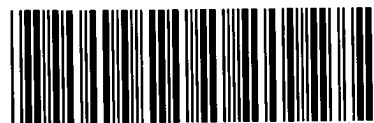


Company Registration No. SC080982 (Scotland)

CAPITAL DOCUMENT SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

SATURDAY



S6KEFTYP

SCT

02/12/2017

#87

COMPANIES HOUSE

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

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 26

CAPITAL DOCUMENT SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

This review is for the financial year from 1st April 2016 to 31st March 2017.

The twelve-month period to March 2017 was another important period in the 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 (MFD's) 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 its established offices in Edinburgh, Glasgow, Dundee, Aberdeen, Inverness and Shetland.

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

Turnover for the year to March 2017 was £21.6m with an operating profit of £1.1m.

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 copy and 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 our employees. This will ensure continuing improvement in performance and staff retention. It operates in three main sectors across all its branches: Corporate, Commercial (SME's) and Public Sector. The company therefore has a large and diverse client base and does not have any major 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 and stay ahead of our competitors.
- 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.
- Currency risk - the main suppliers the company purchase its machines and consumables from are UK based, however these suppliers import their goods through Europe. In 2016, post Brexit, due to the deterioration of the £ exchange rate suppliers increased their prices significantly, impacting on the company's cost of sales. This impact was partly offset through tight cost and stock controls.
- 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 company continues to place considerable emphasis on environmental compliance in all our business practices and seeks to ensure ongoing compliance with relevant legislation, while striving to ensure that best practice is incorporated into its Key Management Systems (EMS). All our established branches are ISO14001:2004 accredited and our focus remains on continued improvement in this area.

CAPITAL DOCUMENT SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Principal risks and uncertainties (continued)

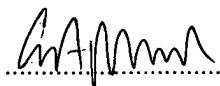
- Disruption / disaster: business continuity planning is reviewed regularly, and new necessary infrastructure is in the process of being implemented. A full test of the business continuity infrastructure will take place within the next twelve months.
- The effect of legislation or other regulatory activities: the group monitors forthcoming and current legislation regularly.
- An Information Security Management System has been implemented for our IT infrastructure and user company wide. The management system was accredited to ISO270001 in May 2017.

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. Corporate document solutions strategies covering print, copy, and content management are being continually developed for existing and prospective customers, in line with the company's strategy aimed at consistently growing our market share, machines in the field (MIF) and service revenue. Key customer relationships are managed effectively on a regular basis and our investment and efforts in marketing activity is monitored closely, as are the responses.
- Capital Investment: the group continues to invest in improving its facilities at all branches to present our people, premises and products in the best possible light, whilst offering world class working conditions for its employees. The group also continues to invest in systems and to improve its processes, to deliver value added services to our customers.
- Health and Safety: the group 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

29/11/17

CAPITAL DOCUMENT SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities

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

No ordinary dividends were paid (2016: £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;
- 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 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 2017

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

29/11/17

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 2017 set out on pages 7 to 26. 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 page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. 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 2017 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, based on the work undertaken in the course of our audit, 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, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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**

30 November 2017
.....

**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 2017

	Notes	2017 £	2016 £
Turnover	3	21,566,995	21,813,997
Cost of sales		(9,700,027)	(9,436,083)
Gross profit		11,866,968	12,377,914
Distribution costs		(800,370)	(866,350)
Administrative expenses		(9,975,443)	(10,095,244)
Operating profit	4	1,091,155	1,416,320
Interest receivable and similar income		3,754	4,418
Interest payable and similar expenses	8	(19,465)	(33,082)
Profit before taxation		1,075,444	1,387,656
Taxation	9	(280,683)	(315,832)
Profit for the financial year	26	794,761	1,071,824

