

Company Registration No. SC080982 (Scotland)

CAPITAL DOCUMENT SOLUTIONS LIMITED
ANNUAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2014

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COMPANIES HOUSE

CAPITAL DOCUMENT SOLUTIONS LIMITED

DIRECTORS AND ADVISERS

Directors

Tom Flockhart
Andrew R Aikman
Gordon Affleck
Richard Smith
Mark Harvie (Appointed 1 July 2013)
John Campbell (Appointed 1 July 2013)
W Shields Henderson
Ronald Melvin (Appointed 1 July 2013)

Secretary

Gordon Affleck

Company number

SC080982

Registered office

101 McDonald Road
Edinburgh
EH7 4NW

Registered auditors

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

CAPITAL DOCUMENT SOLUTIONS LIMITED

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CAPITAL DOCUMENT SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 MARCH 2014

The directors present their report and financial statements for the period ended 31 March 2014.

Review of the business

The group changed its financial year end from December to March, resulting in a fifteen month period from January 1st 2013 to March 31st 2014.

The fifteen month period to March 2014 was another important step in the growth and development of the group with a number of strategic objectives achieved.

On the 1st February 2013 the group acquired Highland Office Equipment, a long established and respected Inverness based business and one that complements Capital's existing operations in Edinburgh, Glasgow, Dundee, Aberdeen and Shetland. This acquisition enables the group to provide comprehensive sales and service cover across the whole of Scotland.

On June 1st 2013 the group was again reappointed to the Scottish National Procurement Framework, which covers the Public Sector contracts in Scotland.

On July 1st 2013 the implementation of a new Enterprise Resource Planning system (ERP) was completed successfully. This major capital investment enabled a number of legacy systems to be replaced by one system, and has ensured the group has the necessary infrastructure in place to fully support its growth objectives.

The group continues to invest in its staff and products and this, combined with our belief in "old fashioned" service values, has continued to benefit the group in terms of client retention and a consistent growth in our machines in the field and our service revenues. This investment can be seen by the increase of average staff numbers of 38 in the period, with the acquisition of Highland Office Equipment accounting for 30 of this increase.

The operating profit, for the period to March 2014 was £1.4m, after accounting for some one-off costs and amortisation following the Highland Office Equipment Acquisition.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

- Product: the group continues to have excellent relationships with its supply partners and world leading hardware manufacturers to offer the best choice of office equipment available in the market.
- Consumables and parts availability and prices: the group monitors these on a regular basis and negotiates competitive supply contracts with its key suppliers.
- Environmental risks: the group places considerable emphasis on environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that best practice is incorporated into its Key Management Systems (EMS). All of the group's established branches are ISO14001:2004 accredited and our focus remains on continued improvement in this area. We will have our new Inverness branch fully accredited by no later than June 2015.
- Debtors: the group maintains strong relationships with each of its key customers and operates within well established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- Disruption / disaster: business continuity planning is reviewed regularly, and new necessary infrastructure was implemented in the period. A full test of the business continuity infrastructure will take place in 2014.
- The effect of legislation or other regulatory activities: the group monitors forthcoming and current legislation regularly.

CAPITAL DOCUMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2014

Strategic development and performance

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

- Sales and Marketing: new and replacement business is continually being targeted and won within the Commercial and Public Sector markets. Full complete document solutions strategies covering printing, copy, and document management are being continually developed for existing and prospective customers, in line with the group's strategy aimed at continually growing our market share, machines in the field and service revenue. Key customer relationships are managed effectively on a regular basis and investment and efforts in marketing activity is monitored closely, as are the responses.

- Capital Investment: the group 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 group continues to invest in IT and communications infrastructure as demonstrated by the investment in the new Enterprise Planning System (ERP), which went live in July 2013.

- Health and Safety: the group continues to adhere to HSG65 guidelines and is working towards implementing 18001 standards where possible.

- Public sector contracts: the group was successful in again being appointed as an approved supplier for its products and services under the Scottish National Procurement Framework agreement. It continues to invest in personnel and infrastructure to maximise this significant business opportunity and has been successful in winning many Public Sector contracts in Scotland.

