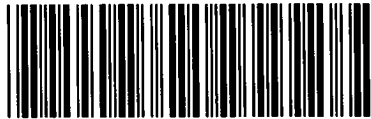


Company Registration No. SC080982 (Scotland) :

CAPITAL DOCUMENT SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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CAPITAL DOCUMENT SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	Tom Flockhart Gordon Affleck Andrew Aikman Richard Smith W Shields Henderson John Campbell Mark Harvie Ronald Melvin
Secretary	Gordon Affleck
Company number	SC080982
Registered office	101 McDonald Road Edinburgh EH7 4NW
Auditor	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 YEAR ENDED 31 MARCH 2016

The directors present the strategic report for the year ended 31 March 2016.

Fair review of the business

This review is for the financial year from 1 April 2015 to 31 March 2016.

The twelve month period to March 2016 was another important period in the growth and development of the company with a number of strategic objectives achieved.

The main activities of the company continue to be the sale, support and maintenance of digital Multi-Functional Devices (MFDs) and printers as well as providing print and document management solutions within the Corporate, Commercial (SME's) and Public Sector markets.

The company continues to develop and invest in its operations across Scotland with offices in Edinburgh, Glasgow, Dundee, Aberdeen, Inverness and Shetland.

The company invests in its people, products, processes and premises and this investment, combined with our belief in "old fashioned" customer focussed service values, has benefited the company in terms of client retention as well as a consistent growth in the number of our machines in the field (MIF) and our annual service revenues.

Turnover for the year to March 2016 was £21.8m with an operating profit of £1.4m.

Principal risks and uncertainties

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

- Competition - the company operates in an increasingly competitive market. The combination of our expertise in providing print solutions along with our strong supplier relationships has helped maintain our competitive edge. The company continues to invest in training and developing the skills and expertise of employees. This will ensure continuing improvement in performance and staff retention. The company operates in three main sectors across all of its branches: Corporate, Commercial (SME's) and Public Sector. The company therefore has a large and diverse client base and does not have any reliance on specific major clients.
- Product risk - the company operates in an ever changing market place due to the continual progress in technology. By supplying equipment and software from a variety of manufacturers and developers, as well as keeping up to date with their latest innovations, we continue to ensure that we are in a strong position to supply and service our customers' requirements.
- Financial risk management - the main financial risk from the company's activities is credit risk. The risk is limited as hardware sales to customers are mostly financed by leasing companies. The credit risk of service revenue is monitored by the board of directors and is not considered to be significant at the balance sheet date.
- Liquidity risk - the company monitors cash flow as part of its day to day control procedures.
- Environmental risks: the company continues to place considerable emphasis on environmental compliance in all of our business practices and seeks to ensure ongoing compliance with relevant legislation, while striving to ensure that best practice is incorporated into our Key Management Systems (EMS). All of our established branches are ISO14001:2004 accredited and our focus remains on continued improvement in this area. During the year, our Inverness branch was fully accredited.
- Disruption / disaster: business continuity planning is reviewed regularly, and new necessary infrastructure is in the process of being implemented. A full test of the business continuity infrastructure will take place within the next twelve months.
- The effect of legislation or other regulatory activities: the company monitors forthcoming and current legislation regularly.

CAPITAL DOCUMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

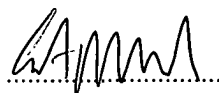
FOR THE YEAR ENDED 31 MARCH 2016

Development and performance

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

- Sales and Marketing: new and replacement business is being targeted and won within the Corporate, Commercial (SME's) and Public Sector markets. Complete document solutions strategies covering print, copy, and document management, are being continually developed for existing and prospective customers, in line with the company's strategy, aimed at growing our market share, machines in the field and service revenue. Key customer relationships are managed effectively on a regular basis and our investment and efforts in marketing activity are monitored closely, as are the responses.
- Capital Investment: the company continues to invest heavily in improving its facilities in order to present our people, premises and products in the best possible light, whilst offering world class working conditions for our employees.
- Health and Safety: the company continues to adhere to HSG65 guidelines and is working towards implementing 18001 standards where possible.
- Public Sector contracts: the company continues to operate 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.

