

**Copelco Limited**

**Directors' report and financial statements**

31 December 1999

Registered number 3088213



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### **Principal activities**

The principal activities of the group are the provision of a range of equipment leasing and financing services to SME (Small/Medium sized Enterprises) and NHS Trusts.

### **Business review**

Copelco Limited was incorporated on 7 August 1995. During the year under review the Business Technology arm of the business grew rapidly. In addition, greater controls and efficiencies were made all of which resulted in a significantly reduced loss for the year.

Expectations for 2000 are that the performance of the business will continue to improve.

### **Results and dividends**

The group made a loss for the year of £910,337. No ordinary dividends have been paid or proposed in the year.

The loss for the year has been transferred to reserves.

### **Directors and directors' interests**

The directors who held office during the year were as follows:

I Berg	Resigned 17 September 1999
MG Briggs	Resigned 8 September 1999
J Hakemian	
S Lempert	
T Seki	Resigned 5 May 1999
N Antonaccio	
R Lemenze	
M Hughes	
T Okumura	Appointed 5 May 1999

None of the directors had any interest in the shares or debentures of the Company or other group companies consolidated in the UK.

### **Fixed assets**

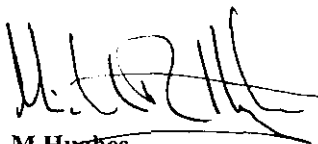
Changes in fixed assets are set out in note 9.

## **Directors' report** *(continued)*

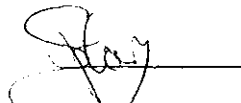
### **Auditors**

In accordance with Section 366(A) of the Companies Act 1985 (as amended), a resolution was passed to dispense with the obligation to appoint auditors of the company annually, KPMG will therefore continue in office.

By order of the board



**M Hughes**  
*Director*



**S Carter**  
*Secretary*

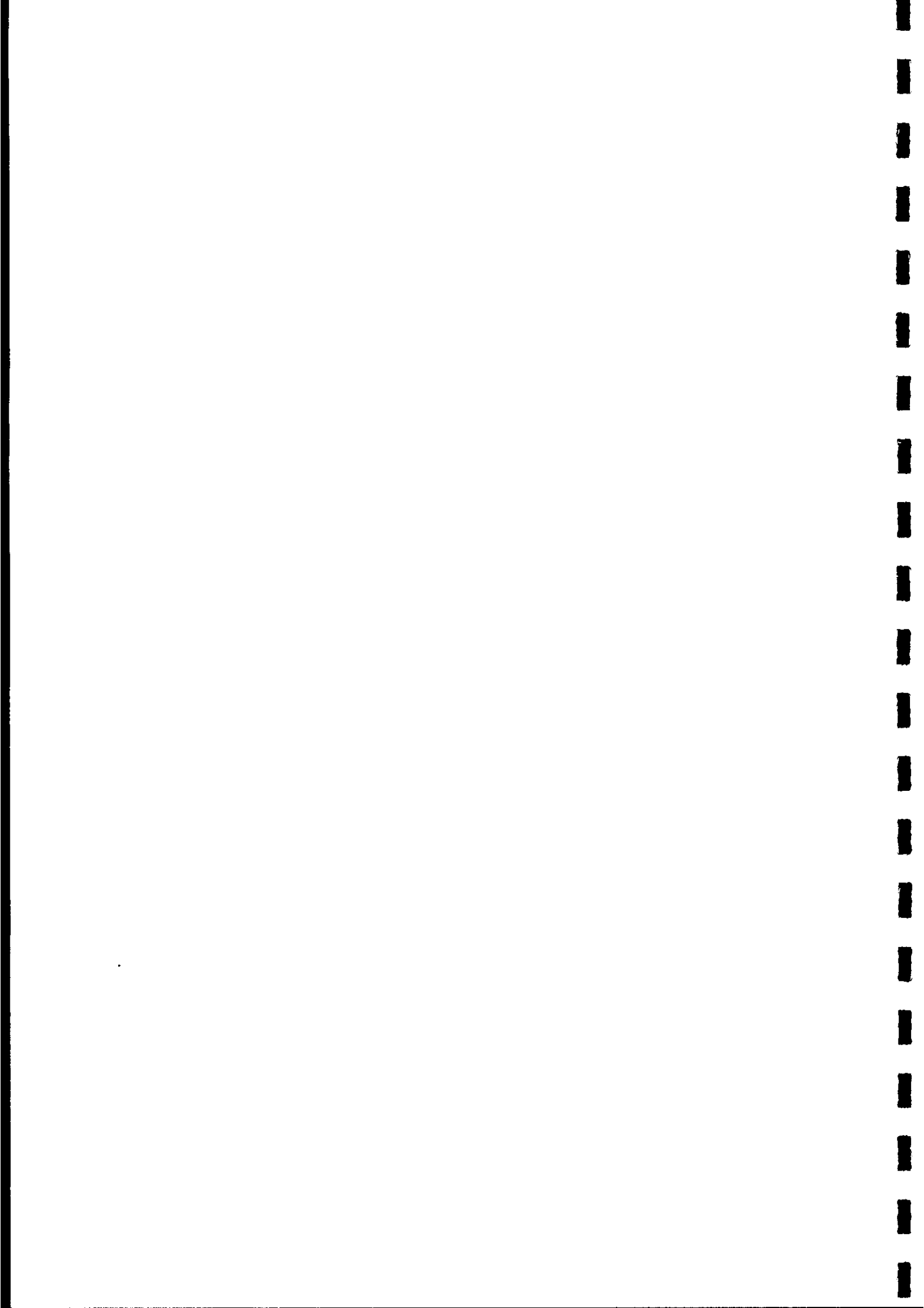
30th May 2000

## **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 the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 detect fraud and other irregularities.



kpmg

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Report of the Auditors to the members of Copelco Limited

We have audited the financial statements on pages 6 to 17.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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, the 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. 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 mis-statement, 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

