

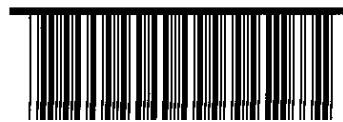
Capital Copiers (Edinburgh) Limited
Trading as Capital solutions...

**Directors' report and consolidated
financial statements**

Registered number SC80982

31 December 2001

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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 2001.

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

An interim ordinary dividend of £0.50 per share (2000: *nil*) has been paid. No further dividend is proposed. The remaining profit for the year of £116,355 (2000: £346,185) will be transferred 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 2001	1 January 2001
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	-	-

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
16 April 2002

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

Independent auditors' report to the members of Capital Copiers (Edinburgh) Limited

We have audited the financial statements on pages 5 to 15.

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 1985. 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 2001 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

18 April 2002

Profit and loss account
for the year ended 31 December 2001

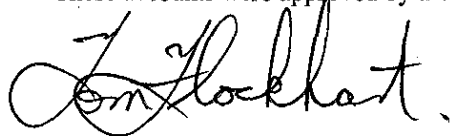
	<i>Note</i>	2001 £	2000 £
Turnover		9,616,105	9,379,924
Cost of sales		(3,868,104)	(4,076,613)
Gross profit		5,748,001	5,303,311
Distribution costs		(486,959)	(504,319)
Administrative expenses		(4,993,213)	(4,656,852)
Operating profit		267,829	142,140
Amounts written off investments	<i>11</i>	-	(429,009)
Interest receivable	<i>2</i>	3,367	198
Interest payable	<i>3</i>	(45,095)	(30,835)
Profit/(loss) on ordinary activities before taxation	<i>4</i>	226,101	(317,506)
Tax on profit/(loss) on ordinary activities	<i>7</i>	(50,000)	(28,679)
Profit/(loss) on ordinary activities after taxation		176,101	(346,185)
Dividend paid		(59,746)	-
Retained profit/(loss) for the financial year	<i>16</i>	116,355	(346,185)

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

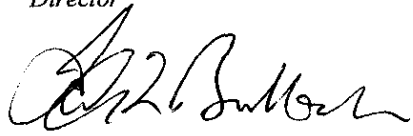
Balance sheet
at 31 December 2001

	Note	2001 £	2000 £
Fixed assets			
Intangible assets	9	82,968	20,653
Tangible assets	10	751,878	481,848
Investments	11	304,192	304,192
		1,139,038	806,693
Current assets			
Stocks	12	989,328	1,175,775
Debtors	13	1,221,274	1,080,770
Cash in hand		113,254	336,000
		2,323,856	2,592,545
Creditors: amounts falling due within one year	14	(1,966,426)	(1,950,034)
Net current assets		357,430	642,511
Total assets less current liabilities		1,496,468	1,449,204
Creditors: amounts falling due after more than one year	14	(364,643)	(433,734)
Net assets		1,131,825	1,015,470
Capital and reserves			
Called up share capital	15	168,719	168,719
Share premium account	16	88,292	88,292
Capital redemption reserve	16	33,354	33,354
Profit and loss account	16	841,460	725,105
Equity shareholders' funds		1,131,825	1,015,470

These accounts were approved by the board of directors on 16 April 2002 were signed on its behalf by:



Thomas Flockhart
 Director



Ian GL Bulloch
 Director

Cash flow statement
for the year ended 31 December 2001

	<i>Note</i>	2001 £	2000 £
Net cash inflow / (outflow) from operating activities	20	225,654	723,189
Returns on investments and servicing of finance	21	(41,728)	(30,637)
Taxation		(30,424)	(47,552)
Capital expenditure	21	(161,068)	(177,281)
Acquisitions and disposals		(121,000)	-
Equity dividends paid		(59,746)	-
Cash (outflow) / inflow before financing		(188,312)	467,719
Financing	21	(99,432)	(26,032)
(Decrease) / increase in cash in the period		(287,744)	441,687

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

(Decrease)/increase in cash in the period	(287,744)	441,687
Cash flow from movement in debt	(125,223)	26,032
Movement in net debt in the period	(412,967)	467,719
Net (funds)/debt at the start of the period	177,985	(289,734)
Net debt/(funds) at the end of the period	(234,982)	177,985

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 on a straight line basis over its estimated useful life of three 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 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

Assets leased to customers under operating leases are included in "Tangible fixed assets". Rentals payable and receivable under operating leases are accounted for on the straight line basis over the periods of the leases.

Notes (continued)

1 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 receivable and similar income	2001	2000
		£	£
	On bank deposits	3,367	198
3	Interest payable	2001	2000
		£	£
	On bank loans and overdrafts	5,695	8,471
	On hire purchase agreements	10,000	5,564
	Other	29,400	16,800
		45,095	30,835
4	Profit/(loss) on ordinary activities before taxation	2001	2000
		£	£
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	325,638	208,684
	Hire of plant and machinery under operating leases	262,312	210,819
	Property rentals under operating leases	293,205	299,457
	Rentals receivable under operating leases	(93,195)	-
	Auditors' remuneration - audit	12,700	13,400
	Amortisation of goodwill	58,685	50,040
	Gain on disposal of fixed assets	(7,602)	(4,494)
	Grant income	(16,165)	(8,650)

Notes (continued)

5 Staff numbers and costs

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

	2001 Number	2000 Number
Administration	29	29
Maintenance	79	72
Sales and distribution	39	38
Total	147	139

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,260,448	2,947,387
Social security costs	342,103	320,205
Defined contribution pension scheme costs	133,456	130,813
	3,736,007	3,398,405

6 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	448,824	350,197
Company contributions to money purchase pension schemes	27,113	45,745
	475,937	395,942

The emoluments of the highest paid director were £169,334 (2000: £149,369), and company pension contributions of £6,900 (2000 : £27,600) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to six (2000: six) directors under money purchase schemes.

