REGISTERED NUMBER: SC304913 (Scotland)

Strategic Report, Report of the Directors and Financial Statements for the Year Ended 31 December 2016 for Capito Holdings Limited

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Capito Holdings Limited (Registered number: SC304913)

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for the Year Ended 31 December 2016

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Capito Holdings Limited

Company Information
for the Year Ended 31 December 2016

DIRECTORS:	Mrs A Burnside Mr C Lennox Mr A Middleton Mr A Quinn
SECRETARY:	Mrs A Burnside
REGISTERED OFFICE:	Caputhall Road Deans Livingston EH54 8AS
REGISTERED NUMBER:	SC304913 (Scotland)
AUDITORS:	Campbell Dallas LLP Chartered Accountants Statutory Auditors Titanium 1 King's Inch Place Renfrew PA4 8WF

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

REVIEW OF BUSINESS

The results for the year show a loss before tax of £163,854 (2015 - £2,220,463). The company has a balance sheet deficit of £1,825,690 (2015 - £1,661,836) at 31 December 2016.

GOING CONCERN

In their consideration of going concern the directors have prepared cash flow forecasts which extend for a period beyond one year from the date of approval of these financial statements. The directors have reviewed the latest financial projections of its ultimate parent company, Murray Capital Group Limited ("the group") and have confirmation from the group of its continued support for a minimum of twelve months from the date of approval of these financial statements. The directors are of the opinion the company will be able to operate within current facilities available.

As disclosed in note 16 of the financial statements, the group has demonstrated its continuing support of the company by initiating a restructure of the company balance sheet subsequent to the year end. The directors are optimistic that this restructure will help to secure the long term viability of the company.

In light of the above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Given this, the financial statements have been prepared on a going concern basis.

ON BEHALF OF THE BOARD:

Mrs A Burnside - Director

Date: 8th May 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding company.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

Mrs A Burnside
Mr C Lennox
Mr A Middleton
Mr A Quinn

Other changes in directors holding office are as follows:

Mr M Gammie - resigned 8 April 2016
Mr K Wallace - resigned 31 January 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Campbell Dallas LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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Mrs A Burnside - Director

Date: 8th May 2017

Report of the Independent Auditors to the Members of Capito Holdings Limited

We have audited the financial statements of Capito Holdings Limited for the year ended 31 December 2016 on pages seven to seventeen. 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 Financial Reporting Standard 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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 Strategic Report and the Report of the Directors 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 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Campbell Dallas LLP

Greig McKnight (Senior Statutory Auditor)
for and on behalf of Campbell Dallas LLP
Chartered Accountants
Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 12.5.2017

Capito Holdings Limited (Registered number: SC304913)

Income Statement
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
TURNOVER		-	-
Administrative expenses		15,853	15,716
OPERATING LOSS	4	(15,853)	(15,716)
Impairment of fixed asset investment	5	-	2,050,297
		(15,853)	(2,066,013)
Interest payable and similar expenses	6	148,001	154,450
LOSS BEFORE TAXATION		(163,854)	(2,220,463)
Tax on loss	7	-	-
LOSS FOR THE FINANCIAL YEAR		(163,854)	(2,220,463)

The notes form part of these financial statements

Capito Holdings Limited (Registered number: SC304913)

Other Comprehensive Income
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
LOSS FOR THE YEAR		(163,854)	(2,220,463)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(163,854)	(2,220,463)

The notes form part of these financial statements

Capito Holdings Limited (Registered number: SC304913)

Balance Sheet
31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
FIXED ASSETS					
Investments	8		2,000,000		2,000,000
CURRENT ASSETS					
Cash at bank		4		14	
CREDITORS					
Amounts falling due within one year	9	2,219,422		2,205,578	
NET CURRENT LIABILITIES			(2,219,418)		(2,205,564)
TOTAL ASSETS LESS CURRENT LIABILITIES			(219,418)		(205,564)
CREDITORS					
Amounts falling due after more than one year	10		1,606,272		1,456,272
NET LIABILITIES			(1,825,690)		(1,661,836)
CAPITAL AND RESERVES					
Called up share capital	13		192,974		192,974
Share premium	14		3,008,745		3,008,745
Retained earnings	14		(5,027,409)		(4,863,555)
SHAREHOLDERS' FUNDS			(1,825,690)		(1,661,836)

The financial statements were approved by the Board of Directors on 8th May 2017 and were signed on its behalf by:

Mrs A Burnside - Director

The notes form part of these financial statements

Capito Holdings Limited (Registered number: SC304913)

Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2015	191,709	(2,643,092)	3,008,745	557,362
Changes in equity				
Issue of share capital	1,265	-	-	1,265
Total comprehensive income	-	(2,220,463)	-	(2,220,463)
Balance at 31 December 2015	192,974	(4,863,555)	3,008,745	(1,661,836)
Changes in equity				
Total comprehensive income	-	(163,854)	-	(163,854)
Balance at 31 December 2016	192,974	(5,027,409)	3,008,745	(1,825,690)

The notes form part of these financial statements

1. STATUTORY INFORMATION

Capito Holdings Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going Concern
In their consideration of going concern, the directors have prepared cash flow forecasts which extend beyond one year from the date of approval of these financial statements. The directors have reviewed the latest financial projections of its ultimate parent company, Murray Capital Group Limited ('the group') and have confirmation from the group of its continued support for a minimum of twelve months from the date of approval of these financial statements. The directors are of the opinion the company will be able to operate within current facilities available.

After making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Given this, the financial statements have been prepared on a going concern basis.

Financial reporting standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Preparation of consolidated financial statements
The financial statements contain information about Capito Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Murray Capital Group Limited, .

