

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

**Directors' report and financial
statements**

Registered number SC80982

31 December 2008



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditors' report to the members of Capital Copiers (Edinburgh) Limited	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes	9

Company information

Directors	Thomas Flockhart Andrew R Aikman Ian GL Bulloch Richard Smith Ross Haston W Shields Henderson
Bankers	The Royal Bank of Scotland plc 24-25 St Andrews Square Edinburgh EH2 1AF
Solicitors	Shepherd & Wedderburn WS 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
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 2008.

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 2008, against a background of increasingly challenging competitive activity and economic uncertainty. While turnover was £917,000 (7%) down on the previous year, profit before tax increased by 36%. This growth in profit was primarily due to continued success in traditional markets and increasing sales of total document solutions.

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: The company has tendered for the Scottish national Framework Agreement for its products and services, and is currently awaiting Procurement Scotland's decision as to its inclusion as a preferred supplier thereon.

Key areas of strategic development and performance of the business include:

- Sales and Marketing: new and replacement business is being won continually; 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 continues to invest in IT and communications infrastructure, as demonstrated by the investment in voIP telecommunications system and upgraded SIP communication trunks, to ensure its people have the latest technology to deliver 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 £703,848 (2007: profit £498,005). The directors have not yet recommended a final dividend (2007: £3.00 per share).

Directors and directors' interests

The directors at the year end were as follows:

Thoms Flockhart
Andrew R Aikman
Ian G L Bulloch
Richard Smith
Ross Haston
W Shields Henderson (appointed 1 April 2008)

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Ian GL Bulloch
Secretary

Edinburgh
20th April 2009

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 2008 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 2008 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

19 June 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Turnover		12,245,112	13,162,055
Cost of sales		(4,097,577)	(5,308,311)
Gross profit		8,147,535	7,853,744
Distribution costs		(577,727)	(568,934)
Administrative expenses		(6,489,076)	(6,493,045)
Operating profit		1,080,732	791,765
Interest receivable	2	17,106	8,386
Interest payable	3	(77,173)	(48,464)
Profit on ordinary activities before taxation	4	1,020,665	751,687
Tax on profit on ordinary activities	7	(316,817)	(253,682)
Profit on ordinary activities after taxation		703,848	498,005

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 2008

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	9	38,900	153,900
Tangible assets	10	2,825,364	1,735,641
Investments	11	8,800	8,800
		2,873,064	1,898,341
Current assets			
Stocks	12	629,755	863,157
Debtors	13	1,788,687	1,871,890
Cash in hand		1,080,741	800,513
		3,499,183	3,535,560
Creditors: amounts falling due within one year	15	(2,958,479)	(3,285,508)
Net current assets		540,704	250,052
Total assets less current liabilities		3,413,768	2,148,393
Creditors: amounts falling due after more than one year	15	(947,684)	(39,066)
Net assets		2,466,084	2,109,327
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	2,490,061	2,133,304
Own shares held	18	(314,342)	(314,342)
Equity shareholders' funds		2,466,084	2,109,327

These accounts were approved by the board of directors on 27 April 2009 and were signed on its behalf by:



Thomas Flockhart
Director



Ian GL Bulloch
Director

Cash flow statement
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Net cash inflow from operating activities	22	1,805,909	1,488,136
Returns on investments and servicing of finance	23	(60,067)	(40,078)
Taxation		(308,970)	(159,830)
Capital expenditure	23	(1,310,635)	(193,830)
Equity dividends paid		(347,091)	(299,655)
Cash (outflow)/inflow before financing		(220,854)	794,743
Financing	23	446,095	(49,763)
Increase in cash in the period		225,241	744,980

Reconciliation of net cash flow to movement in net (debt)/funds
for the year ended 31 December 2008

	2008 £	2007 £
Increase in cash in the period	225,241	744,980
Cash flow from movement in net debt	(446,095)	49,763
New hire purchase agreements	(76,788)	(69,956)
Movement in net (debt)/funds in the period	(297,642)	724,787
Net funds/(debt) at the start of the period	189,591	(535,196)
Net (debt)/funds at the end of the period	(108,051)	189,591

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.

