

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

**Directors' report and financial
statements**

Registered number SC80982

31 December 2007

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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 2007

Principal activity and business review

The principal activity of the company continued to be the sale and maintenance of Ricoh digital Multi Functional Devices (MFDs), network copy/print/fax/scan and Electronic Document Management solutions

The company has achieved another satisfactory result for the year to 31 December 2007, against a background of increasingly challenging competitive activity. Turnover was £1,698,300 (15%) up on the previous year and resulted in a 72% increase in profit before tax. This growth in turnover and profit was primarily due to success in competitive tendering for larger commercial contracts, increasing sales of total document solutions and continued success in traditional markets.

The principal risks and uncertainties affecting the business include the following

Product, consumables and parts availability and prices the company monitors these on a regular basis and negotiates purchase contracts where appropriate with key suppliers

Environmental risks the company places considerable emphasis upon environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key Environmental Management Systems (EMS). We are pleased to report that all four of the company's branches have now attained full ISO14001 2004 environmental accreditation, the latest being the new Aberdeen office in October 2007.

Debtors the company maintains strong relationships with each of its key customers and operates well established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.

Major disruption/ disaster business continuity planning is reviewed regularly, and a comprehensive Disaster Recovery Plan is currently being updated for testing and deployment in the near future. The directors will ensure this Plan is reviewed and updated on an ongoing basis.

The effect of legislation or other regulatory activities the company monitors forthcoming and current legislation regularly.

Public sector contracts there is uncertainty as to future arrangements relating to Scottish public procurement. The company is closely monitoring the use of UK national framework contracts by Scottish public bodies and is lobbying the relevant authorities for its inclusion in future framework arrangements for Scottish public sector business.

Key areas of strategic development and performance of the business include

Sales and Marketing new and replacement business is being won continually both in the standard commercial and public sector markets, where public bodies go to open tender, new markets such as electronic document management are continually being developed in line with the company's strategy, key customer relationships are managed on a regular basis, investment in marketing activity is prioritised within overall expenditure programmes.

Capital Investment the company continues to invest heavily in improving its facilities in order to present its people, premises and products in the best possible light, whilst offering world class working conditions for its employees. The company has also invested substantially in new Aberdeen premises to increase its geographic coverage of the Scottish market place and in line with its strategy to provide seamless service support across Scotland. The company continues to invest in IT and communications infrastructure to ensure its people on the move have the latest tools to ensure the very highest levels of customer service.

Health and Safety the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

Key financial performance indicators include the monitoring of profitability, return on capital, current ratio, stock turnover and the management of working capital.

Directors' report *(continued)*

Results and dividends

The results for the year are shown on page 6. The profit on ordinary activities after taxation for the year is £498,005 (2006 profit £222,904). The directors have not yet recommended a final dividend (2006 £2.59 per share).

Directors and directors' interests

The directors at the year end and were as follows:

Thoms Flockhart
Andrew R Aikman
Ian G L Bulloch
Richard Smith
Ross Haston

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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
21 May 2008

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 and applicable law (UK Generally Accepted Accounting Practice)

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 UK 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
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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 2007 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor

30 May 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Turnover		13,162,055	11,463,755
Cost of sales		(5,308,311)	(4,622,157)
Gross profit		7,853,744	6,841,598
Distribution costs		(568,934)	(556,094)
Administrative expenses		(6,493,045)	(5,809,993)
Operating profit		791,765	475,511
Interest receivable	2	8,386	6,246
Interest payable	3	(48,464)	(45,323)
Profit on ordinary activities before taxation	4	751,687	436,434
Tax on profit on ordinary activities	7	(253,682)	(213,530)
Profit on ordinary activities after taxation		498,005	222,904

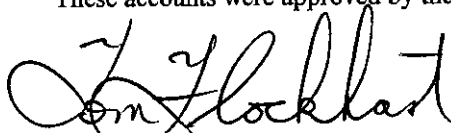
Other than the profit for the current year there have been no recognised gains or losses

All activities of the company are continuing operations

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £	2006 £
Fixed assets			
Intangible assets	9	153,900	267,900
Tangible assets	10	1,735,641	2,039,435
Investments	11	8,800	8,800
		1,898,341	2,316,135
Current assets			
Stocks	12	863,157	764,030
Debtors	13	1,871,890	1,546,779
Cash in hand		800,513	139,260
		3,535,560	2,450,069
Creditors amounts falling due within one year	15	(3,285,508)	(2,326,401)
Net current assets		250,052	123,668
Total assets less current liabilities		2,148,393	2,439,803
Creditors amounts falling due after more than one year	15	(39,066)	(528,826)
Net assets		2,109,327	1,910,977
Capital and reserves			
Called up share capital	16	168,719	168,719
Share premium account	18	88,292	88,292
Capital redemption reserve	18	33,354	33,354
Profit and loss account	18	2,133,304	1,934,954
Own shares held	18	(314,342)	(314,342)
Equity shareholders' funds		2,109,327	1,910,977