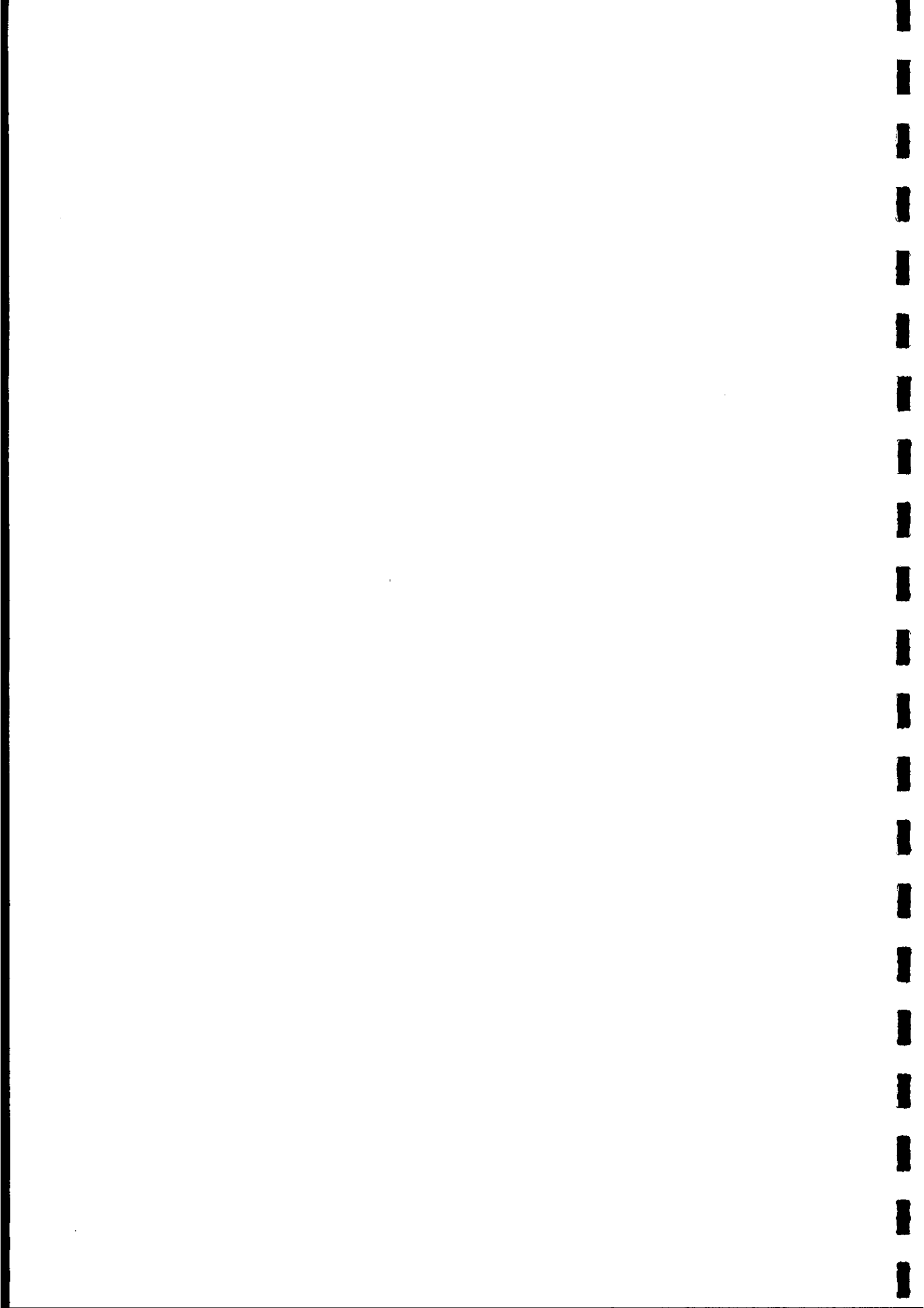
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
KPMG