- Key financial performance indicators include the monitoring of profitability, return on capital, machines in the field, stock and the management of working capital.

By order of the board



Gordon Affleck

Secretary

9th September 2014

CAPITAL DOCUMENT SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2014

The directors present their report and financial statements for the fifteen month period ended 31 March 2014.

Principal activities

The principal activity of the group continues to be the sale, support and maintenance of digital Multi-Functional Devices (MFDs), printers and Document Management solutions.

Results and dividends

The consolidated profit and loss account for the period is set out on page 7.

The profit on ordinary activities after taxation for the period is £999,541 after accounting for some one-off costs and amortisation following the Highland Office Equipment Acquisition (2012: £1,209,926). The directors have paid a dividend of £1.25 per share (2012: £0.75).

Directors

The following directors have held office since 1 January 2013:

Tom Flockhart

Andrew R Aikman

Gordon Affleck

Richard Smith

Mark Harvie

(Appointed 1 July 2013)

John Campbell

(Appointed 1 July 2013)

W Shields Henderson

Ronald Melvin

(Appointed 1 July 2013)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 group and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CAPITAL DOCUMENT SOLUTIONS LIMITED

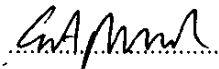
DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2014

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group'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 group's auditors are aware of that information.

By order of the board



Gordon Affleck

Secretary

9th September 2014

CAPITAL DOCUMENT SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CAPITAL DOCUMENT SOLUTIONS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Capital Document Solutions Limited for the period ended 31 March 2014 set out on pages 7 to 30. 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 3 - 4, 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2014 and of the group's profit for the period 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 Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

CAPITAL DOCUMENT SOLUTIONS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF CAPITAL DOCUMENT SOLUTIONS 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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

12 September 2014
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Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

CAPITAL DOCUMENT SOLUTIONS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 MARCH 2014

	Notes	15 month period ended 31 March 2014 £	Year ended 31 December 2012 £
Turnover	2		
Continuing operations		21,351,505	16,934,244
Acquisitions		4,248,289	-
		<u>25,599,794</u>	<u>16,934,244</u>
Cost of sales		(11,760,790)	(7,630,875)
Gross profit		<u>13,839,004</u>	<u>9,303,369</u>
Distribution costs		(982,457)	(710,873)
Administrative expenses		(11,451,315)	(7,133,370)
Operating profit			
Continuing operations		1,006,820	1,459,126
Acquisitions		398,412	-
Group operating profit	4	<u>1,405,232</u>	<u>1,459,126</u>
Profit on sale of tangible assets		4,795	354
Profit on ordinary activities before interest		<u>1,410,027</u>	<u>1,459,480</u>
Other interest receivable and similar income		8,418	6,401
Interest payable and similar charges	6	(57,386)	(13,153)
Profit on ordinary activities before taxation		<u>1,361,059</u>	<u>1,452,728</u>
Tax on profit on ordinary activities	7	(361,518)	(242,802)
Profit on ordinary activities after taxation		<u>999,541</u>	<u>1,209,926</u>

