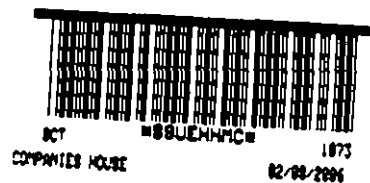


Capital Copiers (Edinburgh) Limited
Trading as Capital solutions...

**Directors' report and financial
statements**

Registered number SC80982

31 December 2005



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Company information

Directors	Thomas Flockhart Andrew R Aikman Ian GL Bulloch Richard Smith Ross Haston
Bankers	The Royal Bank of Scotland plc 24-25 St Andrews Square Edinburgh EH2 1AF
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 financial statements for the year ended 31 December 2005

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.

Results and dividends

The results for the year are shown on page 5. The profit on ordinary activities after taxation for the year is £229,472 (2004 profit £183,942). The directors recommend that a final dividend of £0.25 (2004 £0.18) per share be paid. This will be paid out of retained earnings for the year.

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 2005	1 January 2005
Thomas Flockhart		
- beneficial	12,908	12,908
- as trustee	92,692	92,672
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	2,200	10,150
Ian G L Bulloch	2,900	1,400	4,300
Richard Smith	3,400	1,400	4,800
Ross Haston	2,900	1,400	4,300

The options held are exercisable at prices ranging from £6.00 to £7.75. 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 G L Bulloch
 Secretary

22nd June 2006
 Edinburgh

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these 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, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

Saltaire 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 of Capital Copiers (Edinburgh) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

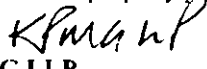
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

22 June 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Turnover		9,462,848	10,443,059
Cost of sales		<u>(3,551,459)</u>	<u>(4,276,820)</u>
Gross profit		5,911,389	6,166,239
Distribution costs		<u>(507,902)</u>	<u>(537,388)</u>
Administrative expenses		<u>(5,125,909)</u>	<u>(5,324,276)</u>
Operating profit		277,578	304,575
Interest receivable	2	27,388	16,103
Interest payable	3	<u>(21,292)</u>	<u>(10,355)</u>
Profit on ordinary activities before taxation	4	283,674	310,323
Tax on profit on ordinary activities	7	<u>(54,202)</u>	<u>(126,381)</u>
Profit on ordinary activities after taxation		<u>229,472</u>	<u>183,942</u>

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

All activities of the company are continuing operations

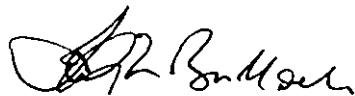
Balance sheet
at 31 December 2005

	<i>Note</i>	2005 £	2004 £ (restated)
Fixed assets			
Tangible assets	9	1,483,072	428,137
Investments	10	15,835	15,835
		1,498,907	443,972
Current assets			
Stocks	11	871,073	866,096
Debtors	12	1,488,306	1,089,160
Cash in hand		513,091	1,165,235
		2,872,470	3,120,491
Creditors amounts falling due within one year	14	(2,138,950)	(2,007,498)
Net current assets		733,520	1,112,993
Total assets less current liabilities		2,232,427	1,556,965
Creditors: amounts falling due after more than one year	14	(515,430)	(48,595)
Net assets		1,716,997	1,508,370
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	1,740,974	1,532,347
Own shares held	17	(314,342)	(314,342)
Equity shareholders' funds		1,716,997	1,508,370

These accounts were approved by the board of directors on 22nd June 2006 were signed on its behalf by



Thomas Flockhart
Director



Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Net cash inflow from operating activities	21	219,186	1,054,524
Returns on investments and servicing of finance	22	6,654	3,165
Taxation		(123,264)	(235,690)
Capital expenditure	22	(1,231,038)	(203,971)
Acquisitions and disposals	22	-	(7,035)
Equity dividends paid		(20,845)	(115,697)
Cash (outflow)/inflow before financing		(1,149,307)	495,296
Financing	22	449,561	70,310
(Decrease)/increase in cash in the period		(699,746)	565,606