Related party exemption
The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

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2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the balance sheet date.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of the realisable value and value in use.

3. **EMPLOYEES AND DIRECTORS**

There were no staff costs for the year ended 31 December 2016 nor for the year ended 31 December 2015.

	2016	2015
	£	£
Directors' remuneration	-	-

4. **OPERATING LOSS**

Auditors remuneration of £2,000 (2015: £2,000) was borne by Capito Limited, a subsidiary undertaking.

5. **EXCEPTIONAL ITEMS**

	2016	2015
	£	£
Impairment of fixed asset investment	-	(2,050,297)

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6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Interest payable to group undertakings	148,001	154,450
	148,001	154,450

7. TAXATION

Analysis of the tax charge
No liability to UK corporation tax arose for the year ended 31 December 2016 nor for the year ended 31 December 2015.

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	£	£
Loss before tax	(163,854)	(2,220,463)
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	(32,771)	(449,644)
Effects of:		
Expenses not deductible for tax purposes	-	415,185
Losses carried forward	32,771	29,725
Other short term timing differences	-	4,734
Total tax charge	-	-

A deferred tax asset amounting to £178,620 (2015: £159,633) relating to trading losses has not been recognised at 31 December 2016 given the uncertainty over future taxable profits.

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8. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2016 and 31 December 2016	5,050,297
PROVISIONS	
At 1 January 2016 and 31 December 2016	3,050,297
NET BOOK VALUE	
At 31 December 2016	2,000,000
At 31 December 2015	2,000,000

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Capito Limited
Registered office: Caputhall Road, Deans, Livingston, EH54 8AS
Nature of business: Information communication technology services

Class of shares:	% holding
Ordinary Shares of 10p each	100.00

	2016 £	2015 £
Aggregate capital and reserves	1,489,778	1,406,388
Profit for the year	83,390	83,162

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Other loans (see note 11)	175,000	175,000
Due to subsidiary company	1,290,560	1,423,451
Due to group undertakings	753,862	607,127
	2,219,422	2,205,578

Amounts due to subsidiary undertaking and group undertaking are non-interest bearing and have no fixed repayment date.

The bank facilities are secured over the assets of Capito Limited and a cross guarantee supported by floating charges between Capito Holdings Limited and Capito Limited.

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10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Other loans (see note 11)	1,606,272	1,456,272

11. LOANS

An analysis of the maturity of loans is given below:

	2016	2015
	£	£
Amounts falling due within one year or on demand:		
Other loans	175,000	175,000
Amounts falling due between two and five years:		
Other loans - 2-5 years	1,606,272	1,456,272

12. SECURED DEBTS

The following secured debts are included within creditors:

	2016	2015
	£	£
Other loans	1,781,272	1,631,272

Secured loan stock of £1,456,272 bears interest at 8.5%. This balance is due to Murray Capital Limited and is included within creditors falling due after more than one year.

Further secured loan stock of £200,000 bears interest at 8%. This loan stock is due to be repaid to Murray Capital Limited in three annual instalments. The outstanding balance at 31 December 2016 is £140,000 (2015: £140,000).

In March 2016, Murray Capital Limited provided further secured loan stock of £150,000 which bears interest at 8%. This falls due for repayment on 31 March 2019 and is included within creditors falling due after more than one year.

Secured loan stock of £50,000 was loaned by the wife of a Director of the company on 18 December 2012 and bears interest at 8%. The loan stock fell due for repayment in three annual instalments, commencing December 2013. The outstanding balance at 31 December 2016 is £35,000 (2015: £35,000).

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13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
100,925	Ordinary Shares	10p	10,093	10,093
151,805	'A' Ordinary Shares	10p	15,181	15,181
1,677,000	Preference Shares	10p	167,700	167,700
			192,974	192,974

12,636 Ordinary Shares of 10p each were allotted as fully paid as a gift to certain directors during the year.

The preference shares have no fixed repayment date, redemption is entirely at the discretion of the company and have no dividend rights.

Redemption of preference shares rank above the 'A' ordinary and ordinary shares on liquidation, reduction of capital of otherwise the Company. The 'A' ordinary shares rank above the ordinary shares.

14. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2016	(4,863,555)	3,008,745	(1,854,810)
Deficit for the year	(163,854)		(163,854)
At 31 December 2016	(5,027,409)	3,008,745	(2,018,664)

15. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Included within creditors falling within one year is an amount of £743,647 (2015: £595,729) due to Murray Capital Limited, the parent company of Capito Holdings Limited for monitoring fees and interest due on the loan stock. During the year, interest and monitoring fees of £160,639 (2015: £163,967) were charged to the company.

A balance of £10,000 (2015: £11,400) remains due to C Lennox, a wife of a director of Capito Holdings Limited, for interest due on her loan stock. During the year, interest of £2,800 (2015: £6,133) was charged on the loan stock.

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16. POST BALANCE SHEET EVENTS

Subsequent to the year end, the Company underwent a balance sheet restructure.

On 24 January 2017, £1,181,272 of 8.5% Fixed Rate Secured Loan Notes issued to Murray Capital Limited were waived together with all accrued interest relating to these Loan Notes.

On 31 January 2017, the Company passed a special resolution to amend the redemption price of its preference shares to £0.298 per preference share.

17. ULTIMATE CONTROLLING PARTY

The ultimate parent under taking and controlling party of the Company is Murray Capital Group Limited. The smallest and largest group in which the results of Capito Holdings Limited are consolidated is that headed by Murray Capital Group Limited.

Copies of Murray Capital Group Limited consolidated financial statements can be obtained from its company secretary at 26 Charlotte Square, Edinburgh EH2 4ET.