These accounts were approved by the board of directors on 21 May 2008 and were signed on its behalf by



Thomas Flockhart
Director



Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Net cash inflow from operating activities	22	1,488,136	1,141,031
Returns on investments and servicing of finance	23	(40,078)	(37,052)
Taxation		(159,830)	(40,939)
Capital expenditure	23	(193,830)	(1,331,392)
Equity dividends paid		(299,655)	(28,924)
Cash inflow/(outflow) before financing		794,743	(297,276)
Financing	23	(49,763)	(70,705)
Increase/(decrease) in cash in the period		744,980	(367,981)

Reconciliation of net cash flow to movement in net funds
for the year ended 31 December 2007

	2007 £	2006 £
Increase/(decrease) in cash in the period	744,980	(367,981)
Cash flow from movement in net debt	49,763	70,705
New hire purchase agreements	(69,956)	(76,671)
Movement in net debt in the period	724,787	(373,947)
Net debt at the start of the period	(535,196)	(161,249)
Net funds/(debt) at the end of the period	189,591	(535,196)

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

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

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.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2	Interest receivable and similar income	2007	2006
		£	£
	On bank deposits	8,386	6,246
3	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts	41,224	38,202
	On hire purchase agreements	7,240	7,121
		48,464	45,323

Notes (continued)

4	Profit on ordinary activities before taxation	2007	2006
		£	£
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting),</i>		
	Amortisation of goodwill	114,000	65,100
	Depreciation	559,217	518,097
	Hire of plant and machinery under operating leases	212,220	179,531
	Property rentals under operating leases	224,000	224,000
	Property rentals receivable under operating leases	(62,441)	(7,500)
	Plant and machinery rentals receivable under operating leases	(433,553)	(423,864)
	Auditors' remuneration audit	13,300	13,700
	non audit services	3,200	2,300
	Loss/(gain) on disposal of assets	183	(2,900)
	Grant income	(3,583)	(1,318)
		<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

	2007	2006
	Number	Number
Administration	27	26
Maintenance	76	76
Sales and distribution	45	40
	<u> </u>	<u> </u>
Total	148	142
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	4,222,568	3,891,979
Social security costs	476,646	431,282
Defined contribution pension scheme costs	169,525	153,003
	<u> </u>	<u> </u>
	4,868,739	4,476,264
	<u> </u>	<u> </u>

6 Remuneration of directors

	2007	2006
	£	£
Directors' emoluments	591,894	558,232
Company contributions to money purchase pension schemes	29,411	28,009
	<u> </u>	<u> </u>
	621,305	586,241
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £216,141 (2006 £208,694), and company pension contributions of £nil (2006 £nil) were made to a money purchase scheme on his behalf

Retirement benefits are accruing to four (2006 four) directors under money purchase schemes

Notes *(continued)*

7 Tax on profit on ordinary activities

	2007 £	2006 £
<i>Corporation tax</i>		
Current year	312,280	159,368
Adjustments in respects of prior years	462	(668)
	312,742	158,700
<i>Deferred tax</i>		
Current year	(59,060)	54,830
Total tax	<u>253,682</u>	<u>213,530</u>

UK taxation for the year is higher (2006 higher) than the standard rate of corporation tax (30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	751,687	436,434
Current tax at 30% (2006 30%)	225,506	130,930
Difference between depreciation and capital allowances	59,564	(55,212)
Expenditure permanently disallowable for taxation	38,045	108,054
Small companies relief	(10,835)	(24,404)
Adjustments in respect of prior years	462	(668)
Current tax (see above)	<u>312,742</u>	<u>158,700</u>

8 Dividends

	2007 £	2006 £
Dividend paid	<u>299,655</u>	<u>28,924</u>

Notes (continued)

9 Intangible fixed assets

	Total £
Goodwill	
Cost	
At beginning and end of year	333,000
Amortisation	
At beginning of year	65,100
Charge for year	114,000
At end of year	179,100
Net book value	
At 31 December 2007	153,900
At 31 December 2006	267,900

Goodwill is amortised over a period of 5 years, being the estimated useful life

10 Tangible fixed assets

	Freehold property £	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	909,792	735,338	1,863,484	346,248	3,854,862
Additions		40,106	155,424	69,957	265,487
Disposals			(22,340)	(25,085)	(47,425)
At end of year	909,792	775,444	1,996,568	391,120	4,072,924
Depreciation					
At beginning of year	35,868	316,722	1,285,591	177,246	1,815,427
Charge for year	18,195	45,873	444,154	50,995	559,217
Disposals			(14,160)	(23,202)	(37,362)
At end of year	54,063	362,595	1,715,585	205,039	2,337,282
Net book value					
At 31 December 2007	855,729	412,849	280,983	186,081	1,735,642
At 31 December 2006	873,924	418,616	577,893	169,002	2,039,435

Included above are assets held under hire purchase contracts. At 31 December 2007 the net book value of these assets was £131,513 (2006 £153,200). Depreciation of £39,209 (2006 £42,999) was charged in the year. Included in equipment are assets with a net book value of £104,764 (2006 £423,864) held for rental under operating leases. Depreciation of £385,414 (2006 £345,881) was charged in the year.

