Company Registration No. SC080982 (Scotland)

# CAPITAL COPIERS (EDINBURGH) LIMITED

# TRADING AS CAPITAL DOCUMENT SOLUTIONS

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2010

THURSDAY

*SS7X4WSG*

SCT 18/08/2011 177

COMPANIES HOUSE

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Tom Flockhart<br>Andrew R Aikman<br>Gordon Affleck (Appointed 25 March 2010)<br>Richard Smith<br>W Shields Henderson |
| **Secretary** | Gordon Affleck |
| **Company number** | SC080982 |
| **Registered office** | 101 McDonald Road<br>Edinburgh<br>EH7 4NW |
| **Auditors** | Johnston Carmichael LLP<br>7-11 Melville Street<br>Edinburgh<br>EH3 7PE |

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## CONTENTS


| | Page |
|---|---|
| Directors' report | 1 - 3 |
| Independent auditors' report | 4 - 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Cash flow statement | 8 |
| Notes to the cash flow statement | 9 |
| Notes to the financial statements | 10 - 23 |

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## DIRECTORS' REPORT
### *FOR THE YEAR ENDED 31 DECEMBER 2010*

The directors present their report and financial statements for the year ended 31 December 2010.

**Principal activities and review of the business**
The principal activity of the company continues to be the sale and maintenance of digital Multi-Functional Devices (MFDs), network copy/print/fax/scan and Electronic Document Management solutions.

The company has achieved a satisfactory result for the year to 31 December 2010, against a background of continued economic uncertainty and significant investment made in new business areas. These new business areas include managed print services (MPS), professional services (PS) and the Scottish National Procurement Framework agreement where the company is one of the approved suppliers for Public Sector contracts in Scotland.

The benefits of this increased investment, in new business areas, has produced a 10% increase in turnover on the previous year, achieving above £13m. A number of one off costs (totalling £170k) impacted in the year and these combined with costs of setting up new business areas impacted on operating profit, resulting in an operating profit of £547k compared to £875k for the previous year. Outside the investment in new business areas, our belief in "old fashioned" service values has continued to benefit the company in terms of key client retention and a consistent growth in service revenues.

The directors are pleased to report that the benefit of the new business areas, and continued client retention, has resulted in revenue increases in 2011 and therefore, combined with our actions to reduce costs, the directors expect the operating profit to grow back to 7-8% of turnover by 2012.

**Principal risks and uncertainties**
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). All of the company's branches are ISO14001:2004 environmentally accredited and our focus remains on continued improvement in this area.

- 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 distruption/ disaster: business continuity planning is reviewed regularly, and a comprehensive Disaster Recovery Plan was updated during the year. The necessary infrastructure is to be deployed and tested 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.

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

- Sales and Marketing: new and replacement business is continually being won with new markets such as electronic document management and managed print services being developed in line with the company's strategy. Key customer relationships are managed on a regular basis and 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 a new ERP system which will go live within the next 12 months, 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.

- Public sector contracts: the company was successful in being awarded approved supplier status on the Scottish National Procurement Framework Agreement for its products and services. It has invested in personnel and infrastructure to maximise this business opportunity and has been successful in tendering for public sector business in Scotland.

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

**Results and dividends**
The results for the year are set out on page 6.

The profit on ordinary activities after taxation for the year is £373,604 (2009: £577,306). The directors have paid a dividend of £3.50 per share (2009:£3.50).

**Directors**
The following directors have held office since 1 January 2010:

| | |
|---|---|
| Tom Flockhart | |
| Andrew R Aikman | |
| Gordon Affleck | (Appointed 25 March 2010) |
| Ian G L Bulloch | (Resigned 30 April 2010) |
| Richard Smith | |
| Ross Haston | (Resigned 30 September 2010) |
| W Shields Henderson | |

**Statement of directors' responsibilities**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

**Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Gordon Affleck
**Secretary**
7th July 2011

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## 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 2010 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## TO THE MEMBERS OF CAPITAL COPIERS (EDINBURGH) LIMITED