On behalf of the board



Gordon Affleck

Director

6th December 2016

CAPITAL DOCUMENT SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities

The principal activities of the company continue to be the sale, support and maintenance of digital Multi-Functional Devices (MFDs) and printers as well as print and document management software solutions.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Tom Flockhart
Gordon Affleck
Andrew Aikman
Richard Smith
W Shields Henderson
John Campbell
Mark Harvie
Ronald Melvin

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £759,983. The directors do not recommend payment of a final dividend.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

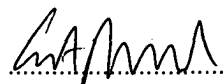
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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 auditor is aware of that information.

On behalf of the board



Gordon Affleck

Director

6th December 2016

CAPITAL DOCUMENT SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CAPITAL DOCUMENT SOLUTIONS LIMITED

We have audited the financial statements of Capital Document Solutions Limited for the year ended 31 March 2016 set out on pages 7 to 28. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 auditor

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 company's affairs as at 31 March 2016 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 matters prescribed by the Companies Act 2006

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

CAPITAL DOCUMENT SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S 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, 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

Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

12 December 2016

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

CAPITAL DOCUMENT SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Turnover	3	21,813,997	21,423,645
Cost of sales		(9,436,083)	(9,517,467)
Gross profit		12,377,914	11,906,178
Distribution costs		(866,350)	(931,388)
Administrative expenses		(10,095,244)	(9,525,057)
Profit on sale of tangible assets		-	200
Operating profit	4	1,416,320	1,449,933
Interest receivable and similar income		4,418	1,087
Interest payable and similar charges	8	(33,082)	(42,725)
Profit before taxation		1,387,656	1,408,295
Taxation	9	(315,832)	(350,059)
Profit for the financial year		1,071,824	1,058,236

The profit and loss account has been prepared on the basis that all operations are continuing operations.

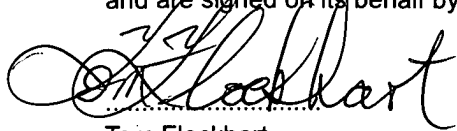
CAPITAL DOCUMENT SOLUTIONS LIMITED

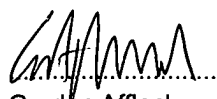
BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Goodwill	11	1,092,931		1,252,895	
Other intangible assets	11	615,293		660,057	
Total intangible assets		1,708,224		1,912,952	
Tangible assets	12	3,031,523		3,028,393	
Investments	13	200		200	
		4,739,947		4,941,545	
Current assets					
Stocks	16	884,002		1,196,193	
Debtors	17	3,677,851		5,295,927	
Cash at bank and in hand		2,209,060		1,074,702	
		6,770,913		7,566,822	
Creditors: amounts falling due within one year	18	(4,391,484)		(5,336,930)	
Net current assets		2,379,429		2,229,892	
Total assets less current liabilities		7,119,376		7,171,437	
Creditors: amounts falling due after more than one year	19	(702,504)		(1,053,753)	
Provisions for liabilities	22	(210,714)		(208,865)	
Net assets		6,206,158		5,908,819	
Capital and reserves					
Called up share capital	25	168,719		168,719	
Share premium account		88,292		88,292	
Own shares		(93,237)		(80,985)	
Capital redemption reserve		33,354		33,354	
Profit and loss reserves		6,009,030		5,699,439	
Total equity		6,206,158		5,908,819	

The financial statements were approved by the board of directors and authorised for issue on 6th December 2016 and are signed on its behalf by:


Tom Flockhart
Director


Gordon Affleck
Director

Company Registration No. SC080982

CAPITAL DOCUMENT SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital £	Share premium account £	Capital redemption reserve £	Own shares £	Profit and loss reserves £	Total £
Balance at 1 April 2014	168,719	88,292	33,354	(51,999)	5,281,342	5,519,708
Period ended 31 March 2015:						
Profit and total comprehensive income for the year	-	-	-	-	1,058,236	1,058,236
Dividends	-	-	-	-	(649,933)	(649,933)
Purchase of shares	-	-	-	(120,864)	-	(120,864)
Sale of shares	-	-	-	101,672	-	101,672
Gain recognised in EBT	-	-	-	(9,794)	9,794	-
Balance at 31 March 2015	168,719	88,292	33,354	(80,985)	5,699,439	5,908,819
Period ended 31 March 2016:						
Profit and total comprehensive income for the year	-	-	-	-	1,071,824	1,071,824
Dividends	-	-	-	-	(759,983)	(759,983)
Purchase of shares	-	-	-	(18,378)	-	(18,378)
Sale of shares	-	-	-	3,876	-	3,876
Loss recognised in EBT	-	-	-	2,250	(2,250)	-
Balance at 31 March 2016	168,719	88,292	33,354	(93,237)	6,009,030	6,206,158

