

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

**Directors' report and financial
statements**

Registered number SC80982

31 December 2003



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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 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 2003.

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 a final dividend of £1.00 (2002: *£nil*) per share be paid, with interim dividend of £nil (2002: £0.30) per share, making a total of £1 (2002: £0.30) per share. The remaining profit for the year of £227,064 (2002: £306,773) 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 2003	1 January 2003
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	-	-

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them during the financial year except as indicated below:

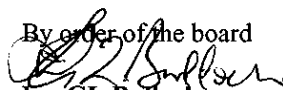
	Number of options during the year		
	At start of year	Granted	At end of year
Andrew R Aikman	6,850	1100	7,950
Ian G L Bulloch	2,200	700	2,900
Richard Smith	2,700	700	3,400
Ross Haston	2,200	700	2,900

The options held are exercisable at prices ranging from £6.00 to £7.40. None of the other directors who held office at the end of the year held options to subscribe for ordinary shares at the beginning or end of the year.

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
18th August 2004

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditors

21 September 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Turnover		9,606,291	9,879,235
Cost of sales		<u>(3,674,514)</u>	<u>(3,693,695)</u>
Gross profit		5,931,777	6,185,540
Distribution costs		<u>(496,323)</u>	<u>(504,136)</u>
Administrative expenses		<u>(4,899,686)</u>	<u>(5,193,390)</u>
Operating profit		535,768	488,014
Interest receivable	2	3,957	441
Interest payable	3	<u>(26,964)</u>	<u>(41,152)</u>
Profit on ordinary activities before taxation	4	512,761	447,303
Tax on profit on ordinary activities	7	<u>(211,962)</u>	<u>(104,684)</u>
Profit on ordinary activities after taxation		300,799	342,619
Dividends	8	<u>(115,697)</u>	<u>(35,846)</u>
Retained profit for the financial year	17	<u>185,102</u>	<u>306,773</u>

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

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £	2002 £
Fixed assets			
Intangible assets	9	-	41,478
Tangible assets	10	592,098	986,704
Investments	11	323,142	304,192
		915,240	1,332,374
Current assets			
Stocks	12	798,542	991,965
Debtors	13	1,212,125	1,170,418
Cash in hand		641,139	349,283
		2,651,806	2,511,666
Creditors: amounts falling due within one year	15	(1,927,347)	(2,231,028)
Net current assets		724,459	280,638
Total assets less current liabilities		1,639,699	1,613,012
Creditors: amounts falling due after more than one year	15	(929)	(159,344)
Net assets		1,638,770	1,453,668
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	1,348,405	1,163,303
Equity shareholders' funds		1,638,770	1,453,668

These accounts were approved by the board of directors on 18 November 2004 were signed on its behalf by:



Thomas Flockhart
Director



Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Net cash inflow / (outflow) from operating activities	21	1,060,165	1,259,601
Returns on investments and servicing of finance	22	(23,007)	(40,711)
Taxation		(137,338)	(56,115)
Capital expenditure	22	(474,808)	(787,658)
Equity dividends paid		-	(35,846)
Cash inflow/(outflow) before financing		425,012	339,271
Financing	22	(74,439)	(82,988)
Increase in cash in the period		350,573	256,283

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

Increase in cash in the period		350,573	256,283
Cash flow from movement in debt		74,439	66,276
Movement in net funds in the period		425,012	332,559
Net debt/(funds) at the start of the period		87,577	(234,982)
Net funds at the end of the period	23	512,589	87,577

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 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.

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	2003	2002
		£	£
	On bank deposits	3,957	441
3	Interest payable	2003	2002
		£	£
	On bank loans and overdrafts	2,392	10,047
	On hire purchase agreements	11,972	10,105
	Other	12,600	21,000
		26,964	41,152

Notes (continued)

4	Profit/(loss) on ordinary activities before taxation	2003	2002
		£	£
	<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	403,126	384,980
	Hire of plant and machinery under operating leases	218,477	249,956
	Property rentals under operating leases	300,550	298,575
	Property rentals receivable under operating leases	(30,000)	(30,000)
	Plant and machinery rentals receivable under operating leases	(57,946)	(61,689)
	Auditors' remuneration - audit	17,000	14,700
	Amortisation of goodwill	41,478	41,490
	Loss on disposal of assets	9,096	463
	Grant income	(4,057)	(4,955)
		<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:

	2003	2002
	Number	Number
Administration	29	29
Maintenance	80	88
Sales and distribution	35	40
	<u> </u>	<u> </u>
Total	144	157
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,292,772	3,529,008
Social security costs	375,209	365,619
Defined contribution pension scheme costs	147,396	141,049
	<u> </u>	<u> </u>
	3,815,377	4,035,676
	<u> </u>	<u> </u>

6 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments	516,338	482,290
Company contributions to money purchase pension schemes	21,383	20,975
	<u> </u>	<u> </u>
	537,721	503,265
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £205,746 (2002: £173,350), and company pension contributions of £nil (2002: £nil) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to six (2002: six) directors under money purchase schemes.

