

Company Registration No. 1353947 (England and Wales)

NEP GROUP LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 1999



A41 *A2D2CQ92* 0496
COMPANIES HOUSE 06/05/00
COMPANIES HOUSE U7704/00

NEP GROUP LIMITED

COMPANY INFORMATION

Directors

A Patel
R A Dalman
R E Sturrock

Secretary

S J Everett-Pascoe

Company number

1353947

Registered office

Canon House, Woodhatch
Reigate
Surrey
RH2 8BF

Auditors

BKR Haines Watts Newcastle
3 Osborne Terrace
Jesmond
Newcastle upon Tyne
NE2 1NE

Bankers

National Westminster Bank Plc
87 Grey Street
Newcastle upon Tyne
NE99 1PY

Lloyds TSB Bank Plc
102 Grey Street
Newcastle upon Tyne
NE99 1SL

Solicitors

Watson Burton
20 Collingwood Street
Newcastle upon Tyne
NE99 1YQ

NEP GROUP LIMITED

CONTENTS

| | Page |
|-----------------------------------|--------|
| Directors' report | 1 - 2 |
| Auditors' report | 3 |
| Profit and loss account | 4 |
| Balance sheet | 5 |
| Cash flow statement | 6 |
| Notes to the cash flow statement | 7 |
| Notes to the financial statements | 8 - 13 |

NEP GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 1999

The directors present their report and financial statements for the period ended 30 September 1999.

Principal activities and review of the business

The company did not trade during the year.

The principal activity of the company of the supply and maintenance of office equipment was transferred to the parent company Canon (North East) Business Solutions Limited on 1 January 1999.

Results and dividends

The results for the period are set out on page 4.

The directors recommend payment of an ordinary dividend amounting to £777,318.

Year 2000

The directors have considered whether the company's operations could be adversely affected by malfunctions in computer or other equipment arising from errors in processing dates in the year 2000 and beyond.

No part of the company's current operations are critically dependent on computer or other equipment which could be affected by year 2000 problems.

Directors

The following directors have held office since 1 January 1999:

| | |
|--------------|------------------------------|
| S Norman | (Resigned 25 November 1999) |
| P Watson | (Resigned 25 November 1999) |
| W Hill | (Resigned 25 November 1999) |
| J Phillips | (Resigned 10 June 1999) |
| A Patel | |
| R A Dalman | (Appointed 25 November 1999) |
| R E Sturrock | (Appointed 25 November 1999) |

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

| | Ordinary shares of £ 1 each | |
|----------|-----------------------------|----------------|
| | 30 September 1999 | 1 January 1999 |
| P Watson | - | - |
| W Hill | - | - |
| S Norman | - | - |
| A Patel | - | - |

Details of the directors' shareholdings in the immediate parent company are shown in that company's report.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that BKR Haines Watts Newcastle be reappointed as auditors of the company will be put to the Annual General Meeting.

NEP GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 1999

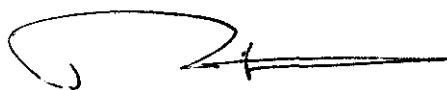
Directors' responsibilities

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 of the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



.....
R E Sturrock
Director
.....

10/3/00

NEP GROUP LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF NEP GROUP LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 30 September 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BKR Haines Watts Newcastle

BKR Haines Watts Newcastle

13 March 2000

Chartered Accountants
Registered Auditor

3 Osborne Terrace
Jesmond
Newcastle upon Tyne
NE2 1NE

NEP GROUP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 SEPTEMBER 1999

| | | Period ended 30 September 1999 £ | 31 December 1998 £ |
|---|-------|--|--------------------------|
| | Notes | | |
| Turnover | 2 | - | 10,414,306 |
| Cost of sales | | - | (5,463,169) |
| Gross (loss)/profit | | - | 4,951,137 |
| Distribution costs | | - | (2,772,774) |
| Administrative expenses | | - | (1,608,611) |
| Operating (loss)/profit | 3 | - | 569,752 |
| Investment income | 4 | - | 22 |
| Other interest receivable and similar income | 4 | - | 66,182 |
| (Loss)/profit on ordinary activities before taxation | | - | 635,956 |
| Tax on (loss)/profit on ordinary activities | 5 | - | (208,736) |
| (Loss)/profit on ordinary activities after taxation | | - | 427,220 |
| Dividends | 6 | (777,318) | (430,000) |
| Retained loss for the period | 13 | (777,318) | (2,780) |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

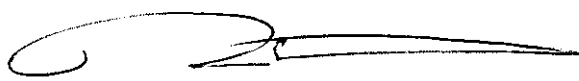
There are no recognised gains and losses other than those passing through the profit and loss account.