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

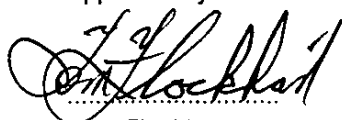
CAPITAL DOCUMENT SOLUTIONS LIMITED

BALANCE SHEETS

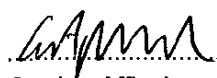
AS AT 31 MARCH 2014

	Notes	Group		Company	
		31 March 2014	31 December 2012	31 March 2014	31 December 2012
		£	£	£	£
Fixed assets					
Intangible assets	10	1,431,212	80,873	1,431,212	80,873
Tangible assets	11	3,707,473	2,946,884	3,707,473	2,946,884
Investments	12	-	-	200	-
		<u>5,138,685</u>	<u>3,027,757</u>	<u>5,138,885</u>	<u>3,027,757</u>
Current assets					
Stocks	13	1,058,991	1,001,545	1,058,991	1,001,545
Debtors	14	3,382,314	2,379,027	3,382,314	2,379,027
Cash at bank and in hand		1,364,838	2,367,064	1,364,838	2,367,064
		<u>5,806,143</u>	<u>5,747,636</u>	<u>5,806,143</u>	<u>5,747,636</u>
Creditors: amounts falling due within one year	15	<u>(4,024,711)</u>	<u>(3,573,172)</u>	<u>(4,024,911)</u>	<u>(3,573,172)</u>
Net current assets		<u>1,781,432</u>	<u>2,174,464</u>	<u>1,781,232</u>	<u>2,174,464</u>
Total assets less current liabilities		<u>6,920,117</u>	<u>5,202,221</u>	<u>6,920,117</u>	<u>5,202,221</u>
Creditors: amounts falling due after more than one year	16	<u>(1,229,375)</u>	<u>(467,500)</u>	<u>(1,229,375)</u>	<u>(467,500)</u>
Provisions for liabilities	17	<u>(171,034)</u>	<u>(131,011)</u>	<u>(171,034)</u>	<u>(131,011)</u>
		<u>5,519,708</u>	<u>4,603,710</u>	<u>5,519,708</u>	<u>4,603,710</u>
Capital and reserves					
Called up share capital	19	168,719	168,719	168,719	168,719
Share premium account	20	88,292	88,292	88,292	88,292
Other reserves	20	(18,645)	(86,145)	(18,645)	(86,145)
Profit and loss account	20	5,281,342	4,432,844	5,281,342	4,432,844
Shareholders' funds	21	<u>5,519,708</u>	<u>4,603,710</u>	<u>5,519,708</u>	<u>4,603,710</u>

Approved by the Board and authorised for issue on 9th September 2014



Tom Flockhart
Director



Gordon Affleck
Director

Company Registration No. SC080982

CAPITAL DOCUMENT SOLUTIONS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2014

	Period ended 31 March 2014 £	Year ended 31 December 2012 £
Net cash inflow from operating activities	1,497,108	1,568,126
Returns on investments and servicing of finance		
Interest received	8,418	6,401
Interest paid	(57,386)	(13,153)
Net cash outflow for returns on investments and servicing of finance	(48,968)	(6,752)
Taxation	(430,248)	(183,501)
Capital expenditure		
Payments to acquire tangible assets	(1,077,565)	(280,485)
Receipts from sales of tangible assets	7,300	354
Net cash outflow for capital expenditure	(1,070,265)	(280,131)
Acquisitions and disposals		
Purchase of subsidiary undertakings (net of cash acquired)	(1,884,769)	-
Net cash outflow for acquisitions and disposals	(1,884,769)	-
Equity dividends paid	(200,000)	(110,485)
Net cash (outflow)/inflow before management of liquid resources and financing	(2,137,142)	987,257
Financing		
Sale and purchase of own shares	116,457	121,349
New long term bank loan	2,030,000	-
Repayment of long term bank loan	(1,011,541)	(155,914)
Net cash inflow/(outflow) from financing	1,134,916	-
(Decrease)/increase in cash in the period	(1,002,226)	952,692

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2014

1	Reconciliation of operating profit to net cash inflow from operating activities	2014	2012
		£	£
	Operating profit	1,405,232	1,459,126
	Depreciation of tangible assets	363,365	235,037
	Amortisation of intangible assets	249,101	50,000
	Decrease/(Increase) in stocks	108,527	(84,302)
	(Increase)/decrease in debtors	(525,049)	157,210
	Decrease in creditors within one year	(104,068)	(248,945)
	Net cash inflow from operating activities	1,497,108	1,568,126

2	Analysis of net (debt)/funds	1 January 2013	Cash flow	Other non- cash changes	31 March 2014
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	2,367,064	(1,002,226)	-	1,364,838
	Debt:				
	Debts falling due within one year	(119,041)	1,011,541	(1,268,125)	(375,625)
	Debts falling due after one year	(467,500)	(2,030,000)	1,268,125	(1,229,375)
		(586,541)	(1,018,459)	-	(1,605,000)
	Net funds/(debt)	1,780,523	(2,020,685)	-	(240,162)

