

**DIGITAL TECHNOLOGY
INTERNATIONAL LIMITED**

FINANCIAL STATEMENTS

**For the year ended
31 December 2010**

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Company no 01876409

DIGITAL TECHNOLOGY INTERNATIONAL LIMITED
FINANCIAL STATEMENTS

For the year ended 31 December 2010

Company registration number	01876409
Registered office	The Granary 4 - 6 Crescent Road Warley Brentwood Essex CM14 5JR
Directors	D A Oldham P Gillogaley
Secretary	P Gillogaley
Bankers	NatWest Bank plc PO Box 34 15 Bishopsgate London EC2P 2AP
Solicitors	Payne Hicks Beach 10 New Square Lincoln's Inn London WC2A 3QC
Auditor	Grant Thornton UK LLP Registered Auditor Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP

DIGITAL TECHNOLOGY INTERNATIONAL LIMITED
FINANCIAL STATEMENTS

For the year ended 31 December 2010

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The directors present their report together with the audited financial statements for the year ended 31 December 2010. These accounts have been prepared in accordance with the special provisions relating to small companies under Schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Principal activities

The principal activity of the company during the year continued to be the marketing of a range of computer-based publishing systems for the UK newspaper and related publishing and printing industries.

Business review

There was a loss for the year after taxation amounting to £1,122,651 (2009 £822,394). The directors do not recommend the payment of a dividend.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements as they have received confirmation of continued support from the parent undertaking to enable the Company to meet its liabilities as they fall due. During the year the parent company has re-negotiated its financing as follows:

On November 16, 2009, the ultimate parent undertaking entered into the third amendment to the Credit Agreement with U.S. Bank, under which the ultimate parent undertaking received a waiver of existing events of default under the Credit Agreement and a reinstatement of commitments from the bank. The amount of the revolving line of credit was reduced to \$4,600,000 and is due for renewal on 31 January 2012. The amendment revises the fixed charge coverage and cash flow leverage ratio covenants of the Credit Agreement and includes a restriction on the timing of the repayment of the \$2,000,000 subordinated promissory note. The amendment also provides for the ultimate parent undertaking to enter into a control agreement with the bank for each of the ultimate parent undertaking's domestic deposit accounts and for the ultimate parent undertaking to limit the amount of cash and cash equivalents held by its foreign subsidiaries.

On November 16, 2009, as a prerequisite to the bank entering into the amendment, the ultimate parent undertaking's majority shareholder entered into a Capital Call Agreement with the bank whereby and if required, pursuant to the terms of the agreement, to invest up to \$3,000,000 in the parent undertaking in exchange for additional equity.

The ultimate parent undertaking is currently in discussions with a number of potential providers of finance to renew the financing agreements after the renewal date of 31 January 2012. Management have received term sheets for sufficient amounts from potential lenders, so the Directors are of the opinion that the necessary financing will be in place and that the Company will be a going concern for a period of at least 12 months from the date of signing these financial statements.

Directors

The present membership of the Board is set out below:

D A Oldham
P Gillogaley

D A Oldham is a director of the ultimate parent undertaking DTI Holding Company, registered in the state of Delaware, United States of America.

Financial risk management objectives and policies

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Currency risk

The company is exposed to translation and transaction foreign exchange risk.

The company does not adopt a prescribed policy to eliminate currency exposures but does purchase US dollars to hold for the purpose of settling these liabilities from time to time when rates are favourable.

Foreign exchange differences on retranslation of liabilities in currencies other than sterling are taken to the profit and loss account of the company.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The company's policy throughout the year has been to achieve this objective through management's day to day involvement in business decisions rather than through setting maximum or minimum liquidity ratios.

Interest rate risk

The company finances its operations through retained profits and funding from its parent undertaking.

The interest rate exposure of the financial assets and liabilities of the company as at 31 December 2010 is shown in the balance sheet. The balance sheet includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises, therefore, from trade debtors.

In order to manage credit risk management set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history.

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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 judgments and 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 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.

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP have signified their willingness to continue in office in accordance with Section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD



D Oldham

Director

26 September 2011

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DIGITAL TECHNOLOGY INTERNATIONAL LIMITED**

We have audited the financial statements of Digital Technology International Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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 auditors

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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 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 Directors' Report 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

Grant Thornton UK LLP

David Miller
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

26 September 2011

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

The company has taken advantage of the exemption available within Financial Reporting Standard 1 not to prepare a cash flow statement

Going concern

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Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT.