*Chartered Accountants*

*Registered Auditors*

30 May 2000





## Consolidated profit and loss account

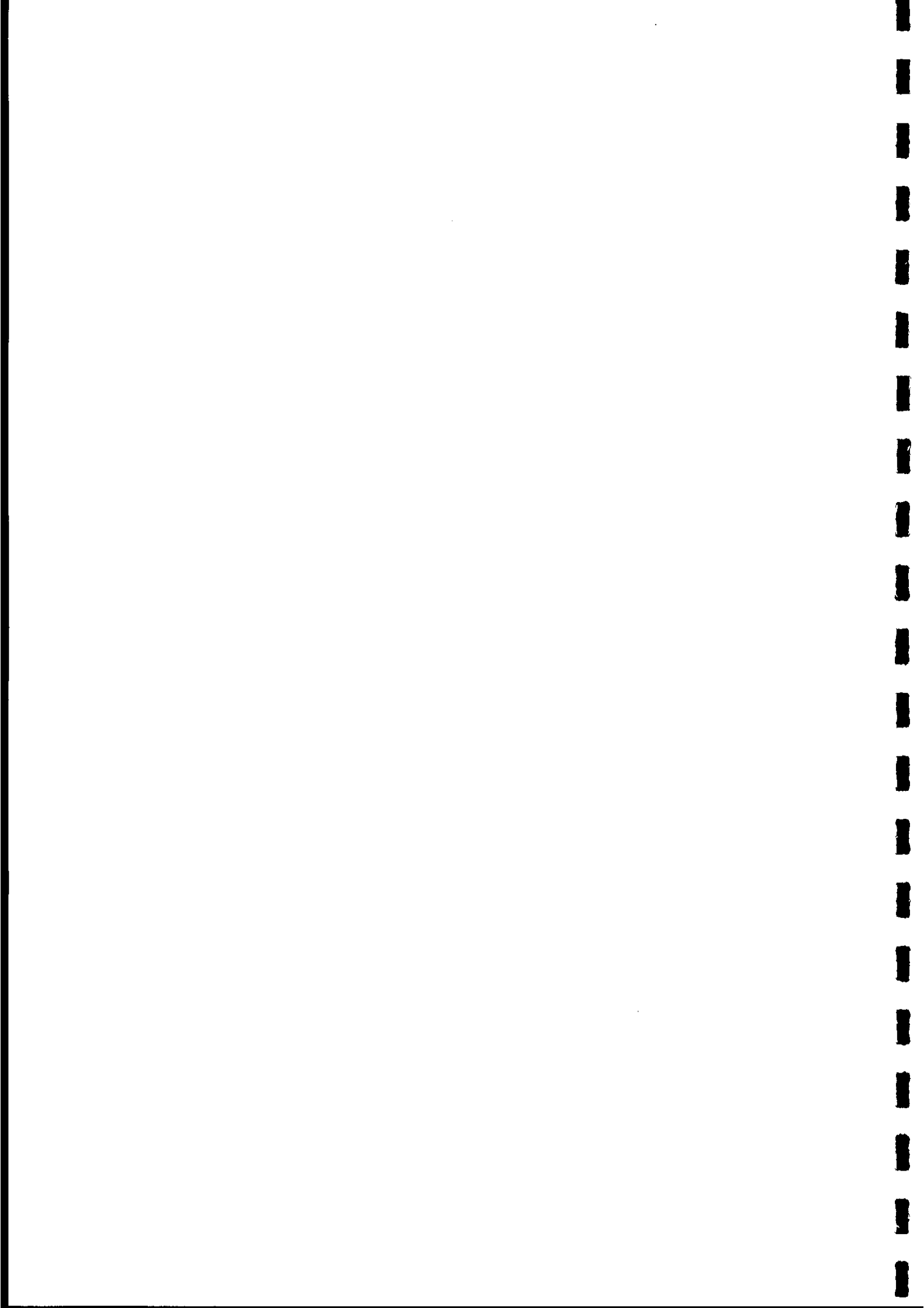
for the year ended 31 December 1999

	Note	1999 £	1999 Securitised Operations £	1999 Total £	1998 £
Turnover	1	10,080,633	341,292	10,421,925	8,416,584
Cost of sales	3	(3,319,575)	(272,841)	(3,592,416)	(3,447,211)
<b>Gross profit</b>		<b>6,761,058</b>	<b>68,451</b>	<b>6,829,509</b>	<b>4,969,373</b>
Administrative costs		(3,410,380)	-	(3,410,380)	(5,121,036)
Depreciation		(4,249,034)	(40,018)	(4,289,052)	(3,874,022)
<b>Operating loss</b>		<b>(898,356)</b>	<b>28,433</b>	<b>(869,923)</b>	<b>(4,025,685)</b>
Interest receivable and similar income		104,725	-	104,725	129,628
Exchange loss		(145,139)	-	(145,139)	(32,942)
Income from securitised operations	8	28,433	-	-	-
<b>(Loss)/ Profit on ordinary activities before taxation</b>	<b>1-6</b>	<b>(910,337)</b>	<b>28,433</b>	<b>(910,337)</b>	<b>(3,928,999)</b>
Tax on loss on ordinary activities	7	-	-	-	-
<b>(Loss) / Profit on ordinary activities after taxation</b>	<b>15</b>	<b>(910,337)</b>	<b>28,433</b>	<b>(910,337)</b>	<b>(3,928,999)</b>

All losses relate to continuing operations.

All gains and losses have been dealt with in the profit and loss account.

The notes on pages 9 to 17 form part of these financial statements.

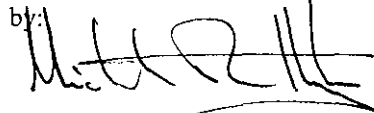


## Consolidated balance sheet

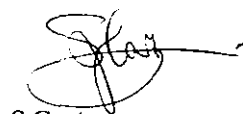
at 31 December 1999

	Note	£	1999	£	1998	£
<b>Fixed assets</b>						
Tangible assets	9		16,999,829		22,863,267	
<b>Securitised operations</b>						
Securitised assets	8	28,817,502		-		
Less: amounts received	8	(25,131,126)		-		
			3,686,376		-	
<b>Current assets</b>						
Cash at bank		4,455,136		3,175,808		
Debtors due within one year	11	7,818,625		9,188,563		
Debtors due after one year	11	17,045,620		16,966,992		
		29,319,381		29,331,363		
<b>Creditors: amounts falling</b>						
Due within one year	12	(38,532,202)		(38,363,568)		
<b>Net current liabilities</b>			(9,212,821)		(9,032,205)	
<b>Total assets less current liabilities</b>			11,473,384		13,831,062	
<b>Creditors: amounts falling due after</b>						
More than one year	13		(6,814,577)		(9,554,642)	
			4,658,807		4,276,420	
<b>Capital and reserves</b>						
Called up share capital	14		13,000,000		11,500,000	
Profit and loss account	16		(8,341,193)		(7,223,580)	
	15		4,658,807		4,276,420	

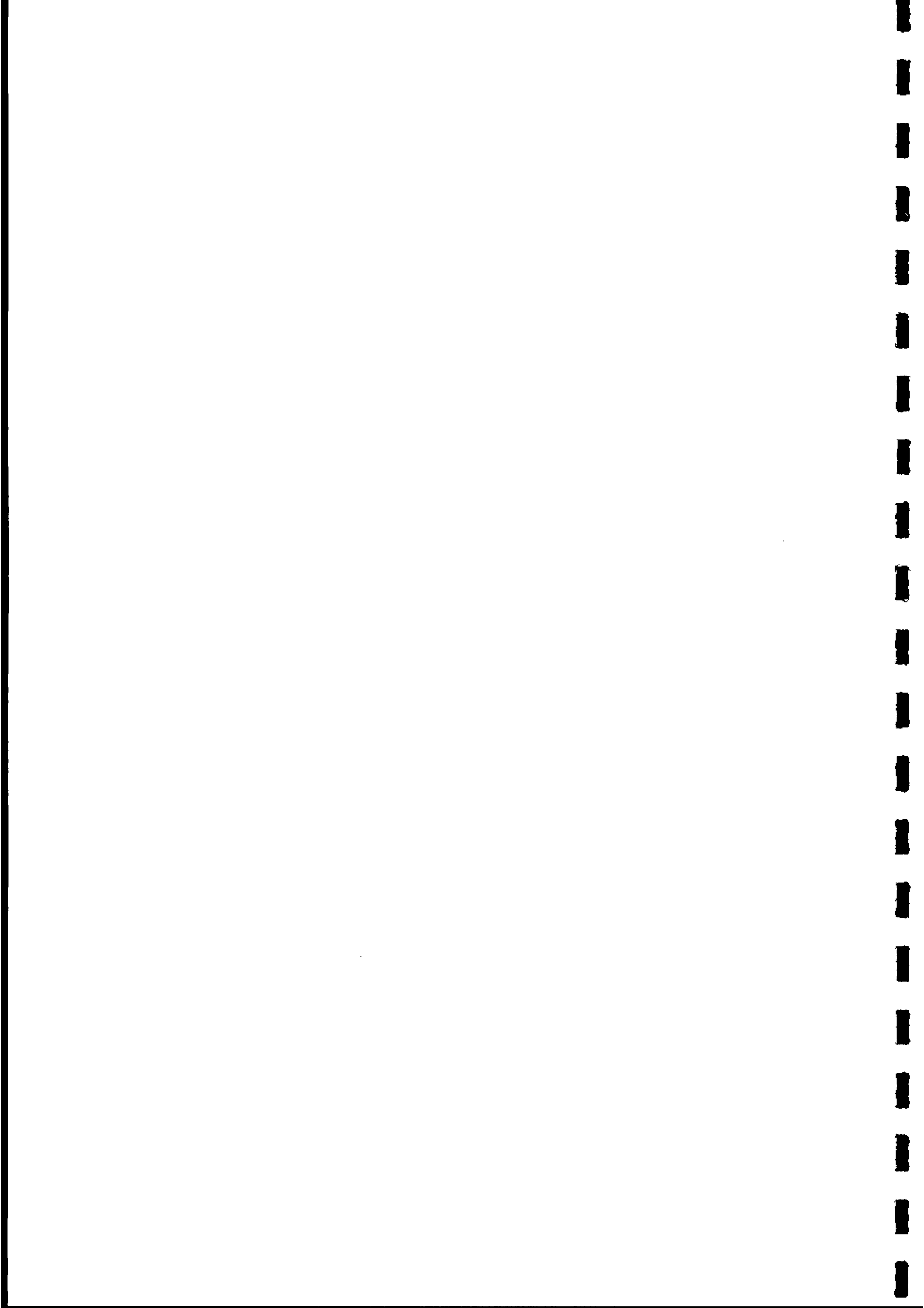
These financial statements were approved by the board of directors on 30<sup>th</sup> May 2000 and were signed on its behalf by:



**M Hughes**  
Director



**S Carter**  
Secretary

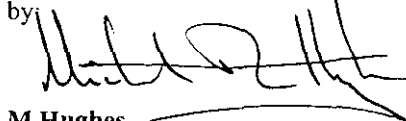


## Company balance sheet

at 31 December 1999

	Note	1999	1998
		£	£
<b>Fixed assets</b>			
Tangible assets	9	16,999,829	22,844,203
Investment in subsidiaries	10	1,627,106	1,999,784
		<u>18,626,935</u>	<u>24,843,987</u>
<b>Securitised operations</b>			
Securitised assets	8	28,817,502	-
Less: amounts received	8	(25,131,126)	-
		<u>3,686,376</u>	<u>-</u>
<b>Current assets</b>			
Cash at bank		3,605,506	1,061,092
Debtors due within one year	11	7,692,743	9,543,571
Debtors due after one year	11	17,034,025	16,834,520
		<u>28,332,274</u>	<u>27,439,183</u>
<b>Creditors: amounts falling due within one year</b>	12	(39,172,201)	(38,281,690)
		<u>(10,839,927)</u>	<u>(10,842,507)</u>
<b>Total assets less current liabilities</b>		<u>11,473,384</u>	<u>14,001,480</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(6,814,577)	(9,554,642)
		<u>4,658,807</u>	<u>4,446,838</u>
<b>Capital and reserves</b>			
Called up share capital	14	13,000,000	11,500,000
Profit and loss account	16	(8,341,193)	(7,053,162)
		<u>4,658,807</u>	<u>4,446,838</u>

These financial statements were approved by the board of directors on 30<sup>th</sup> May, 2000 and were signed on its behalf by:



M Hughes  
Director

  
S Carter  
Secretary

## Notes

(forming part of the financial statements)

### 1 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.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has taken advantage of the partial exemption from FRS 8 with respect to disclosure of transactions with other group companies qualifying as related parties.

#### *Basis of consolidation*

The group accounts consolidate the accounts of Copelco Limited and its subsidiary undertakings Copelco Finance SAS and Copelco Finance GmbH (formerly TL Technologie). TL Technologie was acquired on 31 December 1996 and Copelco Finance SAS was incorporated on 11 February 1997. The acquisition method of consolidation is adopted using closing rates for foreign currency translation and exchange differences are taken to reserves.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write tangible fixed assets down to their estimated residual value at the following rates/bases:

Leasehold	Straight line over period of lease
Fixtures computers and equipment	Straight line over 4 years
Assets held for use in operating leases	Actuarial over term of lease contract

#### *Operating leases*

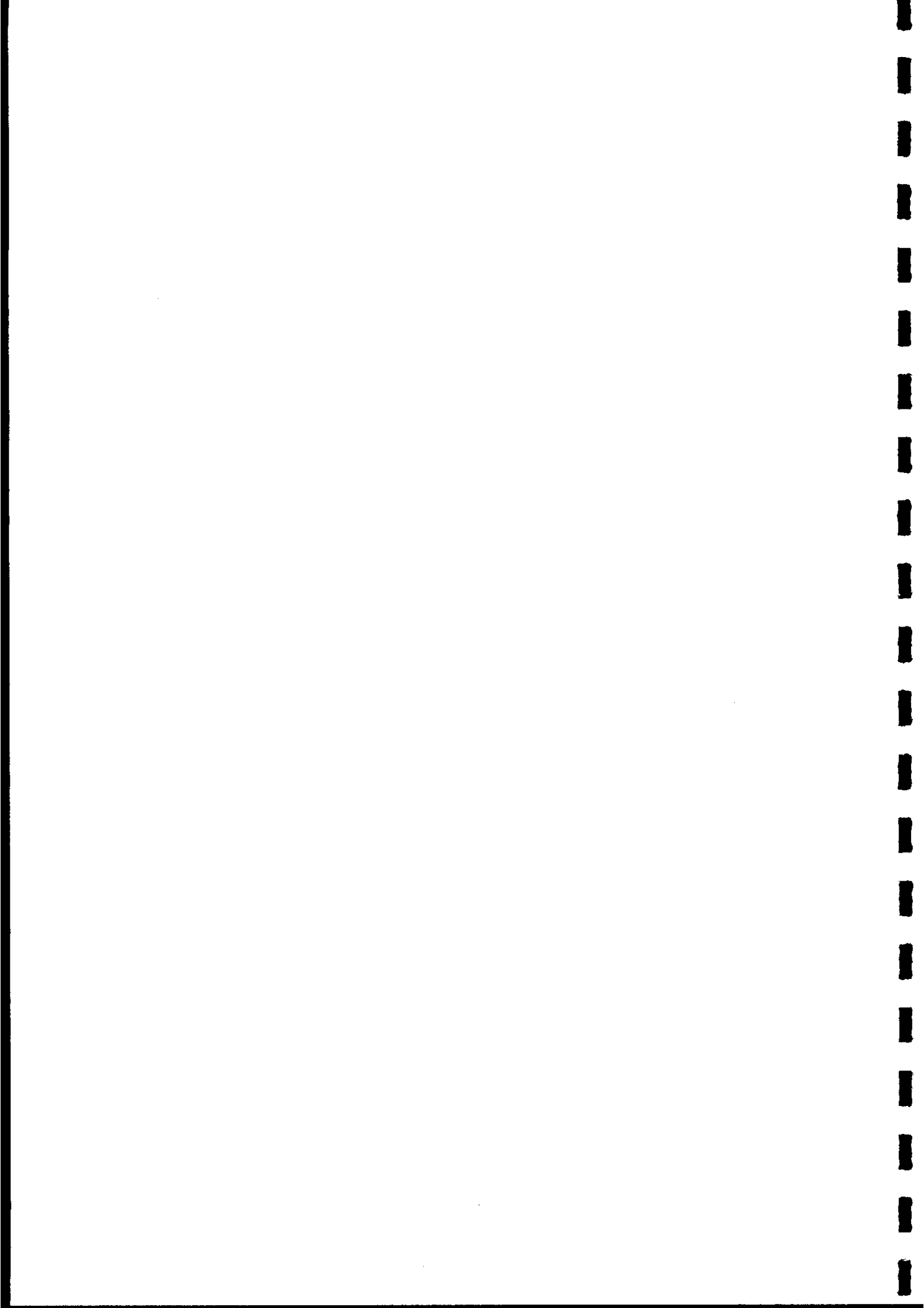
Where the company leases out equipment for less than its expected useful life or does not transfer substantially all the risks and rewards of ownership, the lease is accounted for as an operating lease. Rental income is taken to the profit and loss account, and the cost of equipment is recorded as a fixed asset and depreciated in accordance with the policy stated above.