CAPITAL DOCUMENT SOLUTIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	29	2,916,496		1,331,698	
Interest paid		(33,082)		(42,725)	
Income taxes paid		(481,679)		(256,221)	
Net cash inflow from operating activities		<u>2,401,735</u>		<u>1,032,752</u>	
Investing activities					
Purchase of intangible assets		(36,115)		(40,534)	
Purchase of tangible fixed assets		(209,945)		(238,894)	
Proceeds on disposal of tangible fixed assets		-		200	
Interest received		4,418		1,087	
Net cash used in investing activities		<u>(241,642)</u>		<u>(278,141)</u>	
Financing activities					
Purchase of own shares		(18,378)		(120,864)	
Sale of own shares		3,876		101,672	
Director's loan		100,000		-	
Repayment of bank loans		(351,250)		(375,622)	
Dividends paid		(759,983)		(649,933)	
Net cash used in financing activities		<u>(1,025,735)</u>		<u>(1,044,747)</u>	
Net increase/(decrease) in cash and cash equivalents		<u>1,134,358</u>		<u>(290,136)</u>	
Cash and cash equivalents at beginning of year		1,074,702		1,364,838	
Cash and cash equivalents at end of year		<u><u>2,209,060</u></u>		<u><u>1,074,702</u></u>	

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

Capital Document Solutions Limited is a company limited by shares incorporated in Scotland. The registered office is 101 McDonald Road, Edinburgh, EH7 4NW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Capital Document Solutions Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 30.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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. Revenue is recognised on machine sales where risks and rewards of inventory are passed to the customer. For deliveries to the customer, this is the point of acceptance of the machines. Service revenue is principally generated from metered copy/print contracts with customers. All revenues are stated after deducting returns, allowances, lease settlements and VAT, and represent the fair value of consideration received or receivable.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	10% per annum (straight line)
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings freehold	2% per annum (straight line)
Land and buildings leasehold	4% - 5% per annum (straight line)
Fixtures, fittings & equipment	20% - 33.33% per annum (straight line)
Motor vehicles	25% per annum (straight line)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss account.

1.7 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials. No value is allocated to stocks of copier supplies in the field.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in the profit and loss account.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through the profit and loss account, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Bank loans are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Where material, the cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the company's estimate of shares or options that will eventually vest. Where this charge would be immaterial, no adjustment is made.

1.17 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 the shares in the company are debited and credited equally to equity.

1.18 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.

1.19 Consolidation

Capital Document Solutions Limited holds an investment in a number of immaterial subsidiaries which qualify for exemption from consolidation under section 405 of the Companies Act 2006.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provisioning

The company's stock is reviewed regularly for evidence of obsolescence. Management's estimate of the required stock provision is based on the aging of stock, physical inspection for obsolescence and knowledge of machines currently in the field, and therefore the spare parts that will be required to service these machines.

Useful life of goodwill

Management allocate a useful life to goodwill based on the expected life of customers acquired through the business combination. The profitability of these customers is reviewed annually, and this is taken into account when concluding on whether the remaining useful life remains relevant, or whether an impairment is required.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover		
Sales of goods	10,209,175	10,304,671
Rendering of services	11,604,822	11,118,974
	<u>21,813,997</u>	<u>21,423,645</u>
 Other significant revenue		
Interest income	<u>4,418</u>	<u>1,087</u>

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	<u>21,813,997</u>	<u>21,423,645</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	248,186	216,725
Amortisation of intangible assets	240,842	255,825
Cost of stocks recognised as an expense	<u>9,436,083</u>	<u>9,517,467</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	18,350	19,300
For other services		
Audit-related assurance services	1,750	-
Taxation compliance services	3,750	3,500
Other taxation services	-	8,135
	5,500	11,635

6 Employees

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

	2016 Number	2015 Number
Administration	42	40
Maintenance	123	111
Sales and distribution	55	52
	220	203

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	6,845,082	6,560,279
Social security costs	732,480	698,883
Pension costs	284,521	240,988
	7,862,083	7,500,150

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	736,217	832,070
Company pension contributions to defined contribution schemes	60,877	50,562
	<u>797,094</u>	<u>882,632</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2015 - 7).