3	Reconciliation of net cash flow to movement in net (debt)/funds	2014	2012
		£	£
	(Decrease)/increase in cash in the period	(1,002,226)	952,692
	Cash (inflow)/outflow from (increase)/decrease in debt	(1,018,459)	155,914
	Movement in net (debt)/funds in the period	(2,020,685)	1,108,606
	Opening net funds	1,780,523	671,917
	Closing net (debt)/funds	(240,162)	1,780,523

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2014

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 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 2014. The results of Highland Office Equipment Limited are included in the profit and loss account from 31 January 2013, the date control passed. Intra-group sales and profits are eliminated fully on consolidation.

1.4 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/print contracts with customers. All revenues are stated after deducting returns, allowances, lease settlements and VAT.

1.5 Goodwill

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

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	20% - 33.33% per annum (straight line)
Motor vehicles	25% per annum (reducing balance)

1.7 Leasing and hire purchase commitments

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.

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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2014

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 group 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.

1.11 Deferred taxation

The charge for taxation is based on the results for the period 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 as the Company has de facto control of the assets and liabilities of the trust 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 agreements with customers are paid for in advance and the income is credited to the profit and loss account over the life of the agreement.

2 Turnover

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

3 Cost of sales and net operating expenses

The total figures for operations in 2014 include the following amounts relating to acquisitions : cost of sales £1,980,433 and administrative expenses £1,869,444.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

4	Operating profit	2014 £	2012 £
	Operating profit is stated after charging:		
	Amortisation of intangible assets	249,101	50,000
	Depreciation of tangible assets	363,365	235,037
	Operating lease rentals		
	- Plant and machinery	493,868	341,857
	- Other assets	248,400	248,400
	Auditors' remuneration	27,750	14,750
	Audit		
	Other	48,320	15,075
	and after crediting:		
	Rentals receivable	149,959	147,226

Fees payable to the group's auditor for the audit of the company's annual accounts amounted to £16,250 (2012: £14,750).

5	Investment income	2014 £	2012 £
	Bank interest	8,418	6,217
	Other interest	-	184
		8,418	6,401

6	Interest payable	2014 £	2012 £
	On bank loans and overdrafts	57,386	11,372
	Hire purchase interest	-	1,781
		57,386	13,153

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

7	Taxation	2014	2012
		£	£
	Domestic current year tax		
	U.K. corporation tax	326,754	288,354
	Adjustment for prior years	(5,259)	(91,901)
	Total current tax	321,495	196,453
	Deferred tax		
	Deferred tax charge credit for current year	35,302	22,521
	Deferred tax adjustment re previous year	4,721	23,828
		361,518	242,802
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation	1,361,059	1,452,728
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.20% (2012 - 24.50%)	315,766	355,879
	Effects of:		
	Non deductible expenses	10,253	9,767
	Depreciation add back	87,857	29,764
	Capital allowances	(46,378)	(40,398)
	Income not taxable for tax purposes	(1,398)	-
	Marginal relief	(3,194)	(3,471)
	Adjustments to previous periods	(5,259)	(91,901)
	Tax credits	(59)	-
	Additional deduction for Research & Development	(26,820)	(53,819)
	Other tax adjustments	(9,273)	(9,368)
		5,729	(159,426)
	Current tax charge for the period	321,495	196,453
8	Profit for the financial period		
	As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial period is made up as follows:		
		2014	2012
		£	£
	Holding company's profit for the financial period	999,541	1,209,926

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

9	Dividends	2014 £	2012 £
	Ordinary interim paid	<u>200,000</u>	<u>110,485</u>
10	Intangible fixed assets Group		Goodwill £
	Cost		
	At 1 January 2013		230,873
	Additions		<u>1,599,440</u>
	At 31 March 2014		<u>1,830,313</u>
	Amortisation		
	At 1 January 2013		150,000
	Charge for the period		<u>249,101</u>
	At 31 March 2014		<u>399,101</u>
	Net book value		
	At 31 March 2014		<u>1,431,212</u>
	At 31 December 2012		<u>80,873</u>