#### *Finance leases*

Where the company leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease, and the net investment is included in current assets. Income from finance leases is credited to the profit and loss account, in proportion to the funds invested.

#### *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. The results of overseas operations are translated at average exchange rates for the year. Translation differences arising from application of year end rates of exchange to the operating net assets of overseas subsidiaries and to related foreign currency borrowings are dealt with through reserves. Other translation differences are recognised in the profit and loss account.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Turnover*

Turnover comprises income on finance leases together with rentals receivable on operating leases and income from the sale of equipment.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Initiation costs*

Costs of initiating leases are included as an asset and written off over 60 months under the sum of digits method.

#### *Goodwill*

Goodwill purchased and arising on consolidation, representing the excess of the purchase price of subsidiary companies over the fair value of the net assets acquired, is written off immediately against reserves on consolidation of the results of the company and its subsidiary undertakings.

#### *Investment in Subsidiaries*

Investments in subsidiaries are carried at cost unless in the opinion of the directors there has been a permanent diminution in value.

### 2 Lease rentals

Aggregate rentals receivable in the period were:

	1999	1998
	£	£
Finance leases	19,630,045	6,742,987
Operating leases	6,195,762	5,957,243
	<hr/>	<hr/>
	25,825,806	12,700,230
	<hr/>	<hr/>

### 3 Cost of sales

Included within cost of sales for statutory purposes is interest payable to group undertakings of £749,673 (1998:£291,369).



**Notes (continued)**

**4 Consolidated loss on ordinary activities before taxation**

	1999 £	1998 £
<i>Consolidated loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	30,000	25,000
Non-audit	164,573	70,000
Depreciation		
- operating leases	3,959,104	3,622,134
- other tangible fixed assets	289,930	251,889
Loss/(profit) on sale of fixed assets	1,863	(197,196)
	<u>                    </u>	<u>                    </u>

Advantage has been taken by the parent company of the exemption from the requirement to prepare a separate profit and loss account, as permitted by Section 230 of the Companies Act 1985.

The loss after tax of the parent company for the year was £1,288,030 (1998:£3,958,461).

**5 Staff numbers and costs**

The average numbers of people employed by the group (including directors) during the period was 47 (1998:24)

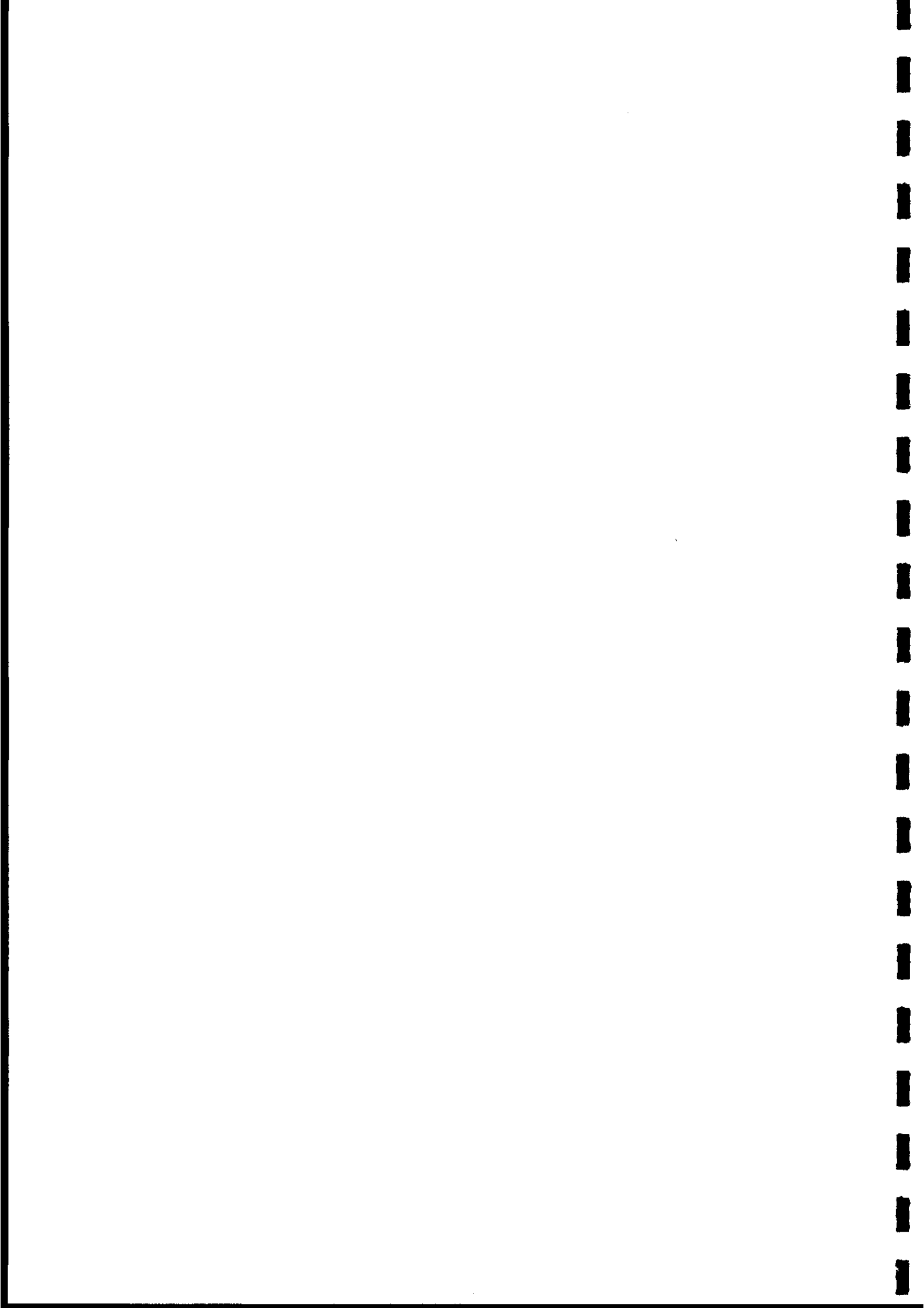
The aggregate payroll costs of the above persons were as follows:

	1999 £	1998 £
Wages and salaries	1,457,330	1,470,604
Social security	177,173	135,218
Other pension costs	35,623	131,211
	<u>                    </u>	<u>                    </u>
	1,670,126	1,737,033
	<u>                    </u>	<u>                    </u>

**6 Remuneration of directors**

	1999 £	1998 £
Directors' emoluments (excluding pension contributions)	152,563	284,000
Pension contributions	14,312	12,108
Compensation for loss of office	16,300	64,275
	<u>                    </u>	<u>                    </u>
	183,175	360,383
	<u>                    </u>	<u>                    </u>

The emoluments of the highest paid director were £111,862 (1998:£130,524 including compensation for loss of office).



**Notes (continued)**

**7 Taxation**

	1999 £	1998 £
UK corporation tax at 31% (1998: 31%) on the loss for the period on ordinary activities	-	-
	<u>-</u>	<u>-</u>

As at 31 December 1999 the company had losses available to carry forward and utilise against future profits.

**8 Securitised Assets**

During the year ended 31 December 1999, the Company sold lease receivables to a special purpose vehicle registered in the Cayman Islands. This transaction has been accounted for in accordance with FRS 5 using linked presentation. No comparatives are shown as the transaction occurred during 1999.

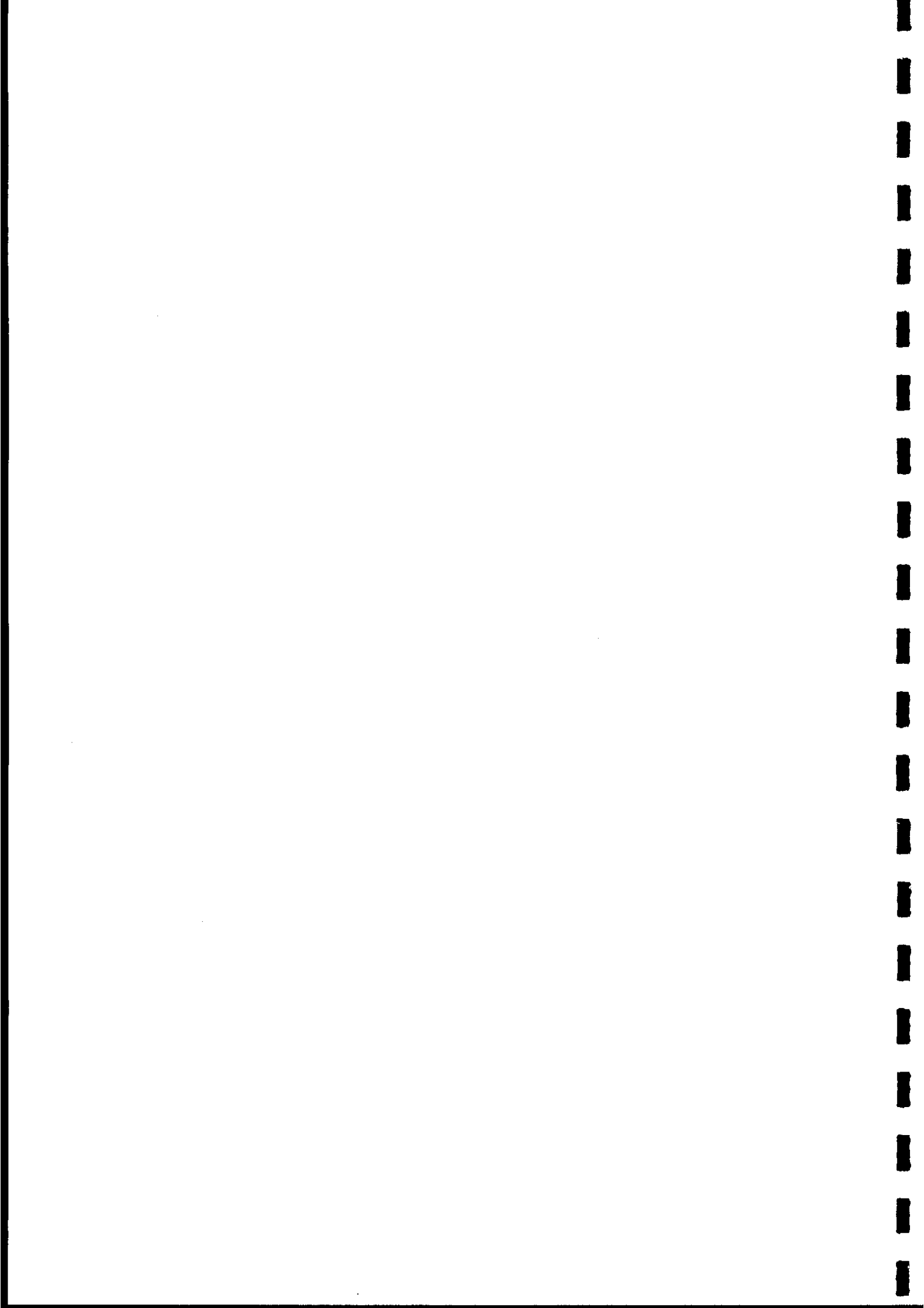
The linked presentation shows on the face of the balance sheet the finance deducted from the net investment of the securitised assets financed. This fairly reflects the substance of the transactions because :-

- (a) the Company has rights to benefit from and exposure to risks relating to its residual investment in the securitised assets but the maximum loss the Company can suffer is limited to its residual investment;
- (b) the Company is not obliged to support any losses on the special purpose vehicle and does not intend to do so; and
- (c) the special purpose vehicle is bound to seek repayment only to the extent that funds are generated by the securitised assets.