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

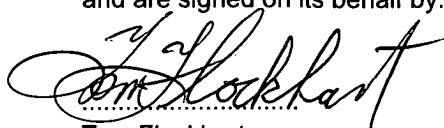
CAPITAL DOCUMENT SOLUTIONS LIMITED

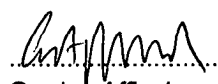
BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Goodwill	11	932,967		1,092,931	
Other intangible assets	11	607,186		615,293	
Total intangible assets		1,540,153		1,708,224	
Tangible assets	12	2,999,873		3,031,523	
Investments	13	200		200	
		4,540,226		4,739,947	
Current assets					
Stocks	16	965,577		884,002	
Debtors	17	3,836,342		3,677,851	
Cash at bank and in hand		2,651,585		2,209,060	
		7,453,504		6,770,913	
Creditors: amounts falling due within one year	18	(4,822,142)		(4,391,484)	
Net current assets		2,631,362		2,379,429	
Total assets less current liabilities		7,171,588		7,119,376	
Creditors: amounts falling due after more than one year	19	-		(702,504)	
Provisions for liabilities	21	(219,901)		(210,714)	
Net assets		6,951,687		6,206,158	
Capital and reserves					
Called up share capital	25	168,719		168,719	
Share premium account	26	88,292		88,292	
Own shares	26	(142,469)		(93,237)	
Capital redemption reserve	26	33,354		33,354	
Profit and loss reserves	26	6,803,791		6,009,030	
Total equity		6,951,687		6,206,158	

The financial statements were approved by the board of directors and authorised for issue on 29th November 2017 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 2017

	Share capital £	Share premium account £	Capital redemption reserve £	Own shares £	Profit and loss reserves £	Total £
Balance at 1 April 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
Gain 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
Period ended 31 March 2017:						
Profit and total comprehensive income for the year	-	-	-	-	794,761	794,761
Purchase of shares	-	-	-	(49,232)	-	(49,232)
Balance at 31 March 2017	168,719	88,292	33,354	(142,469)	6,803,791	6,951,687

CAPITAL DOCUMENT SOLUTIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	30	1,688,986		2,916,496	
Interest paid		(19,465)		(33,082)	
Income taxes paid		(259,624)		(481,679)	
Net cash inflow from operating activities		<u>1,409,897</u>		<u>2,401,735</u>	
Investing activities					
Purchase of intangible assets		(77,931)		(36,115)	
Purchase of tangible fixed assets		(260,997)		(209,945)	
Interest received		3,754		4,418	
Net cash used in investing activities		<u>(335,174)</u>		<u>(241,642)</u>	
Financing activities					
Purchase of own shares		(49,232)		(18,378)	
Sale of own shares		-		3,876	
Director's loan		(100,000)		100,000	
Repayment of bank loans		(482,966)		(351,250)	
Dividends paid		-		(759,983)	
Net cash used in financing activities		<u>(632,198)</u>		<u>(1,025,735)</u>	
Net increase in cash and cash equivalents		<u>442,525</u>		<u>1,134,358</u>	
Cash and cash equivalents at beginning of year		2,209,060		1,074,702	
Cash and cash equivalents at end of year		<u><u>2,651,585</u></u>		<u><u>2,209,060</u></u>	

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

Capital Document Solutions Limited is a private 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.

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.

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)
----------	-------------------------------

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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 (i.e. toner) 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.

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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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 balance sheet 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 publicly 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 payments 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 2017

1 Accounting policies

(Continued)

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.

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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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 statement of comprehensive income 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.

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 ageing 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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

3 Turnover and other revenue

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

	2017 £	2016 £
Turnover		
Sales of goods	10,242,924	10,209,175
Rendering of services	11,324,071	11,604,822
	<u>21,566,995</u>	<u>21,813,997</u>
 Other significant revenue		
Interest income	<u>3,754</u>	<u>4,418</u>

Turnover analysed by geographical market

	2017 £	2016 £
United Kingdom	<u>21,566,995</u>	<u>21,813,997</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	292,647	248,186
Amortisation of intangible assets	246,002	240,842
Cost of stocks recognised as an expense	<u>9,700,027</u>	<u>9,436,083</u>

Amortisation of intangible assets is included within 'administrative expenses' on the face of the Statement of Comprehensive Income.

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	<u>18,350</u>	<u>18,350</u>
For other services		
Audit-related assurance services	-	1,750
Taxation compliance services	<u>3,750</u>	<u>3,750</u>
	<u>3,750</u>	<u>5,500</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

6 Employees

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

	2017 Number	2016 Number
Administration	46	42
Maintenance	111	123
Sales and distribution	58	55
	<u>215</u>	<u>220</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	6,726,446	6,845,082
Social security costs	712,152	732,480
Pension costs	423,934	284,521
	<u>7,862,532</u>	<u>7,862,083</u>

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	735,932	736,217
Company pension contributions to defined contribution schemes	74,759	60,877
	<u>810,691</u>	<u>797,094</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2016 - 7).