The company purchased West End Business Limited on 30 November 2009. Immediately following the acquisition of West End Business Limited the trade and assets of the company were transferred to Capital Document Solutions Limited. As a result of this transfer, the value of the company's investment in this subsidiary fell below the amount at which it was stated in the company's records. However, rather than 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. Goodwill is amortised over a period of 5 years, being the estimated useful life.

A further consequence of the transfer of trade and assets of West End Business Limited is that, with the trade and assets now in Capital Document Solutions Limited, the company holds an investment in an immaterial subsidiary which qualifies for exemption for consolidation under section 405 of the Companies Act 2006.

On 31 January 2013, the company purchased Highland Office Equipment Limited and on 31 March 2014, the trade and assets of the company were transferred to Capital Document Solutions Limited. As a result of this hive up, the company's investment in Highland Office Equipment was written down to the value of Highland Office Equipment's reserves at acquisition, net of dividends received by Capital Document Solutions in the period. Subsequently a transfer was made from investments to goodwill in the company's balance sheet. Goodwill is amortised over a period of 10 years, being the estimated useful life.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

10 Intangible fixed assets	(continued)
Company	
	Goodwill
	£
Cost	
At 1 January 2013	230,873
Additions	1,599,440
At 31 March 2014	1,830,313
Amortisation	
At 1 January 2013	150,000
Charge for the period	249,101
At 31 March 2014	399,101
Net book value	
At 31 March 2014	1,431,212
At 31 December 2012	80,873

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

11 Tangible fixed assets

Group	Land and buildings freehold £	Leasehold improvements £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2013	2,162,749	779,528	1,560,856	132,916	4,636,049
Additions	797,330	20,485	235,686	58,814	1,112,315
Acquisition of subsidiary	-	3,898	35,454	17,128	56,480
Disposals	-	-	(71,937)	(52,474)	(124,411)
At 31 March 2014	2,960,079	803,911	1,760,059	156,384	5,680,433
Depreciation					
At 1 January 2013	273,899	531,661	770,377	113,228	1,689,165
On disposals	-	-	(29,601)	(49,969)	(79,570)
Charge for the period	76,659	45,834	210,339	30,533	363,365
At 31 March 2014	350,558	577,495	951,115	93,792	1,972,960
Net book value					
At 31 March 2014	2,609,521	226,416	808,944	62,592	3,707,473
At 31 December 2012	1,888,850	247,867	790,479	19,688	2,946,884

Included in equipment are assets with a net book value of £13,808 (2012: £77,272) held for rental under operating leases. Depreciation of £23,228 (2012: £51,193) was charged in the year.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

11 Tangible fixed assets

(continued)

Company	Land and buildings freehold £	Leasehold improvements £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2013	2,162,749	779,528	1,560,856	132,916	4,636,049
Additions	797,330	20,485	232,097	58,814	1,108,726
Transfer from subsidiary	-	-	16,856	11,559	28,415
Disposals	-	-	(71,937)	(52,474)	(124,411)
At 31 March 2014	<u>2,960,079</u>	<u>800,013</u>	<u>1,737,872</u>	<u>150,815</u>	<u>5,648,779</u>
Depreciation					
At 1 January 2013	273,899	531,661	770,377	113,228	1,689,165
On disposals	-	-	(29,601)	(49,969)	(79,570)
Charge for the period	<u>76,659</u>	<u>41,936</u>	<u>188,152</u>	<u>24,964</u>	<u>331,711</u>
At 31 March 2014	<u>350,558</u>	<u>573,597</u>	<u>928,928</u>	<u>88,223</u>	<u>1,941,306</u>
Net book value					
At 31 March 2014	<u>2,609,521</u>	<u>226,416</u>	<u>808,944</u>	<u>62,592</u>	<u>3,707,473</u>
At 31 December 2012	<u>1,888,850</u>	<u>247,867</u>	<u>790,479</u>	<u>19,688</u>	<u>2,946,884</u>