Own shares held by Employee benefit trust

Transactions of the Company-sponsored employee benefit trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

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	2008	2007
		£	£
	On bank deposits	17,106	8,386
3	Interest payable	2008	2007
		£	£
	On bank loans and overdrafts	68,313	41,224
	On hire purchase agreements	8,860	7,240
		77,173	48,464

Notes (continued)

4	Profit on ordinary activities before taxation	2008	2007
		£	£
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting);</i>		
	Amortisation of goodwill	115,000	114,000
	Depreciation	299,672	559,217
	Hire of plant and machinery under operating leases	194,003	212,220
	Property rentals under operating leases	269,400	224,000
	Property rentals receivable under operating leases	(71,233)	(62,441)
	Plant and machinery rentals receivable under operating leases	(135,118)	(433,553)
	Auditors' remuneration - audit	13,700	13,300
	- non-audit services	3,300	3,200
	(Gain)/loss on disposal of assets	(2,744)	183
	Grant income	-	(3,583)

5 Staff numbers and costs

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

	2008	2007
	Number	Number
Administration	30	27
Maintenance	76	76
Sales and distribution	44	45
Total	150	148

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	4,284,304	4,222,568
Social security costs	483,145	476,646
Defined contribution pension scheme costs	189,129	169,525
	4,956,578	4,868,739

6 Remuneration of directors

	2008	2007
	£	£
Directors' emoluments	583,811	591,894
Company contributions to money purchase pension schemes	30,790	29,411
	614,601	621,305

The emoluments of the highest paid director were £227,350 (2007: £216,141), and company pension contributions of £nil (2007: £nil) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to four (2007: four) directors under money purchase schemes.

Notes (continued)

7 Tax on profit on ordinary activities

	2008 £	2007 £
<i>Corporation tax</i>		
Current year	320,614	312,280
Adjustments in respects of prior years	(10,493)	462
	<u>310,121</u>	<u>312,742</u>
<i>Deferred tax</i>		
Current year	4,511	(59,060)
Adjustments in respects of prior years	2,185	-
	<u>6,696</u>	<u>(59,060)</u>
Total tax	<u>316,817</u>	<u>253,682</u>

UK taxation for the year is higher (2007: higher) than the standard rate of corporation tax (28.5%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	1,020,665	751,687
Current tax at 28.5% (2007: 30%)	290,890	225,506
Difference between depreciation and capital allowances	(4,641)	59,564
Expenditure permanently disallowable for taxation	41,195	38,045
Small companies relief	(6,830)	(10,835)
Adjustments in respect of prior years	(10,493)	462
Current tax (see above)	<u>310,121</u>	<u>312,742</u>

8 Dividends

	2008 £	2007 £
Dividend paid	<u>347,091</u>	<u>299,655</u>

Notes (continued)

9 Intangible fixed assets

	Total £
Goodwill	
Cost	
At beginning and end of year	333,000
Amortisation	
At beginning of year	179,100
Charge for year	115,000
At end of year	294,100
Net book value	
At 31 December 2008	38,900
At 31 December 2007	153,900

Goodwill is amortised over a period of 3 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	775,444	1,996,568	391,120	4,072,924
Additions	1,249,000	-	79,635	76,788	1,405,423
Disposals	-	-	(6,747)	(75,085)	(81,832)
At end of year	2,158,792	775,444	2,069,456	392,823	5,396,515
Depreciation					
At beginning of year	54,063	362,595	1,715,585	205,039	2,337,282
Charge for year	43,176	41,285	150,648	64,563	299,672
Disposals	-	-	(5,973)	(59,830)	(65,803)
At end of year	97,239	403,880	1,860,260	209,772	2,571,151
Net book value					
At 31 December 2008	2,061,553	371,564	209,196	183,051	2,825,364
At 31 December 2007	855,729	412,849	280,983	186,081	1,735,642

Included above are assets held under hire purchase contracts. At 31 December 2008 the net book value of these assets was £171,225 (2007: £131,513). Depreciation of £55,539 (2007: £39,209) was charged in the year. Included in equipment are assets with a net book value of £51,422 (2007: £104,764) held for rental under operating leases. Depreciation of £98,058 (2007: £385,414) 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 2008 and 31 Dec 2007	8,800

12 Stocks

	2008 £	2007 £
Office equipment	373,099	594,212
Spare parts for office equipment	162,186	167,938
Supplies for office equipment	94,470	101,007
	629,755	863,157

