

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

**Directors' report and financial
statements**

Registered number SC80982
31 December 2004



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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 2004.

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 £0.18 (2003: £1.00) per share be paid. The remaining profit for the year of £ 163,097 (2003: £185,102) 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 2004	1 January 2004
Thomas Flockhart:		
- beneficial	12,908	12,908
- as trustee	92,672	92,672
Valerie Flockhart (resigned 31 December 2004)	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	7,950	-	7,950
Ian G L Bulloch	2,900	-	2,900
Richard Smith	3,400	-	3,400
Ross Haston	2,900	-	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
23/6/2005

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 18.

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 2004 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

3 August 2005

Profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Turnover		10,443,059	9,606,291
Cost of sales		(4,276,820)	(3,674,514)
Gross profit		6,166,239	5,931,777
Distribution costs		(537,388)	(496,323)
Administrative expenses		(5,324,276)	(4,899,686)
Operating profit		304,575	535,768
Interest receivable	2	16,103	3,957
Interest payable	3	(10,355)	(26,964)
Profit on ordinary activities before taxation	4	310,323	512,761
Tax on profit on ordinary activities	7	(126,381)	(211,962)
Profit on ordinary activities after taxation		183,942	300,799
Dividends	8	(20,845)	(115,697)
Retained profit for the financial year	17	163,097	185,102

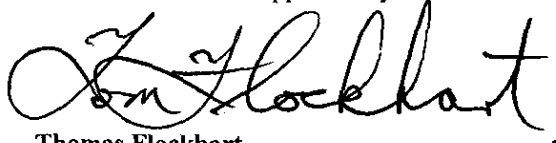
Other than the profit for the current year there have been no recognised gains or losses.

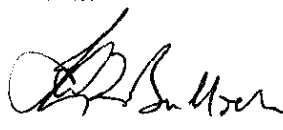
All activities of the company are continuing operations.

Balance sheet
at 31 December 2004

	Note	2004 £	2003 £ (Restated)
Fixed assets			
Tangible assets	9	428,137	592,098
Investments	10	15,835	8,800
		443,972	600,898
Current assets			
Stocks	11	866,096	798,542
Debtors	12	1,089,160	1,212,125
Cash in hand		1,165,235	641,139
		3,120,491	2,651,806
Creditors: amounts falling due within one year	14	(2,028,343)	(1,927,347)
Net current assets		1,092,148	724,459
Total assets less current liabilities		1,536,120	1,325,357
Creditors: amounts falling due after more than one year	14	(48,595)	(929)
Net assets		1,487,525	1,324,428
Capital and reserves			
Called up share capital	15	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	1,511,502	1,348,405
Own shares held	17	(314,342)	(314,342)
Equity shareholders' funds		1,487,525	1,324,428

These accounts were approved by the board of directors on 23/6/2005 were signed on its behalf by:


Thomas Flockhart
Director


Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Net cash inflow from operating activities	21	1,054,524	1,060,165
Returns on investments and servicing of finance	22	3,165	(23,007)
Taxation		(235,690)	(137,338)
Capital expenditure	22	(203,971)	(474,808)
Acquisitions and disposals	22	(7,035)	-
Equity dividends paid		(115,697)	-
Cash inflow before financing		495,296	425,012
Financing	22	70,310	(74,439)
Increase in cash in the period		565,606	350,573

Reconciliation of net cash flow to movement in net funds

		2004 £	2003 £
Increase in cash in the period		565,606	350,573
Cash flow from movement in debt		(70,310)	74,439
Movement in net funds in the period		495,296	425,012
Net funds at the start of the period		512,589	87,577
Net funds at the end of the period	23	1,007,885	512,589

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

Following the issuance of Urgent Issue Task Force Abstract 38 – Accounting for ESOP trusts (UITF 38) the company has amended its accounting policy for such trusts. This has resulted in the reclassification of own shares held as a deduction from shareholders' funds and the restatement of comparative figures. The effect of the implementation of UITF 38 has been to reduce the value of fixed asset investments, net assets and shareholders' funds reported at 31 December 2003 by £314,342 (2002: £314,342).

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

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, except as otherwise required by FRS 19.