Software licence and services revenue - The Company derives revenue from licensing its software products and providing related services including consulting, installation, training, development and maintenance, consisting of product support services and periodic updates.

When the arrangement includes services that are essential to the functionality of the other elements of the arrangement or if the software arrangement includes significant production, modification or customization of the software, the Company recognizes both the software license revenue and services revenue under the

Turnover (continued)

percentage of completion method using the input method based upon direct labour hours incurred to date to total projected labour hours

Maintenance Revenue – Revenue for maintenance and support contracts is recognised as earned over the period of the contract

The asset “Accrued Income” represents revenue earned in excess of amounts billed when applying the revenue recognition policy above. The liability “Deferred income” represents billings in excess of revenue earned when applying the revenue recognition policy above and deferred maintenance revenue

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are

Fixtures and fittings	15%
Computer equipment	25%

Fixed assets

All fixed assets are initially recorded at cost

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease even if the payments are not made on such a basis

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax, or a right to pay less tax, in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period

Digital Technology International Limited
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	1	1,909,305	2,546,529
Cost of sales		<u>(896,112)</u>	<u>(1,139,453)</u>
Gross profit		1,013,193	1,407,076
Administrative expenses		<u>(2,135,894)</u>	<u>(2,230,373)</u>
Operating loss		(1,122,701)	(823,297)
Interest receivable and similar income	2	<u>50</u>	<u>903</u>
Loss on ordinary activities before taxation	1	(1,122,651)	(822,394)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(1,122,651)</u>	<u>(822,394)</u>

All transactions arise from continuing operations

Digital Technology International Limited
BALANCE SHEET AT 31 December 2010
Registered number 01876409

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	5	<u>77,876</u>	<u>109,986</u>
Current assets			
Stocks		3,336	382
Debtors	6	2,674,909	2,841,086
Cash at bank and in hand		<u>331,032</u>	<u>284,692</u>
		<u>3,009,277</u>	<u>3,126,160</u>
Creditors amounts falling due within one year	7	<u>(4,738,115)</u>	<u>(3,764,457)</u>
Net current assets		<u>(1,728,838)</u>	<u>(638,297)</u>
Net liabilities		<u>(1,650,962)</u>	<u>(528,311)</u>
Capital and reserves			
Called up share capital	9	324,160	324,160
Share premium account	10	491,837	491,837
Profit and loss account	10	<u>(2,466,959)</u>	<u>(1,344,308)</u>
Shareholders' deficit	11	<u>(1,650,962)</u>	<u>(528,311)</u>

The financial statements were approved by the Board of Directors on 26 September 2011



D Oldham - Director

The accompanying accounting policies and notes form an integral part of these financial statements

Digital Technology International Limited
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 Turnover and loss on ordinary activities before taxation

The turnover and loss before tax are attributable to the one principal activity of the company which arose in the United Kingdom only

The loss on ordinary activities before taxation is stated after

	2010 £	2009 £
Auditors' remuneration		
Audit services	27,000	35,000
Depreciation		
Tangible fixed assets owned	33,469	33,516
Operating lease rentals		
Land and Buildings	65,000	65,000
Other	107,254	77,402
Gain on foreign currency translation (net)	<u>(28,592)</u>	<u>(97,420)</u>

2 Interest receivable and similar income

	2010 £	2009 £
Interest receivable on bank deposits	<u>50</u>	<u>903</u>

For the year ended 31 December 2010

3 Directors and employees

Staff costs during the year were as follows

	2010 £	2009 £
Wages and salaries	1,311,475	1,581,217
Social security costs	188,831	189,126
Other pension costs	68,178	87,870
	<u>1,568,484</u>	<u>1,858,213</u>

The average number of employees of the company during the year was

	2010 Number	2009 Number
Sales	7	6
Support	17	23
Administration	3	3
	<u>27</u>	<u>32</u>

Remuneration in respect of directors was as follows

	2010 £	2009 £
Emoluments	219,638	290,447
Pension contributions to money purchase pension schemes	-	16,135
	<u>219,638</u>	<u>306,582</u>

During the year 1 director (2009 2) participated in money purchase pension schemes

The amounts set out above include remuneration in respect of the highest paid director as follows

	2010 £	2009 £
Emoluments	219,638	174,923
Pension contributions to money purchase pension schemes	-	5,000
	<u>219,638</u>	<u>179,923</u>