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

Remuneration for qualifying services	<u>233,634</u>	<u>232,825</u>
--------------------------------------	----------------	----------------

During the year, pension contributions in respect of the highest paid director was £nil (2016: £nil).

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	19,465	33,082

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	271,622	313,553
Adjustments in respect of prior periods	(126)	430
Total current tax	271,496	313,983
Deferred tax		
Origination and reversal of timing differences	9,187	19,460
Changes in tax rates	-	(10,066)
Adjustment in respect of prior periods	-	(7,545)
Total deferred tax	9,187	1,849
Total tax charge	280,683	315,832

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.

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

	2017 £	2016 £
Profit before taxation	1,075,444	1,387,656
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	215,089	277,531
Tax effect of expenses that are not deductible in determining taxable profit	8,021	5,309
Tax effect of income not taxable in determining taxable profit	-	(450)
Adjustments in respect of prior years	(126)	430
Effect of change in corporation tax rate	(484)	(11,090)
Deferred tax adjustments in respect of prior years	-	(7,545)
Tax adjustment on disallowed amortisation	58,183	51,647
Taxation for the year	280,683	315,832

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

10 Dividends

	2017 £	2016 £
Interim paid	-	759,983

11 Intangible fixed assets

	Goodwill £	Software £	Total £
Cost			
At 1 April 2016	1,830,313	828,587	2,658,900
Additions - separately acquired	-	77,931	77,931
At 31 March 2017	1,830,313	906,518	2,736,831
Amortisation and impairment			
At 1 April 2016	737,382	213,294	950,676
Amortisation charged for the year	159,964	86,038	246,002
At 31 March 2017	897,346	299,332	1,196,678
Carrying amount			
At 31 March 2017	932,967	607,186	1,540,153
At 31 March 2016	1,092,931	615,293	1,708,224

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 Limited was written down to the value of Highland Offices Equipment Limited's reserves at acquisition, net of dividends received by Capital Document Solutions Limited 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.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

12 Tangible fixed assets

	Land and buildings freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2016	3,081,122	2,075,419	156,197	5,312,738
Additions	15,407	208,380	37,210	260,997
Disposals	-	(93,024)	-	(93,024)
At 31 March 2017	3,096,529	2,190,775	193,407	5,480,711
Depreciation and impairment				
At 1 April 2016	519,135	1,659,490	102,590	2,281,215
Depreciation charged in the year	92,371	168,810	31,466	292,647
Eliminated in respect of disposals	-	(93,024)	-	(93,024)
At 31 March 2017	611,506	1,735,276	134,056	2,480,838
Carrying amount				
At 31 March 2017	2,485,023	455,499	59,351	2,999,873
At 31 March 2016	2,561,987	415,929	53,607	3,031,523

Included in equipment are assets with a net book value of £61,617 (2016: £29,514) held for rental under operating leases. Depreciation of £36,556 (2016: £14,563) was charged in the year.

13 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	14	200	200

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2016 & 31 March 2017	200
Carrying amount	
At 31 March 2017	200
At 31 March 2016	200

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

14 Subsidiaries

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

The company's subsidiaries at 31 March 2017 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

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	3,006,040	2,988,388
Equity instruments measured at cost less impairment	200	200
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	2,798,296	3,005,641
	<u> </u>	<u> </u>

16 Stocks

	2017 £	2016 £
Raw materials and consumables	242,572	268,047
Work in progress	249,421	241,909
Finished goods and goods for resale	473,584	374,046
	<u>965,577</u>	<u>884,002</u>

Stock is stated net of a provision for impairment of £45,032 (2016: £45,441).

17 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	3,006,040	2,988,388
Prepayments and accrued income	830,302	689,463
	<u>3,836,342</u>	<u>3,677,851</u>

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

17 Debtors

(Continued)

Trade debtors are stated after a provision for impairment of £26,372 (2016: £29,997).