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Johnston Carmichael LLP

**David Holmes (Senior Statutory Auditor)**
**for and on behalf of Johnston Carmichael LLP**

11 July 2011

**Chartered Accountants**
**Statutory Auditor**

7-11 Melville Street
Edinburgh
EH3 7PE

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## PROFIT AND LOSS ACCOUNT
### *FOR THE YEAR ENDED 31 DECEMBER 2010*

| | Notes | 2010 £ | 2009 £ |
|---|---|---|---|
| **Turnover** | 2 | 13,135,977 | 11,892,513 |
| Cost of sales | | (4,978,557) | (3,940,900) |
| **Gross profit** | | 8,157,420 | 7,951,613 |
| Distribution costs | | (596,817) | (539,774) |
| Administrative expenses | | (7,013,666) | (6,536,390) |
| **Operating profit** | 3 | 546,937 | 875,449 |
| Other interest receivable and similar income | 4 | 1,896 | 5,263 |
| Interest payable and similar charges | 5 | (34,347) | (25,331) |
| **Profit on ordinary activities before taxation** | | 514,486 | 855,381 |
| Tax on profit on ordinary activities | 6 | (140,882) | (278,075) |
| **Profit for the year** | 18 | 373,604 | 577,306 |

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.

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## BALANCE SHEET

### *AS AT 31 DECEMBER 2010*

| | Notes | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 8 | | 180,873 | | 230,873 |
| Tangible assets | 9 | | 2,952,333 | | 2,908,885 |
| Investments | 10 | | - | | 8,800 |
| | | | 3,133,206 | | 3,148,558 |
| **Current assets** | | | | | |
| Stocks | 11 | 875,194 | | 724,945 | |
| Debtors | 12 | 1,687,038 | | 2,330,856 | |
| Cash at bank and in hand | | 884,210 | | 655,648 | |
| | | 3,446,442 | | 3,711,449 | |
| **Creditors: amounts falling due within one year** | 13 | (3,167,654) | | (3,279,255) | |
| **Net current assets** | | | 278,788 | | 432,194 |
| **Total assets less current liabilities** | | | 3,411,994 | | 3,580,752 |
| **Creditors: amounts falling due after more than one year** | 14 | | (738,763) | | (937,029) |
| **Provisions for liabilities** | 15 | | (39,797) | | (5,273) |
| | | | 2,633,434 | | 2,638,450 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | | 168,719 | | 168,719 |
| Share premium account | 18 | | 88,292 | | 88,292 |
| Other reserves | 18 | | (254,668) | | (280,988) |
| Profit and loss account | 18 | | 2,631,091 | | 2,662,427 |
| **Shareholders' funds** | 19 | | 2,633,434 | | 2,638,450 |

Approved by the Board and authorised for issue on July 7th 2011

Tom Flockhart
**Director**

Gordon Affleck
**Director**

**Company Registration No. SC080982**

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## CASH FLOW STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2010*

| | £ | 2010<br>£ | £ | 2009<br>£ |
|---|---|---|---|---|
| **Net cash inflow from operating activities** | | 1,458,408 | | 696,485 |
| **Returns on investments and servicing of finance** | | | | |
| Interest received | 1,896 | | 5,263 | |
| Interest paid | (34,347) | | (25,331) | |
| **Net cash outflow for returns on investments and servicing of finance** | | (32,451) | | (20,068) |
| **Taxation** | | (222,444) | | (294,521) |
| **Capital expenditure and financial investment** | | | | |
| Payments to acquire tangible assets | (330,736) | | (255,554) | |
| Receipts from sales of tangible assets | - | | 21,183 | |
| **Net cash inflow for capital expenditure** | | (330,736) | | (237,490) |
| Purchase of subsidiary undertakings (net of cash acquired) | - | | (115,759) | |
| **Net cash outflow for acquisitions and disposals** | | - | | (115,759) |
| **Equity dividends paid** | | (404,940) | | (404,940) |
| **Net cash inflow/(outflow) before management of liquid resources and financing** | | 467,837 | | (376,293) |
| **Financing** | | | | |
| Sale and purchase of own shares | 26,320 | | - | |
| New long term bank loan | - | | 218,178 | |
| Repayment of long term bank loan | (180,298) | | (145,021) | |
| Capital element of hire purchase contracts | (54,528) | | (74,510) | |
| **Decrease in debt** | (234,826) | | (1,353) | |
| **Net cash outflow from financing** | | (208,506) | | (1,353) |
| **Increase/(decrease) in cash in the year** | | 259,331 | | (377,646) |