Digital Technology International Limited
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

4 Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2010 £	2009 £
Current-year tax charge	<u>-</u>	<u>-</u>

(b) Factors affecting the tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the United Kingdom at 28% (2009 28%)

Loss on ordinary activities before taxation	<u>(1,122,651)</u>	<u>(822,394)</u>
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Loss on ordinary activities by rate of tax	<u>(314,342)</u>	<u>(230,270)</u>
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Effect of

Expenses not deductible for tax purposes	7,041	8,964
Capital allowances for the period in excess of depreciation	(1,797)	1,062
Tax losses arising in the year	309,243	222,775
Other timing differences	(145)	41
Overseas tax expensed	<u>-</u>	<u>(2,572)</u>
	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

No deferred tax credit or asset has been recognised in the financial statements Unprovided deferred tax amounts are disclosed in note 8

Digital Technology International Limited
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2010	137,321	396,607	533,928
Additions	-	1,360	1,360
Disposals	-	(4,628)	(4,628)
At 31 December 2010	<u>137,321</u>	<u>393,339</u>	<u>530,660</u>
Depreciation			
At 1 January 2010	46,546	377,396	423,942
Provided in the year	18,142	15,327	33,469
Disposals	-	(4,628)	(4,628)
At 31 December 2010	<u>64,688</u>	<u>388,095</u>	<u>452,783</u>
Net book amount at 31 December 2010	<u>72,633</u>	<u>5,244</u>	<u>77,877</u>
Net book amount at 31 December 2009	<u>90,775</u>	<u>19,211</u>	<u>109,986</u>

6 Debtors

	2010 £	2009 £
Trade debtors	353,327	763,337
Amounts owed by other group undertakings	2,199,615	1,940,990
Prepayments and accrued income	121,967	136,759
	<u>2,674,909</u>	<u>2,841,086</u>

An amount included in the amounts owed by group undertakings of £1,405,208 (2009 £1,405,208) is due from the company's immediate parent undertaking, Digital Technology International (Holdings) Limited and is repayable on demand

7 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	224,349	65,849
Amounts owed to group undertakings	3,159,388	2,458,572
PAYE and social security	44,773	43,974
VAT	59,499	84,135
Accruals and deferred income	1,250,107	1,111,927
	<u>4,738,116</u>	<u>3,764,457</u>

Digital Technology International Limited
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

8 Deferred taxation

No provision has been made in the financial statements for a potential deferred tax asset and the asset amounts not recognised at the end of the year are as follows

	2010 £	2009 £
Depreciation in excess of capital allowances	18,788	20,502
Tax losses available	1,146,347	837,104
Other timing differences	102	247
	<u>1,165,237</u>	<u>857,853</u>

9 Share capital

	2010 £	2009 £
Authorised 2,000,000 ordinary shares of £0.20 each	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid 1,620,798 ordinary shares of £0.20 each	<u>324,160</u>	<u>324,160</u>

10 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2010	491,837	(1,344,308)
Loss for the year	-	(1,122,651)
At 31 December 2010	<u>491,837</u>	<u>(2,466,959)</u>

11 Reconciliation of movements in shareholders' deficit

	2010 £	2009 £
Loss for the financial year	(1,122,651)	(822,394)
Shareholders' deficit at 1 January 2010	<u>(528,311)</u>	<u>294,083</u>
Shareholders' deficit at 31 December 2010	<u>(1,650,962)</u>	<u>(528,311)</u>

Digital Technology International Limited
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

12 Capital commitments

The company had no capital commitments at 31 December 2010 or 31 December 2009

13 Contingent assets/liabilities

There were no contingent assets or liabilities at 31 December 2010 or 31 December 2009

14 Leasing commitments

Operating lease payments amounting to £159,829 (2009 £126,956) are due within one year. The leases to which these amounts relate expire as follows

	2010		2009	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	18,388	-	21,399
Between one and five years	65,000	76,441	65,000	40,557
	<u>65,000</u>	<u>94,829</u>	<u>65,000</u>	<u>61,956</u>

15 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings

There are no other related party transactions

16 Ultimate parent company

The company is a wholly-owned subsidiary of Digital Technology International (Holdings) Limited, which is not required to prepare consolidated financial statements

The ultimate parent company and controlling party is DTI Holding Company, registered in the state of Delaware, United States of America, which is the largest group into which results of the company are consolidated