Capito Holdings Limited
(Formerly known as MM&S (5131) Limited)

Report and financial statements

for the period ended 31 March 2007

Company registration number SC304913



Capito Holdings Limited
(Formerly known as MM& S (5131) Limited)

Directors and advisers for the period ended 31 March 2007

Directors
Alan Middleton
Charles Briggs
Ian Milligan
Allan Merrit

Secretary
Alan Middleton

Auditors
PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

Bankers
Clydesdale Bank
30 St Vincent Place
Glasgow
G1 2HL

Solicitors
Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

Registered Office
Caputhall Road
Deans
Livingston
EH54 8AS

Directors' report for the period ended 31 March 2007

The directors of Capito Holdings Limited ("the Company") present their report and audited consolidated financial statements of the Company and its subsidiary undertaking ("the Group") for the period ended 31 March 2007

Date of incorporation
The Company was incorporated on 4 July 2006 and therefore the financial statements have been prepared for the period from 4 July 2006 to 31 March 2007

Change of company name
On 30 August 2006, the Company changed its name from MM&S (5131) Limited to Capito Holdings Limited

Review of the business
The principal activity of Capito Holdings Limited is that of a holding company

On 14 November 2006, the company acquired the entire share capital of Capito Limited The results of Capito Limited have been included in the consolidated accounts from the date of acquisition

Share capital
The authorised share capital of the Company was increased on 14 November 2006 by £981 to £1,081 by the creation of an additional 5,610 ordinary shares of 10p each and 4,200 'A' ordinary shares of 10p each

On 14 November 2006, 5,780 ordinary shares and 4,200 'A' ordinary shares were issued for a total cash consideration of £345,000

Results and dividends
The profit for the year, after taxation, was £271,073

Financial risk management objectives and policies
The Company's principal financial instruments are cash, debt discounting, and general banking facilities, all of which are utilised to facilitate normal trading operations

The main risks from the Company's financial instruments are credit and cash flow risk

The Company mitigates credit risk by thorough credit vetting of clients prior to commencement of trade and periodically thereafter, systematic enforcement of credit limits and agreed payment terms and insuring of trade debt

The Company mitigates cash flow risk by discounting debt with a third party to ensure sufficient funding to satisfy trade creditors as they fall due, enforcement of customer credit limits and agreed payment terms

Directors and their interests
The directors of the Company for the period to 31 March 2007 were

Alan Middleton (appointed 17 August 2006)
Charles Briggs (appointed 17 August 2006)
Ian Milligan (appointed 17 August 2006)
Allan Merrit (appointed 14 November 2006)

Following changes to UK company law by the Companies Act 2006 which came into effect on 6 April 2007, the requirement to maintain a register of Directors' interests and to disclose these interests in the Company's statutory report and accounts has been repealed Consequently the Company no longer maintains a register of Directors' interests nor makes a disclosure in this regard

Political and charitable contributions
During the year the Company made no charitable contributions

Auditors' disclosure
As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that ought to have been taken in order to be aware of any relevant audit information and to establish that's the Company's auditors are aware of that information

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the board



Alan Middleton
Director
15 October 2007

Statement of directors' responsibilities in respect of the financial statements

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 period 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) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the board

Alan Middleton
Company Secretary
15 October 2007

Independent auditors' report to the members of Capito Holdings Limited

We have audited the Group and parent company financial statements (the "financial statements") of Capito Holdings Limited for the period ended 31 March 2007 which comprise the consolidated profit and loss account, the Group and Company balance sheets, the consolidated cash flow statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Directors' Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2007 and of the Group's profit and cash flows for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
15 October 2007

Consolidated profit and loss account for the period ended 31 March 2007

	Notes	*2007* £
Turnover	1	**8,513,380**
Cost of sales		**(6,633,419)**
Gross profit		**1,879,961**
Administrative expenses		**(1,266,862)**
Operating profit	2	**613,099**
Interest receivable		**8,802**
Interest payable and similar charges	5	**(167,388)**
Profit on ordinary activities before taxation		**454,513**
Tax on profit on ordinary activities	6	**(183,440)**
Profit for the financial period	19	**271,073**

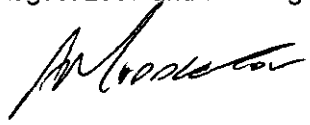
The Group has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been provided