Reconciliation of net cash flow to movement in net funds

	2005 £	2004 £
(Decrease)/increase in cash in the period	(699,746)	565,606
Cash flow from movement in net debt	(449,561)	(70,310)
New hire purchase agreements	(19,827)	-
Movement in net (debt)/funds in the period	(1,169,134)	495,296
Net funds at the start of the period	1,007,885	512,589
Net (debt)/funds at the end of the period	(161,249)	1,007,885

Notes

(forming part of the financial statements)

1 Basis of preparation

The financial statements 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 financial statements

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date'.
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The corresponding amounts in these financial statements are restated in accordance with the new policies

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

Freehold property	2% per annum (straight line)
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	2005	2004
		£	£
	On bank deposits	27,388	16,103
3	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	15,961	-
	On hire purchase agreements	5,331	6,155
	Other	-	4,200
		21,292	10,355

Notes (continued)

4	Profit on ordinary activities before taxation	2005	2004
		£	£
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting).</i>		
	Depreciation	195,930	250,967
	Hire of plant and machinery under operating leases	213,712	230,671
	Property rentals under operating leases	301,900	301,900
	Property rentals receivable under operating leases	(30,000)	(30,000)
	Plant and machinery rentals receivable under operating leases	(58,159)	(63,825)
	Auditors' remuneration - audit	18,000	17,000
	Gain on disposal of assets	-	(13,035)
	Grant income	(866)	(1,016)

5 Staff numbers and costs

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

	2005	2004
	Number	Number
Administration	27	28
Maintenance	71	75
Sales and distribution	35	38
Total	133	141

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	3,406,544	3,506,174
Social security costs	392,457	390,199
Defined contribution pension scheme costs	151,105	148,507
	3,950,106	4,044,880

6 Remuneration of directors

	2005	2004
	£	£
Directors' emoluments	512,735	498,316
Company contributions to money purchase pension schemes	26,094	24,144
	538,829	522,460

The emoluments of the highest paid director were £204,518 (2004 £183,858) and company pension contributions of £nil (2004 £nil) were made to a money purchase scheme on his behalf

Retirement benefits are accruing to four (2004 four) directors under money purchase schemes

Notes (continued)

7 Tax on profit on ordinary activities

	2005 £	2004 £
<i>Corporation tax</i>		
Current year	41,607	117,285
Adjustments in respects of prior years	(19,067)	25,667
	22,540	142,952
<i>Deferred tax</i>		
Current year	43,794	(16,459)
Adjustment in respect of prior years	(12,132)	(112)
	--	--
Total tax	54,202	126,381

UK taxation for the year is lower (2004 lower) than the standard rate of corporation tax (30%). The differences are explained below

	2005 £	2004 £
Profit on ordinary activities before tax	283,674	310,323
Current tax at 30% (2004 30%)	85,102	93,097
Related depreciation (less)/more than capital allowances	(43,258)	16,459
Expenditure permanently disallowable for taxation	23,851	35,666
Small companies relief	(24,088)	(27,937)
Adjustments in respect of prior years	(19,067)	25,667
Current tax (see above)	22,540	142,952

8 Dividends

	2005 £	2004 £
Dividend paid	20,845	115,697

Notes (continued)

9 Tangible fixed assets

	Freehold property £	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	80,975	372,513	1,198,222	292,528	1,944,238
Additions	802,614	347,992	81,781	29,166	1,261,553
Disposals	-	-	(21,374)	-	(21,374)
At end of year	883,589	720,505	1,258,629	321,694	3,184,417
Depreciation					
At beginning of year	-	364,883	1,035,855	115,363	1,516,101
Charge for year	17,672	36,409	90,267	51,582	195,930
Disposals	-	-	(10,686)	-	(10,686)
At end of year	17,672	401,292	1,115,436	166,945	1,701,345
Net book value					
At 31 December 2005	865,917	319,213	143,193	154,749	1,483,072
At 31 December 2004	80,975	7,630	162,367	177,165	428,137

Included above are assets held under hire purchase contracts. At 31 December 2005 the net book value of these assets was £125,402 (2004 £166,970). Depreciation of £41,803 (2004 £29,076) was charged in the year. Included in equipment are assets with a net book value of £2,175 (2004 £56,125) held for rental under operating leases. Depreciation of £43,262 (2004 £129,588) 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 2005 and 31 December 2005	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