	1999 £
Investment in finance leases	26,933,245
Investment in operating leases	1,884,257
Securitised Asset	<u>28,817,502</u>

**Creditors :**

Securitised loan	<u>25,131,126</u>
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**Notes (continued)**

**9 Tangible fixed assets**

Group	Leasehold premises	Office equipment	Equipment used for operating leases	Total
	£	£	£	£
<i>Cost</i>				
At 1 January 1999	24,081	1,079,751	27,343,244	28,447,076
Additions	-	198,970	18,680,918	18,879,888
Disposals	-	(60,024)	(16,788,646)	(16,848,670)
Transfer to Securitisation	-	-	(2,237,105)	(2,237,105)
Reclassification	-	-	(2,755,781)	(2,755,781)
At end of the period	24,081	1,218,697	24,242,630	25,485,408
<i>Depreciation</i>				
At 1 January 1999	5,819	358,390	5,219,600	5,583,809
Charge for period	4,816	285,114	3,959,104	4,249,034
Disposals	-	(40,972)	(893,233)	(934,205)
Transfer to Securitisation	-	-	(232,988)	(232,988)
Reclassification	-	-	(180,071)	(180,071)
At end of the period	10,635	602,532	7,872,412	8,485,579
<i>Net book value</i>				
At 31 December 1999	13,446	616,165	16,370,218	16,999,829
At 31 December 1998	18,262	721,361	22,123,644	22,863,267
<b>Company</b>	<b>Leasehold premises</b>	<b>Office Equipment</b>	<b>Equipment used for operating leases</b>	<b>Total</b>
	£	£	£	£
<i>Cost</i>				
At 1 January 1999	24,081	1,057,459	27,343,244	28,424,784
Additions	-	198,970	18,680,918	18,879,888
Disposals	-	(37,732)	(16,788,646)	(16,826,378)
Transfer to Securitisation	-	-	(2,237,105)	(2,237,105)
Reclassification	-	-	(2,755,781)	(2,755,781)
At end of the period	24,081	1,218,697	24,242,630	25,485,408
<i>Depreciation</i>				
At 1 January 1999	5,819	355,162	5,219,600	5,580,581
Charge for period	4,816	285,114	3,959,104	4,249,034
Disposals	-	(37,744)	(893,233)	(930,977)
Transfer to Securitisation	-	-	(232,988)	(232,988)
Reclassification	-	-	(180,071)	(180,071)
At end of the period	10,635	602,532	7,872,412	8,485,579
<i>Net book value</i>				
At 31 December 1999	13,446	616,165	16,370,218	16,999,829
At 31 December 1998	18,262	702,297	22,123,644	22,844,203

## Notes (continued)

### 10 Fixed asset investments

Company	1999 £	1998 £
Investment in Copelco SAS	2,064,641	2,064,641
Provision for diminution in value	(756,638)	(592,278)
Net investment in Copelco SAS	<u>1,308,003</u>	<u>1,472,363</u>
Investment in Copelco GmbH	527,421	527,421
Provision for diminution in value	(208,318)	-
Net investment in Copelco GmbH	<u>319,103</u>	<u>527,421</u>
Total Investment in Subsidiaries	<u><u>1,627,106</u></u>	<u><u>1,999,784</u></u>

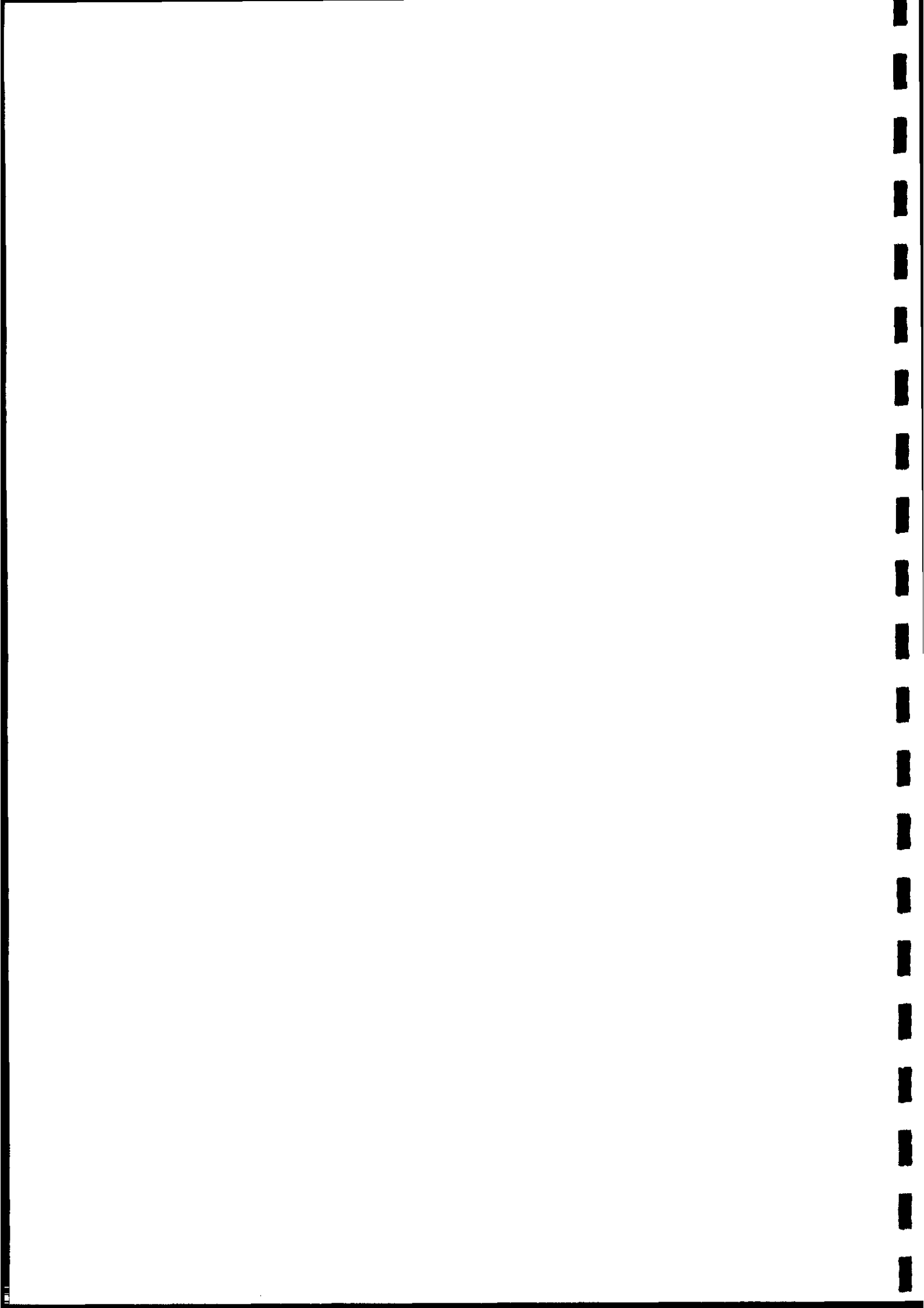
Copelco Limited holds 100% of the ordinary share capital of Copelco Finance SAS and Copelco Finance GmbH. The companies are registered in France and Germany respectively.