NEP GROUP LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1999

| | Notes | 1999 £ | £ | 1998 £ | £ |
|---|-------|--------------|--------------|--------------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | - | | 571,689 |
| Current assets | | | | | |
| Stocks | 8 | - | | 377,797 | |
| Debtors | 9 | 4,000 | | 1,480,802 | |
| Cash at bank and in hand | | - | | 353,955 | |
| | | <u>4,000</u> | | <u>2,212,554</u> | |
| Creditors: amounts falling due within one year | 10 | - | | <u>(2,002,925)</u> | |
| Net current assets | | | 4,000 | | 209,629 |
| Total assets less current liabilities | | | <u>4,000</u> | | <u>781,318</u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 4,000 | | 4,000 |
| Profit and loss account | 13 | | - | | 777,318 |
| Shareholders' funds - equity interests | 14 | | <u>4,000</u> | | <u>781,318</u> |

The financial statements were approved by the Board on 10/3/00



R E Sturrock
Director

NEP GROUP LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 1999

| | Period ended 30 September 1999 £ | 31 December 1998 £ |
|--|--|--------------------------|
| Net cash inflow from operating activities | 489,012 | 625,916 |
| Returns on investments and servicing of finance | | |
| Interest received | - | 66,182 |
| Dividends received | - | 22 |
| Net cash (outflow)/inflow for returns on investments and servicing of finance | - | 66,204 |
| Taxation | (207,338) | (426,398) |
| Capital expenditure | | |
| Payments to acquire tangible assets | - | (581,721) |
| Receipts from sales of tangible assets | 571,689 | 46,702 |
| Net cash inflow/(outflow) for capital expenditure | 571,689 | (535,019) |
| Equity dividends paid | (430,000) | (918,000) |
| Net cash inflow/(outflow) before management of liquid resources and financing | 423,363 | (1,187,297) |
| Increase/(decrease) in cash in the period | 423,363 | (1,187,297) |

NEP GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 1999

| | | | |
|---|--|-------------|-----------|
| 1 | Reconciliation of operating (loss)/profit to net cash inflow from operating activities | 1999 | 1998 |
| | | £ | £ |
| | Operating (loss)/profit | - | 569,752 |
| | Depreciation of tangible assets | - | 88,453 |
| | Profit on disposal of tangible assets | - | (29,954) |
| | Decrease in stocks | 377,797 | 72,440 |
| | Decrease/(increase) in debtors | 1,476,802 | (536,116) |
| | (Decrease)/Increase in creditors within one year | (1,365,587) | 461,341 |
| | Net cash inflow from operating activities | 489,012 | 625,916 |

| | | | | | |
|---|------------------------------|----------------|-----------|------------------------|-------------------|
| 2 | Analysis of net (debt)/funds | 1 January 1999 | Cash flow | Other non-cash changes | 30 September 1999 |
| | | £ | £ | £ | £ |
| | Net cash: | | | | |
| | Cash at bank and in hand | 353,955 | (353,955) | | - |
| | Debt: | | | | |
| | Net funds/(debt) | 353,955 | (353,955) | - | - |

| | | | |
|---|---|-----------|-------------|
| 3 | Reconciliation of net cash flow to movement in net (debt)/funds | 1999 | 1998 |
| | | £ | £ |
| | Decrease in cash in the period | (353,955) | (1,187,297) |
| | Cash inflow from increase in debt | - | - |
| | Movement in net (debt)/funds in the period | (353,955) | (1,187,297) |
| | Opening net funds | 353,955 | 1,541,252 |
| | Closing net (debt)/funds | - | 353,955 |

NEP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

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 each asset over its expected useful life, as follows:

| | |
|--------------------------------|-------------------------|
| Land and buildings Leasehold | 4% straight line basis |
| Fixtures, fittings & equipment | 33% straight line basis |
| Motor vehicles | 33% straight line basis |

1.5 Stock

Work in progress is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

1.6 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Canon UK Limited, a company incorporated in England, and is included in the consolidated accounts of that company.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

NEP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999

| | | | |
|----------|--|-------------------|-------------------|
| 3 | Operating (loss)/profit | 1999 | 1998 |
| | | £ | £ |
| | Operating (loss)/profit is stated after charging: | | |
| | Depreciation of tangible assets | - | 88,453 |
| | Auditors' remuneration | - | 10,750 |
| | Remuneration of auditors for non-audit work | - | 191,635 |
| | | <u> </u> | <u> </u> |
| 4 | Income from investments, other interest receivable and similar income | 1999 | 1998 |
| | | £ | £ |
| | Other investment income | - | 22 |
| | Bank interest | - | 66,182 |
| | | <u> </u> | <u> </u> |
| | | - | 66,204 |
| | | <u> </u> | <u> </u> |
| 5 | Taxation | 1999 | 1998 |
| | | £ | £ |
| | U.K. current year taxation | | |
| | U.K. corporation tax at 0% (1998 - 31%) | - | 210,000 |
| | Prior years | | |
| | U.K. corporation tax | - | (1,264) |
| | | <u> </u> | <u> </u> |
| | | - | 208,736 |
| | | <u> </u> | <u> </u> |
| 6 | Dividends | 1999 | 1998 |
| | | £ | £ |
| | Ordinary final proposed | 777,318 | 430,000 |
| | | <u> </u> | <u> </u> |