Notes (continued)

11 Investments

	Other investments £
<i>Cost</i>	
At beginning and at end of year	8,800
<i>Provisions</i>	
At beginning and end of year	
At 31 December 2007 and 31 Dec 2006	8,800

12 Stocks

	2007 £	2006 £
Office equipment	594,212	508,214
Spare parts for office equipment	167,938	151,079
Supplies for office equipment	101,007	104,737
	863,157	764,030

13 Debtors

	2007 £	2006 £
Trade debtors	1,655,774	1,429,839
Deferred tax asset (see note 14)	66,094	7,033
Prepayments and accrued income	139,235	107,652
Other debtors	10,787	2,255
	1,871,890	1,546,779

Notes (continued)

14 Deferred tax

	Accelerated capital allowances £
As at 31 December 2006	7,033
Transferred to profit and loss account	59,061
As at 31 December 2007	66,094

15 Creditors

	2007 £	2006 £
Amounts falling due within one year		
Bank overdraft	23,229	106,956
Term loan	500,000	
Trade creditors	1,214,853	954,556
Corporation tax	312,280	159,368
Other taxes and social security	560,334	465,228
Hire purchase creditors	48,627	38,674
Other creditors	207	4,073
Accruals and deferred income	625,978	597,546
	3,285,508	2,326,401
Amounts falling due after more than one year		
Hire purchase creditors	39,066	28,826
Term loan		500,000
	39,066	528,826

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 Creditors (continued)

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

	2007 £	2006 £
Within one year	48,627	38,674
Between one and two years	26,831	25,313
Between two and five years	12,235	3,513
	87,693	67,500

16 Called up share capital

Authorised

Ordinary shares of £1 each

2007
£

500,000

2006
£

500,000

Allotted, called up and fully paid

Ordinary shares of £1 each

168,719

168,719

17 Employee share option scheme

Employees and directors held 44,500 options (2006 44,500) to subscribe for ordinary shares at an exercise price range of £6.00 to £7.75. No options were granted in the year. Options lapse on the holder leaving the company.

18 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Own shares held
At 1 January 2007	88,292	33,354	1,934,954	(314,342)
Profit for the financial year	-	-	498,005	
Dividend paid			(299,655)	
At 31 December 2007	88,292	33,354	2,133,304	(314,342)

The investment in own shares represents 53,022 (2006 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)

19 Reconciliation of movement in equity shareholders' funds

	2007 £	2006 £
Profit for the financial year	498,005	222,904
Dividends	(299,655)	(28,924)
Retained profit for the year	198,350	193,980
Opening shareholders' funds	1,910,977	1,716,997
Closing shareholders' funds	2,109,327	1,910,977

20 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

	2007 Property £	2007 Plant and machinery and vehicles £	2006 Property £	2006 Plant and machinery and vehicles £
Leases which expire				
within one year		76,002		86,847
between 2-5 years	224,000	123,743	224,000	87,807
	224,000	199,745	224,000	174,654

21 Transactions with directors

The company leases two properties on an arms length basis from Mr T Flockhart at an annual rental of £175,126 (2006 £175,126)

Notes (continued)

22 Reconciliation of operating profit to cash inflow from operating activities

	2007 £	2006 £
Operating profit	791,765	475,511
Depreciation charges	559,216	518,097
Amortisation of goodwill	114,000	65,100
Loss/(gain) on disposal of fixed assets	183	(2,900)
(Increase)/decrease in stocks	(99,127)	107,043
Increase in debtors	(266,050)	(115,328)
Increase in creditors	379,969	82,970
Transfer of fixed assets to stock	8,180	3,503
Write down of investments		7,035
Cash inflow from operating activities	1,488,136	1,141,031

23 Analysis of cash flows

	2007 £	2006 £
Returns on investment and servicing of finance		
Interest received	8,386	8,271
Interest paid	(41,224)	(38,202)
Interest element of hire purchase payments	(7,240)	(7,121)
	(40,078)	(37,052)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(195,530)	(1,013,566)
Sale of tangible fixed assets	1,700	15,174
Purchase of intangible assets		(333,000)
	(193,830)	(1,331,392)
Financing		
Capital element of hire purchase payments	(49,763)	(70,705)
	(49,763)	(70,705)

Notes (*continued*)

24 Analysis of net funds

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	139,260	661,253		800,513
Overdrafts	(106,956)	83,727		(23,229)
	32,304	744,980		777,284
Loans due within one year	(500,000)			(500,000)
Hire purchase liabilities	(67,500)	49,763	(69,956)	(87,693)
Total	(535,196)	794,743	(69,956)	189,591