7 Tax on profit on ordinary activities

	2001 £	2000 £
Corporation tax at 20% (2000 - 20.5%)	50,000	30,415
Adjustment for prior years	-	(1,736)
	50,000	28,679

8 Dividends

	2001 £	2000 £
Interim dividend paid of £0.50 pence per share	59,746	-

Notes (continued)

9	Intangible assets	Goodwill £
	<i>Cost</i>	
	At beginning of year	250,000
	Additions	121,000
	At end of year	371,000
	<i>Amortisation</i>	
	At beginning of year	229,347
	Charge for year	58,685
	At end of year	288,032
	<i>Net book value</i>	
	At 31 December 2001	82,968
	At 31 December 2000	20,653

During the year the company acquired part of the trade of Clydeforth Limited for a cash sum of £121,000. As no assets or liabilities were acquired the whole of this amount represents goodwill.

10	Tangible fixed assets	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
	<i>Cost</i>				
	At beginning of year	372,513	890,741	338,265	1,601,519
	Additions	-	415,775	230,855	646,630
	Disposals	-	(106,989)	(262,575)	(369,564)
	At end of year	372,513	1,199,527	306,545	1,878,585
	<i>Depreciation</i>				
	At beginning of year	200,976	674,810	243,885	1,119,671
	Charge for year	25,151	245,618	54,869	325,638
	Disposals	-	(106,889)	(211,613)	(318,602)
	At end of year	226,127	813,439	87,141	1,126,707
	<i>Net book value</i>				
	At 31 December 2001	146,386	386,088	219,404	751,878
	At 31 December 2000	171,537	215,931	94,380	481,848

Included above are assets held under hire purchase contracts. At 31 December 2001 the net book value of these assets was £222,251 (2000: £46,422). Depreciation of £48,827 (2000 : £12,006) was charged in the year. Included in equipment are assets with a net book value of £249,743 (2000: £28,887) held for rental under operating leases. Depreciation of £32,600 (2000: Nil) was charged in the year.

Notes (continued)

11 **Investments**

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

The investment in own shares represents 49,232 ordinary shares (with a nominal value of £1.00) 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.

12 **Stocks**

	2001 £	2000 £
Office equipment	694,870	926,556
Spare parts for office equipment	129,029	114,078
Supplies for office equipment	165,429	135,141
	<u>989,328</u>	<u>1,175,775</u>

13 **Debtors**

	2001 £	2000 £
Trade debtors	1,107,960	1,007,835
Prepayments and accrued income	113,314	72,935
	<u>1,221,274</u>	<u>1,080,770</u>

Notes (continued)

14	Creditors	2001 £	2000 £
	Amounts falling due within one year:		
	Bank loans and overdraft (secured)	185,685	120,687
	Trade creditors	668,109	706,839
	Directors' loan account	-	10,845
	Amount due to subsidiary undertaking	5,000	5,000
	Corporation tax	49,991	30,415
	Other taxes and social security	339,718	323,757
	Hire purchase creditors	77,908	23,594
	Other creditor	140,000	140,000
	Accruals and deferred income	500,015	588,897
		1,966,426	1,950,034
	Amounts falling due after more than one year:		
	Hire purchase creditors (due in under 5 years)	84,643	13,734
	Other creditor	280,000	420,000
		364,643	433,734
15	Called up share capital	2001 £	2000 £
	<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
16	Reserves	Share premium account £	Capital redemption reserve £
	At beginning of year	88,292	33,354
	Profit for the financial year	-	-
		88,292	33,354
	At end of year	88,292	33,354
17	Reconciliation of movement in shareholders' funds	2001 £	2000 £
	Profit/(loss) on ordinary activities after taxation	116,355	(346,185)
	Opening shareholders' funds	1,015,470	1,361,655
		1,131,825	1,015,470
	Closing shareholders' funds	1,131,825	1,015,470

Notes (continued)

18 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	18,000	52,891
- between 2-5 years	72,600	185,747
- greater than 5 years	206,000	-
	296,600	238,638

19 Transactions with directors

The company leases two properties from Mr T Flockhart at an annual rental of £173,461 on an arm's length basis.

20 Reconciliation of operating profit to cash inflow from operating activities

	2001 £	2000 £
Operating profit	267,829	142,140
Depreciation charges	325,638	208,684
Goodwill amortised	58,685	50,040
Gain on disposal of fixed assets	(7,602)	(4,494)
Decrease in stocks	186,447	64,543
(Increase)/decrease in debtors	(140,504)	172,699
(Decrease)/increase in creditors	(464,839)	89,577
Cash inflow from operating activities	225,654	723,189

Notes (continued)

21 Analysis of cash flows

	2001 £	2000 £
Returns on investment and servicing of finance		
Interest received	3,367	198
Interest paid	(5,695)	(8,471)
Interest element of hire purchase payments	(10,000)	(5,564)
Other interest	(29,400)	(16,800)
	<u>(41,728)</u>	<u>(30,637)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(79,632)	(43,457)
Sale of tangible fixed assets	58,564	30,577
Purchase of own shares	(140,000)	(164,401)
	<u>(161,068)</u>	<u>(177,281)</u>
Financing		
Capital element of hire purchase payments	(99,432)	(26,032)
	<u>(99,432)</u>	<u>(26,032)</u>

22 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	336,000	(222,746)	-	113,254
Overdrafts	(120,687)	(64,998)	-	(185,685)
Hire purchase liabilities	(37,328)	99,432	(224,655)	(162,551)
Total	<u>177,985</u>	<u>(188,312)</u>	<u>(224,655)</u>	<u>(234,982)</u>