All of the Group's operations are continuing

Balance sheets as at 31 March 2007

	Notes	*Group 2007* £	*Company 2007* £
Fixed assets			
Intangible fixed assets goodwill	8	**3,179,864**	**-**
Tangible fixed assets	9	**320,513**	**-**
Investments in subsidiary undertaking	10		**5,050,297**
		3,500,377	**5,050,297**
Current assets			
Stocks	11	**287,537**	**-**
Debtors	12	**5,890,958**	**-**
Cash in bank and in hand			**336**
		6,178,495	**336**
Creditors: amounts falling due within one year	13	**(5,814,788)**	**(1,553,903)**
Net current assets/(liabilities)		**363,707**	**(1,553,567)**
Total assets less current liabilities		**3,864,084**	**3,496,730**
Creditors: amounts falling due after more than one year	14	**(3,222,790)**	**(3,222,790)**
Provision for liabilities and charges			
Deferred taxation	17	**(25,221)**	**-**
		616,073	**273,940**
Capital and reserves			
Called up share capital	18/19	**998**	**998**
Share premium account	19	**344,002**	**344,002**
Profit and loss account	19	**271,073**	**(71,060)**
Shareholders' funds	19	**616,073**	**273,940**

The financial statements on pages 7 to 21 were approved by the board of directors on 23 August 2007 and were signed on its behalf by



Alan Middleton
Director
15 October 2007

Capito Holdings Limited
(Formerly known as MM& S (5131) Limited)

Consolidated cash flow statement for the period ended 31 March 2007

	Note	2007 £
Net cash inflow from operating activities	2(b)	**789,670**
Returns on investments and servicing of finance		
Interest received		**8,802**
Interest paid		**(167,388)**
Net cash outflow from returns on investments and servicing of finance		**(158,586)**
Taxation received		**2,146**
Capital expenditure and financial investment		
Purchase of tangible fixed assets		**(41,881)**
Net cash inflow from capital expenditure and financial investment		**591,349**
Acquisitions		
Purchase of trade and assets		**(58,000)**
Purchase of subsidiary undertaking		**(5,050,297)**
Net overdrafts acquired with subsidiary undertaking		**(873,700)**
Net cash outflow from acquisitions		**(5,981,997)**
Net cash outflow before financing		**(5,390,648)**
Financing		
Issue of ordinary share capital		**345,000**
Increase in invoice financing		**305,029**
Increase in borrowings		**3,219,205**
Net cash inflow from financing		**3,869,234**
Decrease in cash		**(1,521,414)**
Reconciliation of net cash flow to movement in net debt (note 16)		
Decrease in cash		**(1,521,414)**
Increase in invoice financing		**(305,029)**
Movement in borrowings		**(3,219,205)**
Net debt at 31 March 2007		**(5,045,648)**

Accounting policies

Accounting convention
The financial statements are prepared under the historical cost convention and in accordance with the Companies Act and applicable Accounting Standards in the United Kingdom

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 March 2007 The results of the subsidiary undertaking acquired during the period are included in the consolidated profit and loss account from the date of acquisition The premium between the purchase consideration and the fair value of the separable net assets acquired is included in the balance sheet as a fixed asset and is amortised on straight line basis over its useful economic life, a period of 10 years

Fixed assets
All fixed assets are initially recorded at cost

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset over its expected useful life, at the following rates

Freehold buildings	4% straight line
Plant and machinery	20% reducing balance
Motor vehicles	25% reducing balance
Office furniture and fittings	20% reducing balance
Office equipment	25% reducing balance

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Stocks
Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred taxation (continued)
Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Leasing and hire purchase commitments
Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pensions
The Company operates a defined contribution pension scheme Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Capital issue costs
Issue costs relating to bank loans and other forms of debt are initially deducted from the liability and subsequently written off to the profit and loss account over the term of the debt in line with Financial Reporting Standard No 4

Notes to the financial statements for the period ended 31 March 2007

1. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties Turnover is recognised at the point at which the risks and rewards of ownership are transferred to the third party

Turnover is attributable to one continuing activity, the sale of hardware, software and related services and relates to sales in the United Kingdom

2. Profit on ordinary activities before taxation

(a) This is stated after charging

	2007
	£
Depreciation of owned fixed assets	**47,172**
Goodwill amortisation	**152,603**
Auditors' remuneration·	
Audit services	**19,500**
Non audit services	**6,000**
Hire of plant, machinery and vehicles	**45,883**

In addition to the fees payable to the auditors for non audit services, an additional £292,565 was paid to the auditors for their services in connection with the acquisition made during the year

These fees have been included in the acquisition costs shown in note 7.