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	2004	2003
		£	£
	On bank deposits	16,103	3,957
		<u> </u>	<u> </u>
3	Interest payable	2004	2003
		£	£
	On bank loans and overdrafts	-	2,392
	On hire purchase agreements	6,155	11,972
	Other	4,200	12,600
		<u> </u>	<u> </u>
		10,355	26,964
		<u> </u>	<u> </u>

Notes (continued)

4	Profit on ordinary activities before taxation	2004	2003
		£	£
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Depreciation	250,967	403,126
	Hire of plant and machinery under operating leases	230,671	218,477
	Property rentals under operating leases	301,900	300,550
	Property rentals receivable under operating leases	(30,000)	(30,000)
	Plant and machinery rentals receivable under operating leases	(63,825)	(57,946)
	Auditors' remuneration - audit	17,000	17,000
	Amortisation of goodwill	-	41,478
	Loss on purchase of shares	-	9,096
	(Gain)/loss on disposal of assets	(13,035)	-
	Grant income	(1,016)	(4,057)
		<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:

	2004	2003
	Number	Number
Administration	28	29
Maintenance	75	80
Sales and distribution	38	35
	<u> </u>	<u> </u>
Total	141	144
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,506,174	3,292,772
Social security costs	390,199	375,209
Defined contribution pension scheme costs	148,507	147,396
	<u> </u>	<u> </u>
	4,044,880	3,815,377
	<u> </u>	<u> </u>

6 Remuneration of directors

	2004	2003
	£	£
Directors' emoluments	498,316	516,338
Company contributions to money purchase pension schemes	24,144	21,383
	<u> </u>	<u> </u>
	522,460	537,721
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £183,858 (2003: £205,746), and company pension contributions of £nil (2003: £nil) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to four (2003: four) directors under money purchase schemes.

Notes (continued)

7 Tax on profit on ordinary activities

	2004 £	2003 £
<i>Corporation tax</i>		
Current year	117,285	210,023
Adjustments in respects of prior years	25,667	42,384
	142,952	252,407
<i>Deferred tax</i>		
Current year	(16,459)	(50,561)
Adjustment in respect of prior years	(112)	10,116
Total tax	126,381	211,962

UK taxation for the year is lower (2003: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	310,323	512,761
Current tax at 30% (2003: 30%)	93,097	153,828
Related depreciation more than capital allowances	16,459	50,561
Expenditure permanently disallowable for taxation	35,666	25,785
Marginal relief	(27,937)	(20,151)
Adjustments in respect of prior years	25,667	42,384
Current tax (see above)	142,952	252,407

8 Dividends

	2004 £	2003 £
Final dividend proposed	20,845	115,697

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	372,513	1,796,973	303,190	2,472,676
Additions	80,975	34,755	159,478	275,208
Disposals	-	(633,506)	(170,140)	(803,646)
At end of year	453,488	1,198,222	292,528	1,944,238
<i>Depreciation</i>				
At beginning of year	323,511	1,383,348	173,719	1,880,578
Charge for year	41,372	165,002	44,593	250,967
Disposals	-	(512,495)	(102,949)	(615,444)
At end of year	364,883	1,035,855	115,363	1,516,101
<i>Net book value</i>				
At 31 December 2004	88,605	162,367	177,165	428,137
At 31 December 2003	49,002	413,625	129,471	592,098

Included above are assets held under hire purchase contracts. At 31 December 2004 the net book value of these assets was £166,970 (2003: £127,783). Depreciation of £29,076 (2003: £42,595) was charged in the year. Included in equipment are assets with a net book value of £56,125 (2003: £306,724) held for rental under operating leases. Depreciation of £129,588 (2003: £275,273) was charged in the year.