Included in equipment are assets with a net book value of £13,808 (2012: £77,272) held for rental under operating leases. Depreciation of £23,228 (2012: £51,193) was charged in the year.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2014

12 Fixed asset investments

Company

On 31 January 2013, the company acquired 100% of the issued share capital of Highland Office Equipment Limited (trading), H.O.E Limited (non-trading) and Highland Office Limited (non-trading) for consideration comprising £2,500,000 cash. Acquisitions are accounted for under the acquisition method.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the company:

	Book Value	Fair Value Adjustments	Fair Value
	£	£	£
Fixed assets			
Intangible	329,262	(329,262)	-
Tangible	56,480	-	56,480
Current assets			
Stocks	123,637	-	123,637
Debtors	478,236	-	478,236
Cash	770,159	-	770,159
Total assets	<u>1,757,774</u>	<u>(329,262)</u>	<u>1,428,512</u>
Creditors			
Trade creditors	(239,219)	-	(239,219)
Accruals	(68,842)	-	(68,842)
Provisions			
Taxation	(99,713)	-	(99,713)
Total liabilities	<u>(407,774)</u>	<u>-</u>	<u>(407,774)</u>
Net assets	<u>1,350,000</u>	<u>(329,262)</u>	<u>1,020,738</u>
Goodwill			1,599,440
			<u>2,620,178</u>
Satisfied by			
Cash consideration			2,500,000
Capitalised costs			120,178
			<u>2,620,178</u>

Highland Office Equipment Limited made a loss after taxation of £84,040 in the year ended 31 May 2013 (year ended 31 May 2012: profit of £227,772), of which £221,073 loss (resulting from the write off of a goodwill balance of £329,262) arose in the period from 1 June 2012 to 31 January 2013.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

12 Fixed asset investments

(continued)

The summarised profit and loss account of Highland Office Equipment Limited for the period from 1 June 2012 to 31 January 2013, shown on the basis of its accounting policies prior to the acquisition, was as follows:

	£
Turnover	2,297,410
Cost of sales	(1,039,325)
Gross profit	1,258,085
Other operating expenses (net)	(1,136,586)
Write/off of Goodwill	(329,262)
Operating loss	(207,763)
Finance charges (net)	2,451
Loss on ordinary activities before taxation	(205,312)
Tax on profit on ordinary activities	(15,761)
Loss on ordinary activities after taxation	(221,073)

12 Fixed asset investments

Company

Shares in
group
undertakings
£

Cost	
At 1 January 2013	-
Additions	2,620,178
Transfer to goodwill on hive-up (see note 10)	(1,599,440)
Hive-up of pre acquisition reserves	(1,020,538)
At 31 March 2014	200

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

12 Fixed asset investments

(continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Highland Office Equipment Limited	Scotland	Ordinary	100
H O E Limited	Scotland	Ordinary	100
Highland Office Limited	Scotland	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Highland Office Equipment Limited	Sale, support and maintenance of Multi-Functional Devices, printers and Document Management solutions
H O E Limited	Dormant
Highland Office Limited	Dormant

13 Stocks and work in progress

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Spare parts for office equipment	248,766	147,188	248,766	147,188
Supplies for office equipment	208,362	331,973	208,362	331,973
Office equipment	601,863	522,384	601,863	522,384
	<u>1,058,991</u>	<u>1,001,545</u>	<u>1,058,991</u>	<u>1,001,545</u>

14 Debtors

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Trade debtors	2,919,729	2,079,807	2,919,729	2,079,807
Prepayments and accrued income	462,585	299,220	462,585	299,220
	<u>3,382,314</u>	<u>2,379,027</u>	<u>3,382,314</u>	<u>2,379,027</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2014