(b) Reconciliation of operating profit to net cash inflow from operating activities

	2007
	£
Operating profit	**613,099**
Depreciation	**47,172**
Amortisation of goodwill	**152,603**
Amortisation of debt issue costs	**3,585**
Decrease in stocks	**48,616**
Increase in debtors	**(1,663,160)**
Increase in creditors	**1,587,755**
Net cash inflow from continuing operating activities	**789,670**

3. Directors' emoluments

	2007
	£
Emoluments	**137,275**
Contributions to defined contribution pension scheme	**7,850**
	145,125

Defined pension scheme contributions were paid during the period in respect of 3 directors

4. Staff costs

	2007
	£
Wages and salaries	**1,404,654**
Social security costs	**150,888**
Other pension costs	**26,903**
	1,582,445

The average weekly number of employees during the period was as follows

	2007
	Number
Administration	**24**
Sales/technical	**79**
	103

5. Interest payable and similar charges

	2007
	£
Bank overdraft interest	**1,956**
Invoice Finance fees	**46,399**
Loan interest	**105,974**
Other interest	**13,059**
	167,388

6. Tax on profit on ordinary activities

(a) The tax charge is made up as follows

	Notes	*2007* £
Current tax:		
UK corporation tax on profits of the period		**190,933**
Total current tax	6(b)	**190,933**
Deferred tax:		
Originating and reversal of timing differences		**(7,493)**
Tax on profit on ordinary activities		**183,440**

(b) Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are reconciled below

	Notes	*2007* £
Profit on ordinary activities before tax		**454,513**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)		**136,354**
Disallowed expenses and non taxable income		**47,086**
Capital allowances in excess of depreciation		**7,493**
Current tax charge for the period	6(a)	**190,933**

(c) Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement, some of which have been enacted in the 2007 Finance Act, and some of which are expected to be enacted in the 2008 Finance Act The changes in the 2008 Finance Act had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The changes enacted in the Finance Act 2007 would result in an adjustment to the deferred tax liability recognised at 31 March 2007, following a reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 This adjustment is not expected to be significant

7. Acquisitions

(a) Capito Limited

On 14 November 2006, the Company acquired the entire share capital of Capito Limited No adjustment was required to the book value of the assets and liabilities of the Company acquired in order to present the net assets at fair value A summary of the assets acquired is presented below

	Book and fair value
	£
Tangible fixed assets	298,004
Stock	336,153
Debtors	4,227,798
Cash	9,425
Creditors	(3,123,550)
	1,747,830

In its last financial period to the date of acquisition, Capito Limited made a profit after tax of £411,207 For the period from the date of acquisition to the year end, Capito Holdings Limited made a profit of £271,073

	£
Fair value of net assets acquired	1,747,830
Goodwill on acquisition (note 8)	3,302,467
Consideration satisfied by cash	**5,050,297**

Included within the total consideration of £5,050,297 are acquisition expenses of £636,320

(b) Acquisition

On 14 November 2006, Capito Limited acquired the trade and assets of Carnegie Management Systems Limited for a total consideration of £58,000 The fair value of the assets acquired was £28,000 Purchased goodwill of £30,000 arose on the acquisition (note 8)

8. Intangible fixed assets

Group	Purchased goodwill	Goodwill arising on consolidation	Goodwill
	£	£	£
Cost			
On acquisition of Capito Limited (note 7a)		3,302,467	3,302,467
On acquisition of Carnegie Management Systems Limited (note 7b)	30,000		30,000
Total cost	**30,000**	**3,302,467**	**3,332,467**
Amortisation			
Charge for the period	15,000	137,603	152,603
Net book value			
At 31 March 2007	**15,000**	**3,164,864**	**3,179,864**

9. Tangible fixed assets

	Furniture, fittings & office equipment	*Plant & machinery*	*Motor vehicles*	*Total*
	£	£	£	£
Cost				
On acquisition	280,410	6,013	11,581	298,004
Additions	69,681			69,681
At 31 March 2007	**350,091**	**6,013**	**11,581**	**367,685**
Depreciation				
Charge for period	45,193	567	1,412	47,172
At 31 March 2007	**45,193**	**567**	**1,412**	**47,172**
Net book value				
At 31 March 2007	**304,898**	**5,446**	**10,169**	**320,513**
On acquisition	280,410	6,013	11,581	298,004

10. Investments

Company	Shares in subsidiaries £
On acquisition (note 7)	5,050,297
Cost and net book value at 31 March 2007	**5,050,297**

Interests in group undertakings

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Capito Limited	Scotland	683,780 ordinary shares of 10p each	100%	Provision of information and communication technology services

11. Stocks

	Group *2007* £	*Company* *2007* £
Finished goods and goods for resale	**287,537**	-

The difference between purchase price or production cost of stocks and their replacement cost is not material