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

Remuneration for qualifying services	<u>232,825</u>	<u>235,757</u>
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8 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>33,082</u>	<u>42,725</u>

9 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	313,553	338,142
Adjustments in respect of prior periods	430	(25,914)
Total current tax	<u>313,983</u>	<u>312,228</u>
Deferred tax		
Origination and reversal of timing differences	19,460	24,570
Changes in tax rates	(10,066)	(9,214)
Adjustment in respect of prior periods	(7,545)	22,475
Total deferred tax	<u>1,849</u>	<u>37,831</u>
Total tax charge	<u>315,832</u>	<u>350,059</u>

During the year, the UK corporation tax rate was decreased. There will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017, as enacted on 18 November 2015.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	1,387,656	1,408,295
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 21.00%)	277,531	295,742
Tax effect of expenses that are not deductible in determining taxable profit	5,309	9,878
Tax effect of income not taxable in determining taxable profit	(450)	-
Adjustments in respect of prior years	430	(25,914)
Effect of change in corporation tax rate	(11,090)	(10,443)
Deferred tax adjustments in respect of prior years	(7,545)	22,475
Fixed asset differences	51,647	58,321
Tax expense for the year	315,832	350,059

10 Dividends

	2016 £	2015 £
Interim paid	759,983	649,933

11 Intangible fixed assets

	Goodwill £	Software £	Total £
Cost			
At 1 April 2015	1,830,313	792,472	2,622,785
Additions - separately acquired	-	36,115	36,115
At 31 March 2016	1,830,313	828,587	2,658,900
Amortisation and impairment			
At 1 April 2015	577,418	132,416	709,834
Amortisation charged for the year	159,964	80,878	240,842
At 31 March 2016	737,382	213,294	950,676
Carrying amount			
At 31 March 2016	1,092,931	615,293	1,708,224
At 31 March 2015	1,252,895	660,057	1,912,952

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

11 Intangible fixed assets

(Continued)

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 Offices 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.

A further consequence of transfer of trade and assets of Highland Office Equipment Limited is that, with the trade and assets now in Capital Document Solutions Limited, the company holds an investment in an immaterial subsidiary (and additional dormant subsidiaries) which qualifies for exemption from consolidation under section 405 of the Companies Act 2006.

12 Tangible fixed assets

	Land and buildings freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2015	3,059,970	1,887,176	114,277	5,061,423
Additions	21,152	188,243	41,920	251,315
At 31 March 2016	3,081,122	2,075,419	156,197	5,312,738
Depreciation and impairment				
At 1 April 2015	420,864	1,534,277	77,888	2,033,029
Depreciation charged in the year	98,271	125,213	24,702	248,186
At 31 March 2016	519,135	1,659,490	102,590	2,281,215
Carrying amount				
At 31 March 2016	2,561,987	415,929	53,607	3,031,523
At 31 March 2015	2,639,106	352,898	36,389	3,028,393

Included in equipment are assets with a net book value of £29,514 (2015: £2,707) held for rental under operating leases. Depreciation of £14,563 (2015: £6,882) was charged in the year.

13 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries	14	200	200

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

13 Fixed asset investments

(Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2015 & 31 March 2016	200
Carrying amount	
At 31 March 2016	200
At 31 March 2015	200

14 Subsidiaries

These financial statements are separate company financial statements for Capital Document Solutions Limited.

The company's subsidiaries at 31 March 2016 are listed below. All subsidiaries are 100% directly owned, dormant and Ordinary shares are held.

