Financial Statements
Digital Technology International Ltd

For the year ended 31 December 2011

Registered number: 01876409

Company Information

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

Contents

Directors' Report
For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities and review of business

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

The directors do not recommend the payment of a dividend

Results

The loss for the year, after taxation, amounted to £1,274,980 (2010 - loss £1,122,651)

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 ultimate parent undertaking to enable the Company to meet its liabilities as they fall due During the year the ultimate parent company has re-negotiated its financing as follows

On August 16, 2012 the Company entered into a Waiver, Consent and First Amendment to the Credit Agreement ("First Amendment") with Golub Capital whereby all existing events of default from December 31, 2011 to the date of the First Amendment were waived The Company has agreed to deliver certain specified items to Golub Capital by September 30, 2012 and December 31, 2012

The First Amendment provides for revised financial covenant ratios for the measurement periods ending September 30, 2012 and December 31, 2012 The First Amendment also provides for advances on the revolving line of credit up to a maximum of $1,500,000 plus additional advances in excess of $1,500,000 (up to $3,000,000) subject to a guarantee by Riverside

The Directors are of the opinion that the necessary financing is 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 directors who served during the year were

D A Oldham
P Gillogaley

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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,

Directors' Report

For the year ended 31 December 2011

- 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 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

Principal risks and uncertainties

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 2011 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

Directors' Report
For the year ended 31 December 2011

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

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

Small company provision

This report has been prepared in accordance with the special provisions for small companies under part 15 of the Companies Act 2006

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 21 September 2012 and signed on its behalf

D Oldham
Director

GrantThornton

Independent Auditor's Report to the Members of Digital Technology International Ltd

We have audited the financial statements of Digital Technology International Ltd for the year ended 31 December 2011, 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 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, 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

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board'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 2011 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

Grant Thornton

Independent Auditor's Report to the Members of Digital Technology International Ltd

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

Chartered Accountants
Statutory Auditor

London (Euston)

21 September 2012

Profit and Loss Account

For the year ended 31 December 2011

	Note	**2011** £	2010 £
Turnover	1,2	**1,760,758**	1,909,305
Cost of sales		**(987,140)**	(896,112)
Gross profit		**773,618**	1,013,193
Administrative expenses		**(2,048,195)**	(2,135,894)
Operating loss	3	**(1,274,577)**	(1,122,701)
Interest payable and similar charges		**(403)**	50
Loss on ordinary activities before taxation		**(1,274,980)**	(1,122,651)
Tax on loss on ordinary activities	6	**-**	-
Loss for the financial year	13	**(1,274,980)**	(1,122,651)

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

The notes on pages 8 to 15 form part of these financial statements

Digital Technology International Ltd
Registered number: 01876409

Balance Sheet
As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	7		**54,789**		77,876
Current assets					
Stocks	8	**3,336**		3,336	
Debtors	9	**2,577,387**		2,674,910	
Cash at bank		**87,185**		331,032	
		2,667,908		3,009,278	
Creditors. amounts falling due within one year	10	**(5,648,639)**		(4,738,116)	
Net current liabilities			**(2,980,731)**		(1,728,838)
Total assets less current liabilities			**(2,925,942)**		(1,650,962)
Capital and reserves					
Called up share capital	12		**324,160**		324,160
Share premium account	13		**491,837**		491,837
Profit and loss account	13		**(3,741,939)**		(2,466,959)
Shareholders' deficit	14		**(2,925,942)**		(1,650,962)

These financial statements have been prepared in accordance with the special provision for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Small Entities (effective April 2008)

The financial statements were approved by the directors and authorised for issue on 21 September 2012

D A Oldham
Director

The notes on pages 8 to 15 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2011

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1 2 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 ultimate parent undertaking to enable the Company to meet its liabilities as they fall due During the year the ultimate parent company has re-negotiated its financing as follows

On August 16, 2012 the Company entered into a Waiver, Consent and First Amendment to the Credit Agreement ("First Amendment") with Golub Capital whereby all existing events of default from December 31, 2011 to the date of the First Amendment were waived The Company has agreed to deliver certain specified items to Golub Capital by September 30, 2012 and December 31, 2012

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The Directors are of the opinion that the necessary financing is 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

1 3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

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 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

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Fixtures & fittings	-	15%
Computer equipment	-	25%

1 5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

Notes to the Financial Statements

For the year ended 31 December 2011

1. Accounting Policies (continued)

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2. Turnover

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

3. Operating loss

The operating loss is stated after charging/(crediting)