# CAPITAL COPIERS (EDINBURGH) LIMITED
# TRADING AS CAPITAL DOCUMENT SOLUTIONS
## NOTES TO THE CASH FLOW STATEMENT
### *FOR THE YEAR ENDED 31 DECEMBER 2010*

**1 Reconciliation of operating profit to net cash inflow from operating activities**

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| Operating profit | 546,937 | 875,449 |
| Depreciation of tangible assets | 271,709 | 225,957 |
| Amortisation of intangible assets | 50,000 | 38,900 |
| Increase in stocks | (150,249) | (53,818) |
| Decrease/(increase) in debtors | 643,818 | (510,241) |
| Increase in creditors within one year | 71,828 | 117,119 |
| Loss on disposal of fixed assets | 15,565 | 3,119 |
| Loss on disposal of investments | 8,800 | - |
| **Net cash inflow from operating activities** | 1,458,408 | 696,485 |

**2 Analysis of net debt**

| | 1 January 2010 | Cash flow | Other non-cash changes | 31 December 2010 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Net cash: | | | | |
| Cash at bank and in hand | 655,648 | 228,562 | - | 884,210 |
| Bank overdrafts | (30,769) | 30,769 | - | - |
| | 624,879 | 259,331 | - | 884,210 |
| Debt: | | | | |
| Finance leases | (86,067) | 54,528 | - | (31,539) |
| Debts falling due within one year | (180,301) | 8,708 | - | (171,593) |
| Debts falling due after one year | (910,356) | 171,593 | - | (738,763) |
| | (1,176,724) | 234,829 | - | (941,895) |
| **Net debt** | (551,845) | 494,160 | - | (57,685) |

**3 Reconciliation of net cash flow to movement in net debt**

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| Increase in cash in the year | 259,331 | (377,646) |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | 234,829 | 1,353 |
| New finance lease | - | (67,501) |
| **Movement in net debt in the year** | 494,160 | (443,794) |
| Opening net debt | (551,845) | (108,051) |
| **Closing net debt** | (57,685) | (551,845) |

## 1 Accounting policies

### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

### 1.3 Turnover

Turnover is generated from both sales and service activities. Sales revenue derives from the sale of new and second hand machines to customers, including equipment which is financed by third party lessors. Where equipment is financed, customers may contract directly with the lessor or alternatively customers may contract with the company and give permission for the rentals to be assigned with all the risks and rewards transferring to the lessor. The company also provides machines to customers through rental agreements and recognises the resulting income on a straight line basis over the terms of the agreement. Service revenue is principally generated from metered copy contracts with customers. All revenue are stated after deducting returns, allowances and VAT.

### 1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

### 1.5 Customer List

Customer lists are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

### 1.6 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 Freehold | 2% per annum (straight line) |
| Leasehold improvements | 4% - 5% per annum (straight line) |
| Fixtures, fittings & equipment | 25% per annum (reducing balance or straight line) |
| Motor vehicles | 25% per annum (reducing balance) |

### 1.7 Leasing and hire purchase commitments

Assets which are required 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.

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.

### 1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

**1 Accounting policies** **(continued)**

**1.9 Stock and work in progress**

Stock and work in progress are valued at the lower of cost and net realisable value. No value is placed on stocks of copier supplies in the field.

**1.10 Pensions**

The company operated a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds.

**1.11 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.

**1.12 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.

**1.13 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.

**1.14 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 critieria are disclosed in the notes to the financial statements.

**2 Turnover**

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

**3 Operating profit**

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| Operating profit is stated after charging: | | |
| Amortisation of intangible assets | 50,000 | 38,900 |
| Depreciation of tangible assets | 271,709 | 225,957 |
| Loss on disposal of tangible assets | 15,901 | 3,119 |
| Operating lease rentals | | |
| - Plant and machinery | 225,959 | 181,134 |
| - Other assets | 269,400 | 269,400 |
| Auditors' remuneration | 16,100 | 16,145 |

| 4 | Investment income | 2010<br>£ | 2009<br>£ |
|---|---|---|---|
| | Bank interest | 1,896 | 5,263 |
| | | 1,896 | 5,263 |

| 5 | Interest payable | 2010<br>£ | 2009<br>£ |
|---|---|---|---|
| | On bank loans and overdrafts | 15,110 | 19,120 |
| | Hire purchase interest | 19,237 | 6,211 |
| | | 34,347 | 25,331 |