Name of undertaking and country of incorporation or residency

Highland Office Equipment Limited	Scotland
HOE Limited	Scotland
Highland Office Limited	Scotland
Capital Copiers (Edinburgh) Limited	Scotland
Capital Solutions Employee Benefit Trustees Limited	Scotland
West End Business Systems Limited	Scotland

15 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,988,388	4,725,562
Equity instruments measured at cost less impairment	200	200
Carrying amount of financial liabilities		
Measured at amortised cost	3,005,641	3,529,241

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

16 Stocks

	2016 £	2015 £
Raw materials and consumables	268,047	306,769
Work in progress	241,909	253,797
Finished goods and goods for resale	374,046	635,627
	<u>884,002</u>	<u>1,196,193</u>

Stock is stated net of a provision for impairment of £45,441 (2015: £35,078).

17 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	2,988,388	4,725,562
Prepayments and accrued income	689,463	570,365
	<u>3,677,851</u>	<u>5,295,927</u>

Trade debtors are stated after a provision for impairment of £29,997 (2015: £15,914).

18 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	20	175,624	175,625
Other borrowings	20	100,000	-
Trade creditors		2,027,313	2,299,663
Amounts due to group undertakings		200	200
Corporation tax		167,624	335,320
Other taxation and social security		823,380	850,037
Accruals and deferred income		1,097,343	1,676,085
		<u>4,391,484</u>	<u>5,336,930</u>

19 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	20	<u>702,504</u>	<u>1,053,753</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

20 Loans and overdrafts

	2016 £	2015 £
Bank loans	878,128	1,229,378
Other loans	100,000	-
	<u>978,128</u>	<u>1,229,378</u>
Payable within one year	275,624	175,625
Payable after one year	<u>702,504</u>	<u>1,053,753</u>

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

21 Provisions for liabilities

	2016 £	2015 £
Deferred tax liabilities	210,714	208,865
	<u>210,714</u>	<u>208,865</u>

22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
ACAs	217,326	210,935
Short term timing differences	(6,612)	(2,070)
	<u>210,714</u>	<u>208,865</u>
Movements in the year:		2016 £
Liability at 1 April 2015		208,865
Charge to profit or loss		1,849
Liability at 31 March 2016		<u>210,714</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

23 Retirement benefit schemes

	2016	2015
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	284,521	240,988
	<u>284,521</u>	<u>240,988</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £284,521 (2015 - £240,988).

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

24 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2016 Number	2015 Number	2016 £	2015 £
Outstanding at 1 April 2015	8,381	14,147	11.98	11.47
Granted	-	3,250	-	12.25
Forfeited	(4,365)	-	12.25	-
Exercised	(500)	(9,016)	7.75	11.28
Outstanding at 31 March 2016	<u>3,516</u>	<u>8,381</u>	<u>12.25</u>	<u>11.98</u>

Options lapse when employees leave the company. There are no vesting conditions.

The options outstanding at 31 March 2016 had an exercise price of £12.25.

In addition, in the prior year 410 options over Z-shares were granted at an exercise price of £0.10 per share. Z-shares hold no distribution rights and return on capital is subject to a future company valuation.

25 Share capital

	2016 £	2015 £
Ordinary share capital		
Issued and fully paid		
168,719 Ordinary shares of £1 each	<u>168,719</u>	<u>168,719</u>

26 Operating lease commitments

Lessee

The company has entered into operating lease agreements, both for premises and vehicle usage, including a number of new arrangements in the year for medium term vehicle rentals.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	620,547	475,744
Between two and five years	461,292	95,220
	<u>1,081,839</u>	<u>570,964</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	930,100	1,023,479

Other transactions with related parties

The company leases two properties on an arms length from a director and his family, who received rent of £248,000 (2015: £248,000) during the year. No amounts were owed at the year end.

During the year, a director loaned the company £100,000. The full balance is due at the year end, is interest-free and repayable on demand.

28 Controlling party

The ultimate controlling party is Tom Flockhart, director.