NEP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999

7 Tangible fixed assets

| | Land and buildings Leasehold | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------------|------------------------------------|--------------------------------------|-------------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 1999 | 175,901 | 438,643 | 112,738 | 727,282 |
| Transfers to parent company | (175,901) | (438,643) | (112,738) | (727,282) |
| At 30 September 1999 | - | - | - | - |
| Depreciation | | | | |
| At 1 January 1999 | 1,859 | 110,618 | 43,116 | 155,593 |
| Transfers to parent company | (1,859) | (110,618) | (43,116) | (155,593) |
| At 30 September 1999 | - | - | - | - |
| Net book value | | | | |
| At 30 September 1999 | - | - | - | - |
| At 31 December 1998 | 174,042 | 328,025 | 69,622 | 571,689 |

8 Stocks

| | 1999 £ | 1998 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | - | 377,797 |

9 Debtors

| | 1999 £ | 1998 £ |
|---|-----------|-----------|
| Trade debtors | - | 1,410,917 |
| Amounts owed by parent and fellow subsidiary undertakings | 4,000 | - |
| Other debtors | - | 38,640 |
| Prepayments and accrued income | - | 31,245 |
| | 4,000 | 1,480,802 |

NEP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999

| 10 Creditors: amounts falling due within one year | 1999 | 1998 |
|---|----------|------------------|
| | £ | £ |
| Trade creditors | - | 647,890 |
| Amounts owed to parent and fellow subsidiary undertakings | - | 150,290 |
| Corporation tax | - | 207,338 |
| Other taxes and social security costs | - | 93,261 |
| Accruals and deferred income | - | 474,146 |
| Proposed dividend | - | 430,000 |
| | <u>-</u> | <u>2,002,925</u> |

The bank overdraft is secured by way of a fixed and floating charge over the assets of the company.

11 Pension costs

The company is a participating employer in the Canon Retirement Benefit Scheme for the United Kingdom, which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of Canon UK Limited.

| 12 Share capital | 1999 | 1998 |
|---|---------------|---------------|
| | £ | £ |
| Authorised | | |
| 50,000 Ordinary shares of £ 1 each | <u>50,000</u> | <u>50,000</u> |
| Allotted, called up and fully paid | | |
| 4,000 Ordinary shares of £ 1 each | <u>4,000</u> | <u>4,000</u> |

13 Statement of movements on profit and loss account

| | Profit and loss account £ |
|------------------------------|---------------------------------|
| Balance at 1 January 1999 | 777,318 |
| Retained loss for the period | <u>(777,318)</u> |
| Balance at 30 September 1999 | <u>-</u> |

NEP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999

| 14 Reconciliation of movements in shareholders' funds | 1999 £ | 1998 £ |
|---|-----------|-----------|
| (Loss)/Profit for the financial period | - | 427,220 |
| Dividends | (777,318) | (430,000) |
| Net depletion in shareholders' funds | (777,318) | (2,780) |
| Opening shareholders' funds | 781,318 | 784,098 |
| Closing shareholders' funds | 4,000 | 781,318 |

15 Contingent liabilities

The company had contingent liabilities amounting to £Nil (1998 - £Nil).

| 16 Directors' emoluments | 1999 £ | 1998 £ |
|---|-----------|-----------|
| Emoluments for qualifying services | - | 242,635 |
| Company pension contributions to money purchase schemes | - | 18,318 |
| | - | 260,953 |

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (1998 - 4).

NEP GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 1999

17 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

| | 1999 Number | 1998 Number |
|----------------|----------------|----------------|
| Administration | - | 26 |
| Distribution | - | 107 |
| | <u>-</u> | <u>133</u> |

Employment costs

| | £ | £ |
|-----------------------|----------|------------------|
| Wages and salaries | - | 2,399,039 |
| Social security costs | - | 216,210 |
| Other pension costs | - | 111,968 |
| | <u>-</u> | <u>2,727,217</u> |

18 Control

The ultimate parent undertaking is Canon Inc, 30-2 Shimomaruko 3-Chome, Ohta-ku, Tokyo 146, Japan, a company incorporated in Japan.

The immediate parent undertaking is Canon (North East) Business Solutions Limited (formerly Partyseal Limited), a company registered in England and Wales.

Copies of the accounts may be obtained from the registered offices.

19 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning related parties.