### 11 Debtors

Group	1999		1998	
	Due within one year £	Due after one year £	Due within One year £	Due After one year £
Finance lease receivables	4,058,927	17,045,620	6,735,619	16,966,992
Trade debtors	822,866	-	654,531	-
Other debtors	2,241,556	-	1,798,413	-
Prepayments and accrued income	695,276	-	-	-
	<u>7,818,625</u>	<u>17,045,620</u>	<u>9,188,563</u>	<u>16,966,992</u>

The cost of assets acquired for the purpose of letting under finance leases and hire purchase contracts during the period was £35,604,607 (1998:£19,283,824).

Company	1999		1998	
	Due Within one year £	Due after One year £	Due within One year £	Due After one year £
Finance lease receivable	3,923,863	17,034,025	6,552,190	16,834,520
Trade debtors	815,689	-	644,138	-
Amounts owed by group undertakings	83,290	-	632,139	-
Other debtors	2,174,625	-	1,715,104	-
Prepayments and accrued income	695,276	-	-	-
	<u>7,692,743</u>	<u>17,034,025</u>	<u>9,543,571</u>	<u>16,834,520</u>



## Notes (continued)

### 11 Debtors (continued)

The cost of assets acquired for the purpose of letting under finance leases and hire purchase contracts during the period was £35,604,607 (1998:£19,283,824).

Amounts owed by group undertakings in respect of loans are unsecured and repayable on demand. They bear interest at commercial rates.

### 12 Creditors: amounts falling due within one year

	1999 £	1998 £
<b>Group</b>		
Bank loans and overdrafts	20,384,956	26,802,703
Trade creditors	2,496,807	2,200,918
Amounts owed to parent undertaking	14,349,430	7,679,290
Other creditors including taxation and social security	51,091	175,856
Accruals and deferred income	1,249,918	1,504,801
	<u>38,532,202</u>	<u>38,363,568</u>
	1999 £	1998 £
<b>Company</b>		
Bank loans overdraft	20,384,956	26,802,703
Trade creditors	2,496,807	2,200,918
Amounts owed to parent undertaking	14,349,430	7,679,290
Amounts owed to group undertakings	672,435	-
Other creditors including taxation and social security	51,091	167,523
Accruals and deferred income	1,217,482	1,431,256
	<u>39,172,201</u>	<u>38,281,690</u>

Amounts owed to group undertakings in respect of loans are unsecured and are repayable on demand. They bear commercial rates of interest.

### 13 Creditors: amounts falling due after more than one year

#### Company and Group

£6,814,577 (1998:£9,554,642) relates to amounts owing on the head lease funding which expires in 2004.



## Notes (continued)

### 14 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000,000	100,000,000
	<u>                    </u>	<u>                    </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	13,000,000	11,500,000
	<u>                    </u>	<u>                    </u>

During the year 1,500,000 (1998:5,000,000) ordinary shares were allotted for a consideration of £1,500,000 (1998:£5,000,000) in order to strengthen the company's capital base.

### 15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(910,337)	(3,928,999)
Exchange difference on consolidation	(207,276)	151,517
New share capital subscribed	1,500,000	5,000,000
	<u>                    </u>	<u>                    </u>
<b>Net addition to shareholders' funds</b>	<b>382,387</b>	<b>1,222,518</b>
Opening shareholders' funds	4,276,420	3,053,902
	<u>                    </u>	<u>                    </u>
<b>Closing shareholders' funds</b>	<b>4,658,807</b>	<b>4,276,420</b>
	<u>                    </u>	<u>                    </u>

### 16 Reserves

Group	Share capital £	Profit and loss account £	Total £
At beginning of year	11,500,000	(7,223,580)	4,276,420
New share capital subscribed	1,500,000	-	1,500,000
Loss for the year	-	(910,337)	(910,337)
Exchange difference on consolidation	-	(207,276)	(207,276)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	13,000,000	(8,341,193)	4,658,807
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Notes (continued)**

**16 Reserves (continued)**

Company	Share capital £	Profit and loss account £	Total £
At beginning of year	11,500,000	(7,053,162)	4,446,838
New share capital subscribed	1,500,000	-	1,500,000
Loss for the year	-	(1,288,031)	(1,288,031)
	<hr/>	<hr/>	<hr/>
	13,000,000	(8,341,193)	4,658,807
	<hr/>	<hr/>	<hr/>

**17 Commitments**

At 31 December 1999 the group's annual commitments under operating leases were as follows:

	£
Less than 1 year	2,302
2 - 5 years	121,566
	<hr/>

At 31 December 1999 the group had no capital commitments.

**18 Pensions**

The company does not operate its own pension scheme. The staff are all members of the Itochu group personal pension scheme, to which Copelco Limited contributes on its staff's behalf.

**19 Ultimate holding company and parent undertaking of larger group of which the company is a member**

Up until 17<sup>th</sup> May, the company's ultimate holding company was Itochu Corporation which is incorporated and registered in Japan. Itochu Corporation was also the parent undertaking of the largest group to consolidate the accounts of the company. Copies of its financial statements are available from 5-1, Kita-Aoyama 2 Chome, Minato-ku, Tokyo 107-77, Japan.

The smallest group in which the results of the company are consolidated is that headed by Copelco Capital Inc which is incorporated in the United States of America.

On May 17th 2000 Citigroup acquired all shares of Copelco Capital Inc and from that date Citigroup became the ultimate parent undertaking of the company.