15 Creditors : amounts falling due within one year

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Bank loans	375,625	119,041	375,625	119,041
Trade creditors	1,742,488	1,634,067	1,742,488	1,634,067
Amounts owed to group undertakings	-	-	200	-
Corporation tax	279,313	288,353	279,313	288,353
Taxes and social security costs	638,912	593,265	638,912	593,265
Other creditors	-	100,000	-	100,000
Accruals and deferred income	988,373	838,446	988,373	838,446
	<u>4,024,711</u>	<u>3,573,172</u>	<u>4,024,911</u>	<u>3,573,172</u>

Term loans are secured by a bond and floating charge over the assets of the company, and security over the company's properties.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

16 Creditors : amounts falling due after more than one year

	Group 2014 £	2012 £	Company 2014 £	2012 £
Bank loans	<u>1,229,375</u>	<u>467,500</u>	<u>1,229,375</u>	<u>467,500</u>
Analysis of loans				
Not wholly repayable within five years by instalments:	-	577,500	-	577,500
Wholly repayable within five years	<u>1,605,000</u>	<u>9,041</u>	<u>1,605,000</u>	<u>9,041</u>
	1,605,000	586,541	1,605,000	586,541
Included in current liabilities	<u>(375,625)</u>	<u>(119,041)</u>	<u>(375,625)</u>	<u>(119,041)</u>
	<u>1,229,375</u>	<u>467,500</u>	<u>1,229,375</u>	<u>467,500</u>
Instalments not due within five years	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Loan maturity analysis				
In more than one year but not more than two years	175,625	110,000	175,625	110,000
In more than two years but not more than five years	1,053,750	330,000	1,053,750	330,000
In more than five years	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>

Term loans are secured by a bond and floating charge over the assets of the company, and security over the company's properties.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

17 Provisions for liabilities Group

Deferred
taxation
£

Balance at 1 January 2013	131,011
Profit and loss account	40,023
Balance at 31 March 2014	171,034

Company

Balance at 1 January 2013	131,011
Profit and loss account	40,023
Balance at 31 March 2014	171,034

The deferred tax liability is made up as follows:

	Group 2014 £	2012 £	Company 2014 £	2012 £
Accelerated capital allowances	<u>171,034</u>	<u>131,011</u>	<u>171,034</u>	<u>131,011</u>

18 Pension and other post-retirement benefit commitments

Defined contribution

	2014 £	2012 £
Contributions payable by the group for the period	<u>231,170</u>	<u>140,881</u>

19 Share capital

	2014 £	2012 £
Allotted, called up and fully paid		
168,719 Ordinary shares of £1 each	<u>168,719</u>	<u>168,719</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

20 Statement of movements on reserves Group

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2013	88,292	(86,145)	4,432,844
Profit for the period	-	-	999,541
Dividends paid	-	-	(200,000)
Sale of shares	-	116,457	-
Gain recognised in EBT	-	(48,957)	48,957
Balance at 31 March 2014	<u>88,292</u>	<u>(18,645)</u>	<u>5,281,342</u>

Other reserves

Capital redemption reserve

Balance at 1 January 2013 & at 31 March 2014

33,354

Investment in own shares reserve

Balance at 1 January 2013

(119,499)

Sale of shares

116,457

Gain recognised in EBT

(48,957)

Balance at 31 March 2014

(51,999)

Company

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2013	88,292	(86,145)	4,432,844
Profit for the period	-	-	999,541
Dividends paid	-	-	(200,000)
Sale of shares	-	116,457	-
Gain recognised in EBT	-	(48,957)	48,957
Balance at 31 March 2014	<u>88,292</u>	<u>(18,645)</u>	<u>5,281,342</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

20 Statement of movement on reserves (continued)

Other reserves

Capital redemption reserve

Balance at 1 January 2013 & at 31 March 2014

33,354

Investment in own shares reserve

Balance at 1 January 2013

(119,499)

Sale of shares

116,457

Gain recognised in EBT

(48,957)

Balance at 31 March 2014

(51,999)

The investment in own shares represents 8,889 (2012: 20,656) ordinary shares (with a nominal value of £1.00) of Capital Document Solutions Limited held by the company's Employee Benefit Trust. The purchase of these shares was funded by contributions from Capital Document Solutions Limited. The dividend rights in respect of these shares have been waived. All costs of administering the Trust have been met by the company.

