflow/(outflow) from operating activities	723,189	(34,448)

20 Analysis of cash flows

	2000 £	1999 £
Returns on investment and servicing of finance		
Interest received	198	4,485
Interest paid	(8,471)	(4,049)
Interest element of hire purchase payments	(5,564)	(8,000)
Term loan interest paid	-	(2,557)
Other interest	(16,800)	-
	(30,637)	(10,121)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(43,457)	(282,064)
Sale of tangible fixed assets	30,577	7,595
Purchase of own shares	(164,401)	-
	(177,281)	(274,469)
Financing		
Capital element of hire purchase payments	(26,032)	(8,081)
Decrease in term loans	-	(75,000)
	(26,032)	(83,081)

Notes (*continued*)

21 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	-	336,000	336,000
Overdrafts	(226,374)	105,687	(120,687)
Loans due within one year	-	-	-
Hire purchase liabilities	(63,360)	26,032	(37,328)
Total	(289,734)	467,719	177,985