13 Debtors

	2008 £	2007 £
Trade debtors	1,636,741	1,655,774
Deferred tax asset (see note 14)	59,398	66,094
Prepayments and accrued income	89,007	139,235
Other debtors	3,541	10,787
	1,788,687	1,871,890

Notes (continued)

14 Deferred tax

	Accelerated capital allowances £
As at 31 December 2007	66,094
Transferred to profit and loss account	(6,696)
As at 31 December 2008	59,398

15 Creditors

	2008 £	2007 £
Amounts falling due within one year:		
Bank overdraft	78,216	23,229
Term loan	110,000	500,000
Trade creditors	967,496	1,214,853
Corporation tax	313,431	312,280
Other taxes and social security	524,710	560,334
Hire purchase creditors	52,892	48,627
Other creditors	-	207
Accruals and deferred income	911,734	625,978
	2,958,479	3,285,508
Amounts falling due after more than one year:		
Hire purchase creditors	40,184	39,066
Term loan	907,500	-
	947,684	39,066
Debt can be analysed as falling due:		
In one year or less, or on demand	188,216	523,229
Between one and two years	110,000	-
Between two and five years	330,000	-
More than five years	467,500	-
	1,095,716	523,229

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:

	2008 £	2007 £
Within one year	52,892	48,627
Between one and two years	37,417	26,831
Between two and five years	2,767	12,235
	<u>93,076</u>	<u>87,693</u>

16 Called up share capital

Authorised

Ordinary shares of £1 each

2008 £	2007 £
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500,000	500,000
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Allotted, called up and fully paid

Ordinary shares of £1 each

168,719	168,719
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17 Employee share option scheme

Employees and directors held 44,500 options (2007: 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 2008	88,292	33,354	2,133,304	(314,342)
Profit for the financial year	-	-	703,848	-
Dividend paid	-	-	(347,091)	-
	<u>88,292</u>	<u>33,354</u>	<u>2,490,061</u>	<u>(314,342)</u>

The investment in own shares represents 53,022 (2007: 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

	2008 £	2007 £
Profit for the financial year	703,848	498,005
Dividends	(347,091)	(299,655)
Retained profit for the year	356,757	198,350
Opening shareholders' funds	2,109,327	1,910,977
Closing shareholders' funds	2,466,084	2,109,327

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:

	2008 Property £	2008 Plant and machinery and vehicles £	2007 Property £	2007 Plant and machinery and vehicles £
Leases which expire				
- within one year	-	1,421	-	76,002
- between 2-5 years	269,400	188,366	224,000	123,743
	269,400	189,787	224,000	199,745

21 Transactions with directors

The company leases two properties on an arms length basis from Mr T Flockhart at an annual rental of £211,650 (2007: £175,126).

Notes (continued)

22 Reconciliation of operating profit to cash inflow from operating activities

	2008 £	2007 £
Operating profit	1,080,732	791,765
Depreciation charges	299,672	559,216
Amortisation of goodwill	115,000	114,000
(Gain)/loss on disposal of fixed assets	(2,745)	183
Decrease/(Increase) in stocks	234,175	(90,947)
Decrease/(Increase) in debtors	76,507	(266,050)
Increase in creditors	2,568	379,969
Cash inflow from operating activities	1,805,909	1,488,136

23 Analysis of cash flows

	2008 £	2007 £
Returns on investment and servicing of finance		
Interest received	17,106	8,386
Interest paid	(68,313)	(41,224)
Interest element of hire purchase payments	(8,860)	(7,240)
	(60,067)	(40,078)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,328,635)	(195,530)
Sale of tangible fixed assets	18,000	1,700
Purchase of intangible assets	-	-
	(1,310,635)	(193,830)
Financing		
Capital element of hire purchase payments	(71,405)	(49,763)
New Loans	517,500	-
	446,095	(49,763)

Notes (*continued*)

24 Analysis of net (debt)/funds

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	800,513	280,228	-	1,080,741
Overdrafts	(23,229)	(54,987)	-	(78,216)
	<u>777,284</u>	<u>225,241</u>	<u>-</u>	<u>1,002,525</u>
Loans due within one year	(500,000)	390,000	-	(110,000)
Loans due in more than one year	-	(907,500)	-	(907,500)
Hire purchase liabilities	(87,693)	71,405	(76,788)	(93,076)
	<u>189,591</u>	<u>(220,854)</u>	<u>(76,788)</u>	<u>(108,051)</u>