21 Reconciliation of movements in shareholders' funds

Group

2014

2012

£

£

Profit for the financial period

999,541

1,209,926

Dividends

(200,000)

(110,485)

Purchase of own shares

67,500

79,248

Net addition to shareholders' funds

867,041

1,178,689

Opening shareholders' funds

4,603,710

3,425,021

Closing shareholders' funds

5,519,708

4,603,710

Company

2014

2012

£

£

Profit for the financial period

999,541

1,209,926

Dividends

(200,000)

(110,485)

Purchase of own shares

67,500

79,248

Net addition to shareholders' funds

867,041

1,178,689

Opening shareholders' funds

4,603,710

3,425,021

Closing shareholders' funds

5,519,708

4,603,710

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

22 Financial commitments

At 31 March 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2012	2014	2012
	£	£	£	£
Expiry date:				
Within one year	-	-	9,360	-
Between two and five years	248,400	248,400	340,998	276,844
	<u>248,400</u>	<u>248,400</u>	<u>350,358</u>	<u>276,844</u>

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2012	2014	2012
	£	£	£	£
Expiry date:				
Within one year	-	-	9,360	-
Between two and five years	248,400	248,400	340,998	276,844
	<u>248,400</u>	<u>248,400</u>	<u>350,358</u>	<u>276,844</u>

23 Capital commitments

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Contracted for but not provided in the financial statements	<u>-</u>	<u>56,370</u>	<u>-</u>	<u>56,370</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

24 Directors' remuneration	15 month period 2014 £	12 month period 2012 £
Remuneration for qualifying services	893,580	520,065
Company pension contributions to defined contribution schemes	46,825	25,819
	<u>940,405</u>	<u>545,884</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2012 - 3).

The number of directors who exercised share options during the period was 3 (2012- 3).

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

Remuneration for qualifying services	<u>273,344</u>	<u>229,982</u>
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CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2014

25 Employees

Number of employees

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

	2014 Number	2012 Number
Administration	41	33
Maintenance	101	80
Sales and distribution	54	45
	<u>196</u>	<u>158</u>

Employment costs

	2014 £	2012 £
Wages and salaries	7,793,650	5,037,283
Social security costs	848,396	557,210
Other pension costs	231,170	140,881
	<u>8,873,216</u>	<u>5,735,374</u>

Employees and directors hold 14,147 (2012: 19,384) options to subscribe for ordinary shares at an exercise price range of £7.75 to £12.25. In the period, 11,767 (2012: 15,416) options were exercised and 500 (2012: nil) lapsed. 7,030 (2012: nil) options were granted in the period.

Options lapse on the holder leaving the company.

The options granted and in issue at the beginning and end of the period have the following conditions attached:

Option price £	Exercisable dates	Opening	Granted	Exercised	Forfeited	Closing
7.40	12/09/2003 - 11/09/2013	4,150	-	(3,900)	(250)	-
7.75	21/08/2005 - 20/08/2015	4,400	-	(1,950)	-	2,450
12.25	25/11/2011 - 30/04/2017	10,834	7,030	(5,917)	(250)	11,697
		<u>19,384</u>	<u>7,030</u>	<u>(11,767)</u>	<u>(500)</u>	<u>14,147</u>

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 for the purposes of the provisions 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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) ***FOR THE PERIOD ENDED 31 MARCH 2014***

26 Control

The group is controlled by Tom Flockhart, director.

27 Related party relationships and transactions

Transactions with directors

Included within other creditors at the period end is an amount due to Tom Flockhart, director, of £nil (2012: £100,000).

The group leases two properties on an arms length basis from Tom Flockhart, director and his family. Tom Flockhart received rent of £190,650 (2012: £190,650) during the period and Tom Flockhart's family received rent during the period of £57,750 (2012: £57,750).