29 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	1,071,824	1,058,236
Adjustments for:		
Taxation charged	315,832	350,059
Finance costs	33,082	42,725
Investment income	(4,418)	(1,087)
Amortisation and impairment of intangible assets	240,842	255,825
Depreciation and impairment of tangible fixed assets	248,186	216,725
Movements in working capital:		
Decrease/(increase) in stocks	270,821	(133,184)
Decrease/(increase) in debtors	1,618,076	(1,913,613)
(Decrease)/increase in creditors	(877,749)	1,456,012
Cash generated from operations	2,916,496	1,331,698

30 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

30 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of equity

Notes	At 1 April 2014			At 31 March 2015		
	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Fixed assets						
Goodwill	1,431,212	-	1,431,212	1,252,895	-	1,252,895
Other intangibles	1 -	697,031	697,031	-	660,057	660,057
Tangible assets	1 3,707,473	(697,031)	3,010,442	3,688,450	(660,057)	3,028,393
Investments	200	-	200	200	-	200
	<u>5,138,885</u>	<u>-</u>	<u>5,138,885</u>	<u>4,941,545</u>	<u>-</u>	<u>4,941,545</u>
Current assets						
Stocks	1,058,991	-	1,058,991	1,196,193	-	1,196,193
Debtors	3,382,314	-	3,382,314	5,295,927	-	5,295,927
Bank and cash	1,364,838	-	1,364,838	1,074,702	-	1,074,702
	<u>5,806,143</u>	<u>-</u>	<u>5,806,143</u>	<u>7,566,822</u>	<u>-</u>	<u>7,566,822</u>
Creditors due within one year						
Loans and overdrafts	(375,625)	-	(375,625)	(175,625)	-	(175,625)
Taxation	(918,225)	-	(918,225)	(1,185,357)	-	(1,185,357)
Other creditors	(2,731,061)	-	(2,731,061)	(3,975,948)	-	(3,975,948)
	<u>(4,024,911)</u>	<u>-</u>	<u>(4,024,911)</u>	<u>(5,336,930)</u>	<u>-</u>	<u>(5,336,930)</u>
Net current assets	<u>1,781,232</u>	<u>-</u>	<u>1,781,232</u>	<u>2,229,892</u>	<u>-</u>	<u>2,229,892</u>
Total assets less current liabilities	<u>6,920,117</u>	<u>-</u>	<u>6,920,117</u>	<u>7,171,437</u>	<u>-</u>	<u>7,171,437</u>
Creditors due after one year						
Loans and overdrafts	(1,229,375)	-	(1,229,375)	(1,053,753)	-	(1,053,753)
Provisions for liabilities						
Deferred tax	(171,034)	-	(171,034)	(208,865)	-	(208,865)
Net assets	<u>5,519,708</u>	<u>-</u>	<u>5,519,708</u>	<u>5,908,819</u>	<u>-</u>	<u>5,908,819</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

30 Reconciliations on adoption of FRS 102

(Continued)

Notes	At 1 April 2014			At 31 March 2015		
	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Capital and reserves						
Share capital	168,719	-	168,719	168,719	-	168,719
Share premium	88,292	-	88,292	88,292	-	88,292
Own shares reserve	(51,999)	-	(51,999)	(80,985)	-	(80,985)
Capital redemption	33,354	-	33,354	33,354	-	33,354
Profit and loss	5,281,342	-	5,281,342	5,699,439	-	5,699,439
Total equity	5,519,708	-	5,519,708	5,908,819	-	5,908,819

Reconciliation of profit or loss for the year

Notes	Year ended 31 March 2015		
	Previous UK GAAP £	Effect of transition £	FRS 102 £
Turnover	21,423,645	-	21,423,645
Cost of sales	(9,517,467)	-	(9,517,467)
Gross profit	11,906,178	-	11,906,178
Distribution costs	(931,388)	-	(931,388)
Administrative expenses	(9,525,057)	-	(9,525,057)
Exceptional items	200	-	200
Operating profit	1,449,933	-	1,449,933
Interest receivable and similar income	1,087	-	1,087
Interest payable and similar charges	(42,725)	-	(42,725)
Profit before taxation	1,408,295	-	1,408,295
Taxation	(350,059)	-	(350,059)
Profit for the financial period	1,058,236	-	1,058,236

Notes to reconciliations on adoption of FRS 102

(1) Reclassification of capitalised software

Under UK GAAP, IT software costs were capitalised as tangible assets. However, FRS 102 requires software to be accounted for as an intangible asset, and therefore the relevant amounts have been reclassified.