

23/06/2003

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

**Directors' report and financial
statements**

Registered number SC80982

31 December 2002



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report to the members of Capital Copiers (Edinburgh) Limited	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 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 LLP 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 2002.

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 £0.30 per share (2001: £0.50) has been paid. No further dividend is proposed. The remaining profit for the year of £306,773 (2001: £116,355) 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 2002	1 January 2002
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 LLP 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
16th June 2003

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.



KPMG LLP

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 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

26 June 2003

Profit and loss account
for the year ended 31 December 2002

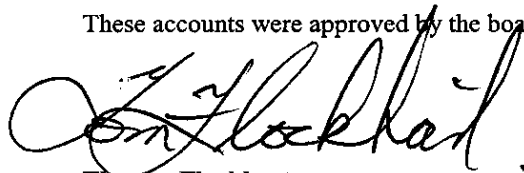
	<i>Note</i>	2002 £	2001 restated £
Turnover		9,879,235	9,616,105
Cost of sales		(3,693,695)	(3,868,104)
Gross profit		6,185,540	5,748,001
Distribution costs		(504,136)	(486,959)
Administrative expenses		(5,193,390)	(4,993,213)
Operating profit		488,014	267,829
Amounts written off investments	11	-	-
Interest receivable	2	441	3,367
Interest payable	3	(41,152)	(45,095)
Profit on ordinary activities before taxation	4	447,303	226,101
Tax on profit on ordinary activities	7	(104,684)	(49,486)
Profit on ordinary activities after taxation		342,619	176,615
Dividend paid	8	(35,846)	(59,746)
Retained profit for the financial year	17	306,773	116,869

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 2002

	Note	2002 £	2001 restated £
Fixed assets			
Intangible assets	9	41,478	82,968
Tangible assets	10	986,704	751,878
Investments	11	304,192	304,192
		1,332,374	1,139,038
Current assets			
Stocks	12	991,965	989,328
Debtors	13	1,170,418	1,236,344
Cash in hand		349,283	113,254
		2,511,666	2,338,926
Creditors: amounts falling due within one year	15	(2,231,028)	(1,966,426)
Net current assets		280,638	372,500
Total assets less current liabilities		1,613,012	1,511,538
Creditors: amounts falling due after more than one year	15	(159,344)	(364,643)
Net assets		1,453,668	1,146,895
Capital and reserves			
Called up share capital	16	168,719	168,719
Share premium account	17	88,292	88,292
Capital redemption reserve	17	33,354	33,354
Profit and loss account	17	1,163,303	856,530
Equity shareholders' funds		1,453,668	1,146,895

These accounts were approved by the board of directors on 16th June 2003 were signed on its behalf by:


Thomas Flockhart
Director


Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Net cash inflow / (outflow) from operating activities	21	1,259,601	225,654
Returns on investments and servicing of finance	22	(40,711)	(41,728)
Taxation		(56,115)	(30,424)
Capital expenditure	22	(787,658)	(161,068)
Acquisitions and disposals		-	(121,000)
Equity dividends paid		(35,846)	(59,746)
Cash inflow/(outflow) before financing		339,271	(188,312)
Financing	22	(82,988)	(99,432)
Increase/(decrease) in cash in the period		256,283	(287,744)

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

Increase/(decrease) in cash in the period	256,283	(287,744)
Cash flow from movement in debt	66,276	(125,223)
Movement in net debt in the period	332,559	(412,967)
Net (funds)/debt at the start of the period	(234,982)	177,985
Net debt/(funds) at the end of the period	87,577	(234,982)

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.

Prior year adjustment

The accounts comply with Financial Reporting Standard (FRS 19) "Deferred tax" which has resulted in a full provision basis. Previously provision for deferred tax was made to the extent that an actual liability for timing differences between the treatment of certain items for taxation and accounting purposes which had arisen but not reversed at the balance sheet date would crystallise. Full provision on an undiscounted basis is now made for all such timing differences as they arise. The effect of this change has been to increase profit after tax for the year to 31 December 2002 by £21,440 and to increase profit after tax for the year to 31 December 2001 by £514. The deferred tax asset has been increased by £15,070 at 31 December 2001.