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**23,087**	33,469
Auditors' remuneration	**27,000**	27,000
Operating lease rentals		
- Other	**89,808**	107,254
- Land and Buildings	**65,000**	65,000
Difference on foreign exchange	**(11,489)**	(28,592)

Notes to the Financial Statements

For the year ended 31 December 2011

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	1,453,431	1,311,476
Social security costs	233,087	188,831
Other pension costs	79,764	68,178
	1,766,282	1,568,485

The average monthly number of employees, including the directors, during the year was as follows

	2011	2010
	No.	No
Sales	5	7
Support	18	17
Administration	3	3
	26	27

5. Directors' remuneration

	2011	2010
	£	£
Emoluments	126,466	219,638

The highest paid director received remuneration of £126,466 (2010 - £219,638)

Notes to the Financial Statements
For the year ended 31 December 2011

6. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%) The differences are explained below

	2011	2010
	£	£
Loss on ordinary activities before tax	(1,274,980)	(1,122,651)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 - 28%)	(337,870)	(314,342)
Effects of:		
Expenses not deductible for tax purposes	5,709	7,041
Capital allowances for year in excess of depreciation	-	(1,797)
Tax losses arising in the year	332,161	309,243
Other timing differences leading to an increase (decrease) in taxation	-	(145)
Current tax charge for the year (see note above)	-	-

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 11

7. Tangible fixed assets

	Fixtures & fittings	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2011 and 31 December 2011	137,321	393,338	530,659
Depreciation			
At 1 January 2011	64,688	388,095	452,783
Charge for the year	17,844	5,243	23,087
At 31 December 2011	82,532	393,338	475,870
Net book value			
At 31 December 2011	54,789	-	54,789
At 31 December 2010	72,633	5,243	77,876

Notes to the Financial Statements
For the year ended 31 December 2011

8. Stocks

	2011	2010
	£	£
Raw materials	**3,336**	3,336

9. Debtors

	2011	2010
	£	£
Trade debtors	**123,475**	353,327
Amounts owed by group undertakings	**2,308,339**	2,199,615
Prepayments and accrued income	**-**	185,745
Prepayments and accrued income	**145,573**	(63,777)
	2,577,387	2,674,910

An amount included in the amounts owed by group undertakings of £1,405,208 (2010 £1,405,208) is due from the company's immediate parent undertaking, Digital Technology International (Holdings) Limited and is repayable on demand

10. Creditors:
Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	**136,517**	224,349
Amounts owed to group undertakings	**4,276,032**	3,159,388
Social security and other taxes (see below)	**103,779**	104,272
Other creditors	**57,670**	27,804
Accruals and deferred income	**1,074,641**	1,222,303
	5,648,639	4,738,116

Social security and other taxes

	2011	2010
	£	£
PAYE/NI control	**39,459**	44,773
VAT control	**64,320**	59,499
	103,779	104,272

Notes to the Financial Statements

For the year ended 31 December 2011

11. 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

	2011	2010
	£	£
Depreciation in excess of capital allowances	**30,409**	18,788
Tax losses available	**1,321,622**	1,146,347
Other timing differences	**-**	102
Total	**1,352,031**	1,165,237

12. Share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
1,620,798 (2010 - 1,620,798) Ordinary Shares shares of £0 20 each	**324,160**	324,160

13. Reserves

	Share premium account	Profit and loss account
	£	£
At 1 January 2011	**491,837**	**(2,466,959)**
Loss for the year		**(1,274,980)**
At 31 December 2011	**491,837**	**(3,741,939)**

14. Reconciliation of movement in shareholders' deficit

	2011	2010
	£	£
Opening shareholders' deficit	**(1,650,962)**	(528,311)
Loss for the year	**(1,274,980)**	(1,122,651)
Closing shareholders' deficit	**(2,925,942)**	(1,650,962)

15. Contingent assets/liabilities

There were no contingent assets or liabilities at 31 December 2011 or 31 December 2010

Notes to the Financial Statements

For the year ended 31 December 2011

16. Capital commitments

The company had no capital commitments at 31 December 2011 or 31 December 2010

17. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	**2011**	2010
	£	£	**£**	£
Expiry date:				
Within 1 year	**-**	-	**6,157**	18,388
Between 2 and 5 years	**65,000**	65,000	**57,599**	76,441

18. Related party transactions

No transactions with related parties were undertaken such as required to be disclosed under Financial Reporting Standards for Smaller Entities (effective April 2008)

19. Ultimate parent undertaking and controlling party

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