Notes (continued)

10 Investments

	Interest in joint venture £	Loans to joint venture £	Other investments £	Total £
Cost and net book value				
At 1 January 2004	-	-	8,800	8,800
Additions	5,000	2,035	-	7,035
At 31 December 2004	5,000	2,035	8,800	15,835

The principal undertaking in which the company's interest at the year end is more than 20% is as follows:

	Company of incorporation £	Proportion of nominal value of issued share capital held £	Principal activity
Decus Limited	Scotland	50%	Information Technology network security

11 Stocks

	2004 £	2003 £
Office equipment	633,436	542,096
Spare parts for office equipment	95,182	108,526
Supplies for office equipment	137,478	147,920
	866,096	798,542

12 Debtors

	2004 £	2003 £
Trade debtors	893,440	1,056,409
Deferred tax asset	93,525	76,954
Prepayments and accrued income	102,195	78,762
	1,089,160	1,212,125

Notes (continued)

13 Deferred tax

	Accelerated capital allowances £
As at 31 December 2003	76,954
Transferred from profit and loss account	16,571
As at 31 December 2004	93,525

14 Creditors

	2004 £	2003 £
Amounts falling due within one year:		
Bank overdraft	65,204	106,714
Trade creditors	877,054	408,061
Corporation tax	142,331	235,069
Other taxes and social security	395,138	430,545
Hire purchase creditors	43,551	20,907
Other creditor	10,000	140,000
Accruals and deferred income	474,220	470,354
Dividend payable	20,845	115,697
	2,028,343	1,927,347
Amounts falling due after more than one year:		
Hire purchase creditors	48,595	929

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2004 £	2003 £
Within one year	43,551	20,907
In the second to fifth years	41,427	929
Over five years	7,168	-
	92,146	21,836

The overdraft is secured by a bond and floating charge over the company's assets.

Notes (continued)

15	Called up share capital	2004	2003
		£	£
	<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 Employee share option scheme

Employees and directors held 27,750 options (2003: 27,750) 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.

17 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Own shares held
At 1 January 2004	88,292	33,354	1,348,405	-
Prior year adjustment – own shares	-	-	-	(314,342)
At 1 January 2004 – restated	88,292	33,354	1,348,405	(314,342)
Profit for the financial year	-	-	163,097	-
At 31 December 2004	88,292	33,354	1,511,502	(314,342)

The investment in own shares represents 53,022 (2003: 53,022) 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. 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.

Notes (continued)

18 Reconciliation of movement in shareholders' funds

	2004 £	2003 £
Opening shareholders' funds – as previously reported	1,638,770	1,453,668
Prior year adjustment – own shares	(314,342)	(295,392)
Opening shareholders' funds – restated	1,324,428	1,158,276
Profit on ordinary activities after tax	163,097	185,102
Relating to own shares	-	(18,950)
Closing shareholders' funds	1,487,525	1,324,428

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	-	50,384
- between 2-5 years	248,550	163,921
- greater than 5 years	53,350	-
	301,990	214,305

20 Transactions with directors

The company leases two properties from Mr T Flockhart at an annual rental of £224,000 on an arm's length basis.

Notes (continued)

21 Reconciliation of operating profit to cash inflow from operating activities

	2004	2003
	£	£
Operating profit	304,575	535,768
Depreciation charges	250,967	403,126
Goodwill amortised	-	41,478
Gain on disposal of fixed assets	(13,035)	-
Loss on purchase of shares	-	9,096
(Increase)/decrease in stocks	(67,554)	193,423
(Increase)/decrease in debtors	142,119	(1,263)
(Decrease)/increase in creditors	437,452	(121,463)
Cash inflow from operating activities	1,054,524	1,060,165

22 Analysis of cash flows

	2004	2003
	£	£
Returns on investment and servicing of finance		
Interest received	13,520	3,957
Interest paid	(4,200)	(2,392)
Interest element of hire purchase payments	(6,155)	(11,972)
Other interest	-	(12,600)
	3,165	(23,007)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(275,208)	(376,951)
Sale of tangible fixed assets	201,237	70,189
Purchase of own shares	(130,000)	(168,046)
	(203,971)	(474,808)
Acquisitions and disposals		
Payments to acquire investments in joint ventures	7,035	-
Financing		
Capital element of hire purchase payments	70,310	(74,439)

Notes (*continued*)

23 Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	641,139	524,096	1,165,235
Overdrafts	(106,714)	41,510	(65,204)
	534,425	565,606	1,100,031
Hire purchase liabilities	(21,836)	(70,310)	(92,146)
Total	512,589	495,296	1,007,885