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 and deferred taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision without discounting for deferred taxation is made for all timing differences as they arise (see prior year adjustment note above).

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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	2002	2001
		£	£
	On bank deposits	441	3,367
3	Interest payable	2002	2001
		£	£
	On bank loans and overdrafts	10,047	5,695
	On hire purchase agreements	10,105	10,000
	Other	21,000	29,400
		41,152	45,095

Notes (continued)

4	Profit/(loss) on ordinary activities before taxation	2002	2001
		£	£
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	384,980	325,638
	Hire of plant and machinery under operating leases	249,956	262,312
	Property rentals under operating leases	298,575	293,205
	Property rentals receivable under operating leases	(30,000)	(30,000)
	Plant and machinery rentals receivable under operating leases	(61,689)	(108,888)
	Auditors' remuneration - audit	14,700	13,700
	Amortisation of goodwill	41,490	58,685
	Loss/(gain) on disposal of fixed assets	463	(7,602)
	Grant income	(4,955)	(16,165)

5 Staff numbers and costs

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

	2002	2001
	Number	Number
Administration	29	29
Maintenance	88	79
Sales and distribution	40	39
Total	157	147

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,529,008	3,260,448
Social security costs	365,619	342,103
Defined contribution pension scheme costs	141,049	133,456
	4,035,676	3,736,007

6 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	482,290	448,824
Company contributions to money purchase pension schemes	20,975	27,113
	503,265	475,937

The emoluments of the highest paid director were £173,350 (2001: £169,334), and company pension contributions of £nil (2001 : £6,900) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to six (2001: six) directors under money purchase schemes.

Notes (continued)

7 Tax on profit on ordinary activities

	2002 £	2001 £
<i>Corporation tax</i>		
Current year	120,000	50,000
Adjustments in respects of prior years	6,124	-
	126,124	50,000
<i>Deferred tax</i>		
Current year	(9,059)	(514)
Adjustment in respect of prior years	(12,381)	-
Total tax	<u>104,684</u>	<u>49,486</u>
UK taxation for the years in lower (2001: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	447,303	226,101
Current tax at 30% (2001: 30%)	134,191	67,830
Related depreciation less than capital allowances	9,059	514
Payments relating to employee benefit trust	(28,000)	(28,000)
Expenditure permanently disallowable for taxation	32,291	32,266
Marginal relief	(27,541)	(22,610)
Current tax (see above)	<u>120,000</u>	<u>50,000</u>

8 Dividends

	2002 £	2001 £
Interim dividend paid of £0.30 (2001: £0.50)pence per share	<u>35,846</u>	<u>59,746</u>

Notes (continued)

9	Intangible assets				Goodwill
					£
	<i>Cost</i>				
	At beginning of year				371,000
	Additions				-
	At end of year				371,000
	<i>Amortisation</i>				
	At beginning of year				288,032
	Charge for year				41,490
	At end of year				329,522
	<i>Net book value</i>				
	At 31 December 2002				41,478
	At 31 December 2001				82,968
10	Tangible fixed assets				
		Leasehold improvements	Equipment, fixtures and fittings	Motor vehicles	Total
		£	£	£	£
	<i>Cost</i>				
	At beginning of year	372,513	1,199,527	306,545	1,878,585
	Additions	-	616,228	16,712	632,940
	Disposals	-	(9,649)	(20,067)	(29,716)
	At end of year	372,513	1,806,106	303,190	2,481,809
	<i>Depreciation</i>				
	At beginning of year	226,127	813,439	87,141	1,126,707
	Charge for year	48,692	279,714	56,574	384,980
	Disposals	-	(3,058)	(13,524)	(16,582)
	At end of year	274,819	1,090,095	130,191	1,495,105
	<i>Net book value</i>				
	At 31 December 2002	97,694	716,011	172,999	986,704
	At 31 December 2001	146,386	386,088	219,404	751,878