| 6 Taxation | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| **Domestic current year tax** | | |
| U.K. corporation tax | 116,228 | 232,314 |
| Adjustment for prior years | (9,870) | (18,910) |
| **Total current tax** | 106,358 | 213,404 |
| **Deferred tax** | | |
| Deferred tax charge credit current year | 34,524 | 17,940 |
| Deferred tax adjust re previous year | - | 46,731 |
| | 34,524 | 64,671 |
| | 140,882 | 278,075 |
| **Factors affecting the tax charge for the year** | | |
| Profit on ordinary activities before taxation | 514,486 | 855,381 |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%) | 144,056 | 239,507 |
| Effects of: | | |
| Non deductible expenses | 11,049 | 22,214 |
| Depreciation add back | 35,822 | - |
| Capital allowances | (37,669) | (29,407) |
| Tax losses utilised | (18,609) | - |
| Adjustments to previous periods | (9,870) | (18,910) |
| Other tax adjustments | (18,421) | - |
| | (37,698) | (26,103) |
| **Current tax charge for the year** | 106,358 | 213,404 |

| 7 Dividends | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| Dividend paid in the year | 404,940 | 404,940 |

**8 Intangible fixed assets**

| | Customer List | Goodwill | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Cost** | | | |
| At 1 January 2010 & at 31 December 2010 | 333,000 | 230,873 | 563,873 |
| **Amortisation** | | | |
| At 1 January 2010 | 333,000 | - | 333,000 |
| Charge for the year | - | 50,000 | 50,000 |
| At 31 December 2010 | 333,000 | 50,000 | 383,000 |
| **Net book value** | | | |
| At 31 December 2010 | - | 180,873 | 180,873 |
| At 31 December 2009 | - | 230,873 | 230,873 |

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

The company purchased West End Business Limited on 30 November 2009. Immediately following the acquistion of West End Business Limited the trade and assets of the company were transferred to Capital Copiers (Edinburgh) Limited. As a result of this transfer, the value of the company's investment in this subsidiary fell to below the amount at which it was stated in the company's records. However, rather than the write down the investment, the directors consider there has been no overall loss to the company and that such a write down would fail to give a true and fair view. As such the directors have elected to re-allocate the investment carrying value to goodwill.

A further consequence of the transfer of trade and assets of West End Business Limited is that, with the trade now in Capital Copiers (Edinburgh) Limited, the company holds an investment in an immaterial sudsidiary which qualiifes for exemption for consolidation under section 405 of the Companies Act 2006.

9 **Tangible fixed assets**

| | Land and buildings Freehold | Leasehold improvements | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 January 2010 | 2,158,792 | 775,445 | 2,003,520 | 325,134 | 5,262,891 |
| Additions | 3,957 | - | 313,165 | 13,600 | 330,722 |
| Disposals | - | - | (9,493) | (30,109) | (39,602) |
| At 31 December 2010 | 2,162,749 | 775,445 | 2,307,192 | 308,625 | 5,554,011 |
| **Depreciation** | | | | | |
| At 1 January 2010 | 140,415 | 441,036 | 1,571,399 | 201,156 | 2,354,006 |
| On disposals | - | - | (4,116) | (19,921) | (24,037) |
| Charge for the year | 44,495 | 33,441 | 158,356 | 35,417 | 271,709 |
| At 31 December 2010 | 184,910 | 474,477 | 1,725,639 | 216,652 | 2,601,678 |
| **Net book value** | | | | | |
| At 31 December 2010 | 1,977,839 | 300,968 | 581,553 | 91,973 | 2,952,333 |
| At 31 December 2009 | 2,018,377 | 334,406 | 432,121 | 123,981 | 2,908,885 |

Included above are assets held under finance leases or hire purchase contracts as follows:

| | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Net book values** | | | |
| At 31 December 2010 | 37,967 | 14,716 | 52,683 |
| At 31 December 2009 | 87,729 | 23,828 | 111,557 |
| **Depreciation charge for the year** | | | |
| At 31 December 2010 | 49,762 | 9,112 | 58,874 |
| At 31 December 2009 | 33,454 | 3,732 | 37,186 |

Included in equipment are assets with a net book value of £95,900 (2009: £20,553) held for rental under operating leases. Depreciation of £75,558 (2009: £30,869) was charged in the year.