	2005 £	2004 £
Office equipment	678,706	633,436
Spare parts for office equipment	77,379	95,182
Supplies for office equipment	114,988	137,478
	<u>871,073</u>	<u>866,096</u>

12 Debtors

	2005 £	2004 £
Trade debtors	1,296,794	893,440
Deferred tax asset (see note 13)	61,863	93,525
Prepayments and accrued income	129,649	102,195
	<u>1,488,306</u>	<u>1,089,160</u>

Notes (continued)

13 Deferred tax

	Accelerated capital allowances £
As at 31 December 2004	93,525
Transferred to profit and loss account	(31,622)
As at 31 December 2005	61,863

14 Creditors

	2005 £	2004 £ (restated)
Amounts falling due within one year:		
Bank overdraft	112,806	65,204
Trade creditors	1,040,818	877,054
Corporation tax	41,607	142,331
Other taxes and social security	335,205	395,138
Hire purchase creditors	46,104	43,551
Other creditors	34,041	10,000
Accruals and deferred income	528,369	474,220
	2,138,950	2,007,498
Amounts falling due after more than one year:		
Hire purchase creditors	15,430	48,595
Term loan	500,000	-
	515,430	48,595

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

	2005 £	2004 £
Within one year	46,104	43,551
In the second to fifth years	13,778	41,427
Over five years	1,652	7,168
	61,534	92,146

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

Notes (continued)

15	Called up share capital	2005	2004
		£	£
	<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 44,500 options (2004 27,750) to subscribe for ordinary shares at an exercise price range of £6.00 to £7.75. 17,350 options were granted in the year and 600 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 beginning of year as previously stated	88,292	33,354	1,511,502	(314,342)
Prior year adjustment – adoption of FRS 21	-	-	20,845	-
At beginning of the year as restated	88,292	33,354	1,532,347	(314,342)
Profit for the financial year	-	-	229,472	-
Dividend paid	-	-	(20,845)	-
At 31 December 2005	88,292	33,354	1,740,974	(314,342)

The investment in own shares represents 53,022 (2004 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 equity shareholders' funds

	2005 £	2004 £
Profit for the financial year	229,472	183,942
Dividends	(20,845)	(115,697)
	-----	-----
Retained profit for the year	208,627	68,245
Opening shareholders' funds	1,508,370	1,440,125
	----	-----
Closing shareholders' funds	1,716,997	1,508,370
	-----	-----

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	-	88,398
- between 2-5 years	248,550	58,418
- greater than 5 years	53,350	-
	-----	-----
	301,900	146,816
	-----	-----

20 Transactions with directors

The company leases two properties on an arms length basis from Mr I Flockhart at an annual rental of £175,126

Notes (continued)

21	Reconciliation of operating profit to cash inflow from operating activities	2005	2004
		£	£
	Operating profit	277,578	304,575
	Depreciation charges	195,930	250,967
	Gain on disposal of fixed assets	-	(13,035)
	Increase in stocks	(4,977)	(67,554)
	(Increase)/decrease in debtors	(431,366)	142,119
	Increase in creditors	182,021	437,452
	Cash inflow from operating activities	219,186	1,054,524
22	Analysis of cash flows	2005	2004
		£	£
	Returns on investment and servicing of finance		
	Interest received	27,946	13,520
	Interest paid	(15,961)	(4,200)
	Interest element of hire purchase payments	(5,331)	(6,155)
		6,654	3,165
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(1,241,726)	(275,208)
	Sale of tangible fixed assets	10,688	201,237
	Purchase of own shares	-	(130,000)
		(1,231,038)	(203,971)
	Acquisitions and disposals		
	Payments to acquire investments in joint ventures	-	7,035
	Financing		
	Capital element of hire purchase payments	(50,439)	70,310
	New loans	500,000	-
		449,561	70,310

Notes (continued)

23 Analysis of net funds

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	1,165,235	(652,144)	-	513,091
Overdrafts	(65,204)	(47,602)	-	(112,806)
	1,100,031	(699,746)	-	400,285
Loans due after one year	-	(500,000)	-	(500,000)
Hire purchase liabilities	(92,146)	50,439	(19,827)	(61,534)
Total	1,007,885	(1,149,307)	(19,827)	(161,249)