18 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	395,162	175,624
Other borrowings	20	-	100,000
Trade creditors		2,398,236	2,027,313
Amounts due to group undertakings		200	200
Corporation tax		179,496	167,624
Other taxation and social security		793,114	823,380
Other creditors		4,698	-
Accruals and deferred income		1,051,236	1,097,343
		<u>4,822,142</u>	<u>4,391,484</u>

19 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	-	702,504
		<u>-</u>	<u>702,504</u>

20 Loans and overdrafts

	2017 £	2016 £
Bank loans	395,162	878,128
Other loans	-	100,000
	<u>395,162</u>	<u>978,128</u>
Payable within one year	395,162	275,624
Payable after one year	-	702,504
	<u>395,162</u>	<u>978,128</u>

Bank 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 FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

21 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	22	219,901	210,714
		<u>219,901</u>	<u>210,714</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 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	226,503	217,326
Short term timing differences	(6,602)	(6,612)
	<u>219,901</u>	<u>210,714</u>
Movements in the year:		2017 £
Liability at 1 April 2016		210,714
Charge to profit or loss		9,187
Liability at 31 March 2017		<u>219,901</u>

23 Retirement benefit schemes

Defined contribution schemes	2017 £	2016 £
Charge to profit or loss in respect of defined contribution schemes	<u>423,934</u>	<u>284,521</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.

At year end, the defined contribution pension liability was £40,765 (2016: £35,717).

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

24 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2017 Number	2016 Number	2017 £	2016 £
Outstanding at 1 April 2016	3,516	8,381	11.98	11.98
Forfeited	(878)	(4,365)	12.25	12.25
Exercised	-	(500)	7.75	7.75
Outstanding at 31 March 2017	<u>2,638</u>	<u>3,516</u>	<u>12.25</u>	<u>12.25</u>

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

The options outstanding at 31 March 2017 had an exercise price of £12.25.

In addition, 410 options over Z-shares were granted at an exercise price of £0.10 per share, of which 20 have been forfeited. Z-shares hold no distribution rights and return on capital is subject to a future company valuation.

25 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
63,119 Ordinary shares of £1 each	63,119	63,119
105,600 A Ordinary shares of £1 each	105,600	105,600
	<u>168,719</u>	<u>168,719</u>

Ordinary shares and A Ordinary shares rank pari passu in all respects. The holders are entitled to one vote per share at meetings of the company and are entitled to receive dividends as declared and, with the exception of EBT shares. EBT shares are not entitled to a dividend.

26 Reserves

Share premium

This represents any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.

Capital redemption reserve

The capital redemption reserve was created on the buy-back of shares by the Company and represents the nominal value of these shares.

Own shares

The own share reserve represent the value of shares purchased by the employee benefit trust.

Called up share capital

This represents the nominal value of shares that have been issued.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

26 Reserves

(Continued)

Retained earnings

Includes all current and prior period retained profits and losses.

27 Operating lease commitments

Lessee

The company has entered into operating lease agreements, both for premises and vehicle usage.

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:

	2017 £	2016 £
Within one year	596,663	624,547
Between two and five years	729,999	945,596
	<u>1,326,662</u>	<u>1,570,143</u>

In the year to 31 March 2017, the company recognised £525,724 in lease payments through the profit and loss account.

28 Related party transactions

Remuneration of key management personnel

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

	2017 £	2016 £
Aggregate compensation	<u>898,575</u>	<u>930,100</u>

Other transactions with related parties

The company leases three properties on an arms length from a director and his family, who received rent of £273,852 (2016: £249,300) during the year. No amounts were owed at the year end.

In the year to 31 March 2016, a director loaned the company £100,000. The full amount was repaid during the current year.

In the year to 31 March 2017, consultancy fees of £18,000 (2016: £19,500) were paid to a non-executive director.

29 Controlling party

The ultimate controlling party is Tom Flockhart, director.

CAPITAL DOCUMENT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

30 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	794,761	1,071,824
Adjustments for:		
Taxation charged	280,683	315,832
Finance costs	19,465	33,082
Investment income	(3,754)	(4,418)
Amortisation and impairment of intangible assets	246,002	240,842
Depreciation and impairment of tangible fixed assets	292,647	248,186
Movements in working capital:		
(Increase)/decrease in stocks	(81,575)	270,821
(Increase)/decrease in debtors	(158,491)	1,618,076
Increase/(decrease) in creditors	299,248	(877,749)
Cash generated from operations	1,688,986	2,916,496