Fixtures, fittings and equipment include assets under contruction of £275,734 which are not currently being depreciated as they are not fully operational within the current period.

## 10 Fixed asset investments

| | Unlisted investments £ |
|---|---|
| **Cost** | |
| At 1 January 2010 | 8,800 |
| Disposals | (8,800) |
| At 31 December 2010 | - |
| **Net book value** | |
| At 31 December 2010 | - |
| At 31 December 2009 | 8,800 |

## 11 Stocks and work in progress

| | 2010 £ | 2009 £ |
|---|---|---|
| Spare parts for office equipment | 208,295 | 208,871 |
| Supplies for office equipment | 129,206 | 111,684 |
| Office equipment | 537,693 | 404,390 |
| | 875,194 | 724,945 |

## 12 Debtors

| | 2010 £ | 2009 £ |
|---|---|---|
| Trade debtors | 1,385,022 | 2,004,313 |
| Other debtors | 7 | 7 |
| Prepayments and accrued income | 302,009 | 326,536 |
| | 1,687,038 | 2,330,856 |

| 13 Creditors: amounts falling due within one year | 2010 £ | 2009 £ |
|---|---|---|
| Bank overdraft | - | 30,769 |
| Term loan | 171,593 | 180,301 |
| Net obligations under hire purchase contracts | 31,539 | 59,394 |
| Trade creditors | 1,082,834 | 1,186,140 |
| Corporation tax | 116,221 | 232,314 |
| Other taxes and social security costs | 550,913 | 473,748 |
| Other creditors | 329,959 | 211,138 |
| Accruals and deferred income | 884,595 | 905,451 |
| | 3,167,654 | 3,279,255 |

The term loan is secured by a charge over the property owned by the company.

| 14 Creditors: amounts falling due after more than one year | 2010 £ | 2009 £ |
|---|---|---|
| Bank loans | 738,763 | 910,356 |
| Net obligations under hire purchase contracts | - | 26,673 |
| | 738,763 | 937,029 |
| **Analysis of loans** | | |
| Not wholly repayable within five years by instalments: | 797,500 | 907,503 |
| Wholly repayable within five years | 112,856 | 183,154 |
| | 910,356 | 1,090,657 |
| Included in current liabilities | (171,593) | (180,301) |
| | 738,763 | 910,356 |
| Instalments not due within five years | 247,500 | 357,500 |
| **Loan maturity analysis** | | |
| In more than one year but not more than two years | 161,263 | 185,322 |
| In more than two years but not more than five years | 330,000 | 367,534 |
| In more than five years | 247,500 | 357,500 |
| **Net obligations under hire purchase contracts** | | |
| Repayable within one year | 31,539 | 59,394 |
| Repayable between one and five years | - | 26,673 |
| | 31,539 | 86,067 |
| Included in liabilities falling due within one year | (31,539) | (59,394) |
| | - | 26,673 |

The bank loan not wholly repayable within five years by instalments relates to the purchase of the Aberdeen premises and is repayable in quarterly installments and interest accrues at a rate of 1.25% above the bank base rate.

**15 Provisions for liabilities**

| | Deferred tax liability £ |
|---|---|
| Balance at 1 January 2010 | 5,273 |
| Profit and loss account | 34,524 |
| Balance at 31 December 2010 | 39,797 |

**The deferred tax liability is made up as follows:**

| | 2010 £ | 2009 £ |
|---|---|---|
| Accelerated capital allowances | 39,797 | 5,273 |

**16 Pension and other post-retirement benefit commitments**
**Defined contribution**

| | 2010 £ | 2009 £ |
|---|---|---|
| Contributions payable by the company for the year | 139,878 | 129,887 |

**17 Share capital**

| | 2010 £ | 2009 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 168,719 Ordinary shares of £1 each | 168,719 | 168,719 |

**18 Statement of movements on reserves**

| | Share premium account £ | Other reserves (see below) £ | Profit and loss account £ |
|---|---|---|---|
| Balance at 1 January 2010 | 88,292 | (280,988) | 2,662,427 |
| Profit for the year | - | - | 373,604 |
| Dividends paid | - | - | (404,940) |
| Movement during the year | - | 26,320 | - |
| Balance at 31 December 2010 | 88,292 | (254,668) | 2,631,091 |

**Other reserves**

**Capital redemption reserve**

| | |
|---|---|
| Balance at 1 January 2010 & at 31 December 2010 | 33,354 |

**Reserves for own shares**

| | |
|---|---|
| Balance at 1 January 2010 | (314,342) |
| Reserve for own shares other movement | 26,320 |
| Balance at 31 December 2010 | (288,022) |

The investment in own shares represents 49,222 (2009: 53,002) 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 was 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 met by the company.