Notes (continued)

7 Tax on profit on ordinary activities

	2003 £	2002 £
<i>Corporation tax</i>		
Current year	210,023	120,000
Adjustments in respects of prior years	42,384	6,124
	252,407	126,124
<i>Deferred tax</i>		
Current year	(50,561)	(9,059)
Adjustment in respect of prior years	10,116	(12,381)
Total tax	211,962	104,684

UK taxation for the year is lower (2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	512,761	447,303
Current tax at 30% (2002: 30%)	153,828	134,191
Related depreciation less than capital allowances	50,561	9,059
Payments relating to employee benefit trust	-	(28,000)
Expenditure permanently disallowable for taxation	25,785	32,291
Marginal relief	(20,151)	(27,541)
Adjustments in respect of prior years	42,384	6,124
Current tax (see above)	252,407	126,124

8 Dividends

	2003 £	2002 £
Interim dividend paid	-	35,846
Final dividend proposed	115,697	-
	115,697	35,846

Notes (continued)

9	Intangible assets				Goodwill
					£
	<i>Cost</i>				
	At beginning and end of year				371,000
	<i>Amortisation</i>				
	At beginning of year				329,522
	Charge for year				41,478
	At end of year				371,000
	<i>Net book value</i>				
	At 31 December 2003				-
	At 31 December 2002				41,478
10	Tangible fixed assets				
		Leasehold improvements	Equipment, fixtures and fittings	Motor vehicles	Total
		£	£	£	£
	<i>Cost</i>				
	At beginning of year	372,513	1,806,106	303,190	2,481,809
	Additions	-	78,709	-	78,709
	Disposals	-	(87,842)	-	(87,842)
	At end of year	372,513	1,796,973	303,190	2,472,676
	<i>Depreciation</i>				
	At beginning of year	274,819	1,090,095	130,191	1,495,105
	Charge for year	48,692	310,906	43,528	403,126
	Disposals	-	(17,653)	-	(17,653)
	At end of year	323,511	1,383,348	173,719	1,880,578
	<i>Net book value</i>				
	At 31 December 2003	49,002	413,625	129,471	592,098
	At 31 December 2002	97,694	716,011	172,999	986,704

Included above are assets held under hire purchase contracts. At 31 December 2001 the net book value of these assets was £127,783 (2002: £170,378). Depreciation of £42,595 (2002 : £54,935) was charged in the year. Included in equipment are assets with a net book value of £306,724 (2002: £601,624) held for rental under operating leases. Depreciation of £275,273 (2002: £241,585) was charged in the year.

Notes (continued)

11 Investments

	Investment in own shares £	Unlisted Investments £	Total £
<i>Cost</i>			
At 1 January 2003	295,392	8,800	304,192
Additions	18,950	-	18,950
At 31 December 2003	314,342	8,800	323,142
<i>Amounts written off</i>			
At beginning and end of year	-	-	-
<i>Net book value</i>			
At 31 December 2003	314,342	8,800	323,142
At 31 December 2002	295,392	8,800	304,192

The investment in own shares represents 53,022 (2002: 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

	2003 £	2002 £
Office equipment	542,096	710,169
Spare parts for office equipment	108,526	109,067
Supplies for office equipment	147,920	172,729
	798,542	991,965

13 Debtors

	2003 £	2002 £
Trade debtors	1,056,409	1,037,654
Deferred tax asset	76,954	36,510
Prepayments and accrued income	78,762	96,254
	1,212,125	1,170,418

Notes (continued)

14 Deferred tax

	Accelerated capital allowances £
As at 31 December 2002	36,510
Transferred to profit and loss account	40,444
As at 31 December 2003	76,954

15 Creditors	2003 £	2002 £
Amounts falling due within one year:		
Bank loans and overdraft (secured)	106,714	165,431
Trade creditors	408,061	877,727
Corporation tax	235,069	120,000
Other taxes and social security	430,545	388,442
Hire purchase creditors	20,907	76,931
Other creditor	140,000	140,000
Accruals and deferred income	470,354	462,497
Dividend payable	115,697	-
	1,927,347	2,231,028
Amounts falling due after more than one year:		
Hire purchase creditors (due in under 5 years)	929	19,344
Other creditor	-	140,000
	929	159,344

16 Called up share capital	2003 £	2002 £
<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

17 Employee share option scheme

Employees and directors held 28,750 options (2003: 19,800) to subscribe for ordinary shares at an exercise price range of £6.00 to £7.40. 10,750 options were granted in the year and 1,800 lapsed. Options lapse on the holder leaving the company.

Notes (continued)

17 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 January 2003	88,292	33,354	1,163,303
Profit for the financial year	-	-	185,102
At 31 December 2003	88,292	33,354	1,348,405

18 Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Opening shareholders' funds	1,453,668	1,146,895
Profit/(loss) on ordinary activities after taxation	185,102	306,773
Closing shareholders' funds	1,638,770	1,453,668

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	-	23,072
- between 2-5 years	248,550	133,841
- greater than 5 years	52,000	-
	300,550	156,914

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

	2003 £	2002 £
Operating profit	535,768	488,014
Depreciation charges	403,126	384,980
Goodwill amortised	41,478	41,490
(Loss)/gain on disposal of fixed assets	-	463
Loss on purchase of shares	9,096	-
(Increase)/decrease in stocks	193,423	(2,637)
(Increase)/decrease in debtors	(1,263)	87,366
(Decrease)/increase in creditors	(121,463)	259,925
Cash inflow from operating activities	1,060,165	1,259,601

22 Analysis of cash flows

	2003 £	2002 £
Returns on investment and servicing of finance		
Interest received	3,957	441
Interest paid	(2,392)	(10,047)
Interest element of hire purchase payments	(11,972)	(10,105)
Other interest	(12,600)	(21,000)
	(23,007)	(40,711)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(376,951)	(660,329)
Sale of tangible fixed assets	70,189	12,671
Purchase of own shares	(168,046)	(140,000)
	(474,808)	(787,658)
Financing		
Capital element of hire purchase payments	(74,439)	(82,988)

23 Analysis of net funds

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	349,283	291,856	-	641,139
Overdrafts	(165,431)	58,717	-	(106,714)
	183,852	350,573	-	534,425
Hire purchase liabilities	(96,275)	74,439	-	(21,836)
Total	87,577	425,012	-	512,589