Included above are assets held under hire purchase contracts. At 31 December 2001 the net book value of these assets was £170,378 (2001: £222,251). Depreciation of £54,935 (2001: £48,827) was charged in the year. Included in equipment are assets with a net book value of £601,624 (2001: £249,743) held for rental under operating leases. Depreciation of £241,585 (2001: £92,600) 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

	2002 £	2001 £
Office equipment	710,169	694,870
Spare parts for office equipment	109,067	129,029
Supplies for office equipment	172,729	165,429
	<u>991,965</u>	<u>989,328</u>

13 Debtors

	2002 £	2001 £
Trade debtors	1,037,654	1,107,960
Deferred tax asset	36,510	15,070
Prepayments and accrued income	96,254	113,314
	<u>1,170,418</u>	<u>1,236,344</u>

Notes (continued)

14 Deferred tax

	Accelerated capital allowances £
As at 31 December 2001	-
Prior year adjustment (see note 1)	15,070
As restated	15,070
Transferred to profit and loss account	21,440
As at 31 December 2002	36,510

15 Creditors

	2002 £	2001 £
Amounts falling due within one year:		
Bank loans and overdraft (secured)	165,431	185,685
Trade creditors	877,727	668,109
Amount due to subsidiary undertaking		5,000
Corporation tax	120,000	49,991
Other taxes and social security	388,442	339,718
Hire purchase creditors	76,931	77,908
Other creditor	140,000	140,000
Accruals and deferred income	462,497	500,015
	2,231,028	1,966,426
Amounts falling due after more than one year:		
Hire purchase creditors (due in under 5 years)	19,344	84,643
Other creditor	140,000	280,000
	159,344	364,643

16 Called up share capital

	2002 £	2001 £
<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

Notes (continued)

17 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 January 2002	88,292	33,354	841,460
Prior year adjustment	-	-	15,070
At 1 January 2002 restated	88,292	33,354	856,530
Profit for the financial year	-	-	306,773
At 31 December 2002	88,292	33,354	1,163,303

18 Reconciliation of movement in shareholders' funds

	2002 £	2001 £
Opening shareholders' funds	1,146,895	1,030,026
Profit/(loss) on ordinary activities after taxation	306,773	116,869
Closing shareholders' funds	1,453,668	1,146,895

Shareholders funds at 31 December 2001 were originally £1,131,825 before prior year adjustment of £15,070 (see note 1).

19 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	-	70,545
- between 2-5 years	248,550	63,861
- greater than 5 years	52,000	-
	300,550	134,406

20 Transactions with directors

The company leases two properties from Mr T Flockhart at an annual rental of £175,178 on an arm's length basis.

Notes (continued)

21 Reconciliation of operating profit to cash inflow from operating activities

	2002 £	2001 £
Operating profit	488,014	267,829
Depreciation charges	384,980	325,638
Goodwill amortised	41,490	58,685
(Loss)/gain on disposal of fixed assets	463	(7,602)
(Increase)/decrease in stocks	(2,637)	186,447
(Increase)/decrease in debtors	87,366	(140,504)
(Decrease)/increase in creditors	259,925	(464,839)
Cash inflow from operating activities	1,259,601	225,654

22 Analysis of cash flows

	2002 £	2001 £
Returns on investment and servicing of finance		
Interest received	441	3,367
Interest paid	(10,047)	(5,695)
Interest element of hire purchase payments	(10,105)	(10,000)
Other interest	(21,000)	(29,400)
	(40,711)	(41,728)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(660,329)	(79,632)
Sale of tangible fixed assets	12,671	58,564
Purchase of own shares	(140,000)	(140,000)
	(787,658)	(161,068)
Financing		
Capital element of hire purchase payments	(82,988)	(99,432)

23 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	113,254	236,029	-	349,283
Overdrafts	(185,685)	20,254	-	(165,431)
Hire purchase liabilities	(162,551)	82,988	(16,712)	(96,275)
Total	(234,982)	339,271	(16,712)	87,577