**19 Reconciliation of movements in shareholders' funds**

| | 2010 £ | 2009 £ |
|---|---|---|
| Profit for the financial year | 373,604 | 577,306 |
| Dividends | (404,940) | (404,940) |
| | (31,336) | 172,366 |
| Movements on other reserves | 26,320 | - |
| Net (depletion in)/addition to shareholders' funds | (5,016) | 172,366 |
| Opening shareholders' funds | 2,638,450 | 2,466,084 |
| Closing shareholders' funds | 2,633,434 | 2,638,450 |

## 20 Financial commitments

At 31 December 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2011:

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | - | - | 110,828 | 52,589 |
| Between two and five years | 269,400 | 269,400 | 67,683 | 123,895 |
| | 269,400 | 269,400 | 178,511 | 176,484 |

## 21 Capital commitments

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| At 31 December 2010 the company had capital commitments as follows: | | |
| Contracted for but not provided in the financial statements | 228,285 | - |

## 22 Directors' remuneration

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| Remuneration for qualifying services | 589,852 | 665,720 |
| Company pension contributions to defined contribution schemes | 31,676 | 30,388 |
| | 621,528 | 696,108 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2009 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | | |
|---|---|---|
| Remuneration for qualifying services | 238,880 | 270,676 |

## 23 Employees

**Number of employees**

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

| | 2010 Number | 2009 Number |
|---|---|---|
| Administration | 31 | 29 |
| Maintenance | 80 | 73 |
| Sales and distribution | 49 | 48 |
| | 160 | 150 |

| **Employment costs** | 2010 £ | 2009 £ |
|---|---|---|
| Wages and salaries | 4,716,236 | 4,491,518 |
| Social security costs | 549,498 | 494,318 |
| Other pension costs | 139,878 | 129,887 |
| | 5,405,612 | 5,115,723 |

Employees and directors hold 32,450 options (2009: 44,500) to subscribe for ordinary shares at an exercise price range of £6.00 to £7.75. 3,800 options were exercised during the year and 8,250 options lapsed during the year. No options were granted in the year.

The options granted and in issue at the year end have the following conditions attached:

Options lapse on the holder leaving the company.

12,850 options can be exercised by 31 January 2012.

8,100 options can be exercised by 11 September 2013.

11,500 options can be exercised by 20 August 2015.

All options lapse 10 years from issue. There are no other vesting conditions.

The option exercise prices were set at the fair value of the shares at the grant date. The directors consider that the exercise prices are not materially different to the current fair value of the shares and that for the purposes of the provision of FRS 20 "Share-based payments" the fair value of the options is immaterial. Therefore no charge to the profit and loss account has been recognised in this respect.

## 24 Control

The company is controlled by Tom Flockhart, director.

## 25 Related party relationships and transactions

**Dividends to Directors**
During the year the company paid dividends to the following directors:

| | 2010 | 2009 |
|---|---|---|
| | £ | £ |
| Tom Flockhart | 45,178 | 45,178 |
| Andrew R Aikman | 19,527 | 19,527 |
| Richard Smith | 3,175 | 3,175 |
| | 67,880 | 67,880 |

Dividends of £289,352 (2009: £289,352) were paid to the T Flockhart Life Rent Trust and £35,070 (2009: £35,070) to the T Flockhart Discretionary Trust, of which the director Tom Flockhart is a trustee, and the beneficiaries of the trusts are members of Tom Flockhart's family.

**Transactions with directors**
Included within other creditors at the year end is an amount due to Tom Flockhart, director, of £299,600 (2009: £200,000), Richard Smith, director, of £3,175 (2009: nil) and Andrew Aikman, director, of £19,527 (2009: nil).

The company leases two properties on an arms length basis from Tom Flockhart, director and his family. Tom Flockhart recieved an annual rent of £211,650 (2009: £211,650) and Tom Flockhart's family recieved an annual rent of £57,750 (2009: £57,750).