12. Debtors

	Group *2007* £	*Company* *2007* £
Due within one year		
Trade debtors	**5,404,191**	
Prepayments	**486,767**	
	5,890,958	-

13. Creditors: amounts falling due within one year

	Group 2007	*Company 2007*
	£	£
Trade creditors	1,623,344	
Bank overdraft	1,521,414	-
Inter company payables	-	1,478,084
Current corporation tax	362,457	-
Other taxes and social security costs	221,008	
VAT	774,018	
Due under invoice finance agreement	305,029	-
Other creditors	51,803	51,803
Accruals and deferred income	952,497	24,016
Dividend	3,218	
	5,814,788	1,553,903

Interest is not charged on inter company payable balances and there is no fixed repayment date

14. Creditors: amounts falling due more than one year

	Group 2007	*Company 2007*
	£	£
Loan stock	1,755,000	1,755,000
Term loan	1,467,790	1,467,790
	3,222,790	3,222,790

15. Loans and borrowings

	Group 2007	*Company 2007*
	£	£
Loan stock	**1,755,000**	**1,755,000**
Due under invoice finance agreement	**305,029**	**-**
Bank loans and overdraft	**2,989,204**	**1,467,790**
	5,049,233	**3,222,790**
Maturity of financial liabilities		
In one or less, or on demand	**1,826,443**	
In more than five years	**3,222,790**	**3,222,790**
	5,049,233	**3,222,790**

The amount due under an invoice finance agreement is secured by a first charge over trade debtors At 31 March 2007, the amount of debt due under an invoice finance agreement amounted to £290,782 (2006 £509,985) The Company has granted to its bankers a bond and floating charge over all of the assets of the Company

16. Analysis of net debt

	Cash flow	**At 31 March 2007**
	£	£
Bank overdraft	(1,521,414)	**(1,521,41**
Invoice Finance	(305,029)	**(305,02**
Loan stock	(1,755,000)	**(1,755,00**
Bank loans	(1,464,205)	**(1,464,20**
	(5,045,648)	**(5,045,64**

17. Deferred taxation

	Group 2007	Company 2007
Provision for deferred tax	**£**	**£**
Accelerated capital allowances	**25,221**	

	Group 2007	*Company 2007*
	£	*£*
On acquisition	**32,714**	**-**
Deferred tax release to the profit and loss account in the period	**(7,493)**	**-**
Provision at end of period	**25,221**	**-**

18. Share capital

	Authorised 2007	*Allotted, called up and fully paid 2007*	*2007*
	Number	*Number*	*£*
Ordinary shares of 10p	**6,610**	**5,780**	**578**
'A' ordinary shares of 10p	**4,200**	**4,200**	**420**

(a) Authorised share capital
On creation of the Company, the authorised share capital was £100, divided into 100 ordinary shares of £1 each On 14 November 2006, the authorised share capital was changed to £100 sub divided into 1,000 shares of 10p each

On the same day, the authorised share capital was increased to £1,081, divided into 6,610 ordinary shares of 10p each and 4,200 'A' ordinary shares of 10p each, by the creation of an additional 5,610 ordinary shares of 10p each and 4,200 'A' ordinary shares of 10p each

(b) Issued share capital
On 14 November 2006, 5,780 ordinary shares and 4,200 'A' ordinary shares were issued for a total cash consideration of £345,000

Holders of ordinary shares and 'A' ordinary shares shall be entitled to receive notice of, and attend and vote at general meetings of the Company

18. Share capital (continued)

Dividends paid shall belong and be paid to the 'A' ordinary shareholders and the ordinary shareholders in proportion to the number of shares held by them as if they constituted the same class of share

On liquidation, reduction of capital or otherwise of the Company, holders of ordinary shares and 'A' ordinary shares shall be entitled to share equally in any and all surplus assets of the Company remaining after payment of its liabilities, in proportion to the number of shares held

19. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Share premium*	*Profit and loss account*	*Total*
Group	£	£	£	£
Issue of shares	998	344,002		345,000
Profit for the period			271,073	271,073
At 31 March 2007	**998**	**344,002**	**271,073**	**616,073**

	Share capital	*Share premium*	*Profit and loss account*	*Total*
Company	£	£	£	£
Issue of shares	998	344,002		345,000
Loss for the period			(71,060)	(71,060)
At 31 March 2007	**998**	**344,002**	**(71,060)**	**273,940**

20. Pension commitments

The Company operates defined contribution pension schemes for its directors and employees The assets of the schemes are held separately from those of the Company in independently administered funds There were no unpaid contributions outstanding at the year end (2006 £nil)

21. Ultimate controlling party

The directors consider that there is no ultimate controlling party of the Company