DIGITAL TECHNOLOGY INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

For the Year ended
31 DECEMBER 2008

Company no 01876409

DIGITAL TECHNOLOGY INTERNATIONAL LIMITED
FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2008

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

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The directors present their report together with the audited financial statements for the year ended 31 December 2008. These accounts have been prepared in accordance with the special provisions relating to small companies under s246(4) Companies Act 1985.

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 £142,070 (2007: restated loss of £164,055). The directors do not recommend the payment of a dividend.

Prior year adjustment
During the year the Company revised its revenue recognition policy to a percentage of completion method to bring it in-line with the accounting policy adopted by the ultimate parent undertaking. This resulted in a reduction to the prior year loss of £213,247, with tax losses carried forward reduced by the same amount.

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. Since the year end 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. 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.

Directors
The present membership of the Board is set out below.

D A Oldham
G H Walker (resigned 30 October 2009)
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 2008 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which 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 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 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 so 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 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 keeping proper 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 1985. 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.

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 were appointed auditors on 17 November 2008 to fill a casual vacancy in accordance with section 489(3)(c) of the Companies Act 2006.

ON BEHALF OF THE BOARD

P Gillogaley
Director
18 December 2009

Grant Thornton

REPORT OF THE INDEPENDENT AUDITOR 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 2008 which comprise the principal accounting policies, the profit and loss account, the statement of total recognised gains and losses, the balance sheet and notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 auditors' 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 the directors and auditor

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and 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).

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Grant Thornton

REPORT OF THE AUDITOR TO THE MEMBERS OF DIGITAL TECHNOLOGY INTERNATIONAL LIMITED

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 company's affairs as at 31 December 2008 and of its loss for the year 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 for the year ended 31 December 2008.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

LONDON
18 December 2009

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.

Prior year adjustment

During the year the Company revised its revenue recognition policy to a percentage of completion method to bring it in-line with the accounting policy adopted by the ultimate parent undertaking. This resulted in a reduction to the prior year loss of £213,247, with tax losses carried forward reduced by the same amount.

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. Since the year end 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. 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.

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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 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 in the future, 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.

Contributions to pension schemes

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.

For the year ended 31 DECEMBER 2008

	Note	2008 £	Restated 2007 £
Turnover	1	**3,766,862**	4,019,448
Cost of sales		**(1,078,737)**	(1,403,865)
Gross profit		**2,688,125**	2,615,583
Administrative expenses		**(2,768,381)**	(2,776,784)
Operating loss		**(80,256)**	(161,201)
Interest payable and similar charges	2	**5,605**	(2,854)
Loss on ordinary activities before taxation	1	**(74,651)**	(164,055)
Tax on loss on ordinary activities	4	**(67,419)**	-
Loss for the financial year		**(142,070)**	(164,055)

All transactions arise from continuing operations.

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

For the year ended 31 DECEMBER 2008

	Note	2008 £	2007 £
Loss for the financial year		**(142,070)**	(164,055)
Total recognised gains and losses relating to the year		**(142,070)**	(164,055)
Prior year adjustment (see note 10)	10	**213,247**	
Total recognised gains and losses since last annual report		**71,177**	

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

DIGITAL TECHNOLOGY INTERNATIONAL LIMITED
BALANCE SHEET AT 31 DECEMBER 2008
Registered number: 01876409

	Note	2008	Restated 2007
		£	£
Fixed assets			
Tangible assets	5	**136,868**	43,320
Current assets			
Debtors	6	**2,467,595**	2,211,782
Cash at bank and in hand		**308,164**	256,051
		2,775,759	2,467,833
Creditors: amounts falling due within one year	7	**2,618,544**	2,075,000
Net current assets		**157,215**	392,833
Net assets		**294,083**	436,153
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	**(521,914)**	(379,844)
Shareholders' funds	11	**294,083**	436,153

The financial statements were approved by the Board of Directors on 18 December 2009.

P Gillogaley - Director

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

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:

	2008	2007
	£	£
Auditors' remuneration:		
Audit services	**49,290**	43,160
Depreciation:		
Tangible fixed assets owned	**29,981**	23,952
Loss on disposal of fixed assets	**2,355**	2,109
Operating lease rentals:		
Land and Buildings	**69,276**	73,551
Other	**118,184**	131,790
Loss on foreign currency translation (net)	**335,564**	46,021

2 Interest payable and similar charges

	2008	2007
	£	£
Interest (receivable)/payable on bank deposits/borrowing	**(5,605)**	2,854

3 Directors and employees

Staff costs during the year were as follows:

	2008 £	2007 £
Wages and salaries	**1,689,931**	1,555,612
Social security costs	**190,506**	180,715
Other pension costs	**81,905**	79,474
	1,962,342	1,815,801

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

	2008 Number	2007 Number
Sales	**6**	7
Support	**23**	24
Administration	**4**	4
	33	35

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments	**227,424**	207,500
Pension contributions to money purchase pension schemes	**16,439**	15,750
	243,863	223,250

During the year 2 directors (2007: 2) participated in money purchase pension schemes.

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

	2008 £
Emoluments	**115,413**
Pension contributions to money purchase pension schemes	**11,000**
	126,413

4 Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2008 £	Restated 2007 £
Current-year tax charge	**67,419**	-

(b) Factors affecting the tax charge for period

The tax assessed for the period is lower/higher than the standard rate of corporation tax in the United Kingdom at 28.5 % (2007: 30%)

	2008 £	Restated 2007 £
Loss on ordinary activities before taxation	**(74,651)**	(164,055)
Loss on ordinary activities by rate of tax	**(21,276)**	(49,217)
Effect of:		
Expenses not deductible for tax purposes	**13,307**	11,906
Capital allowances for the period in excess of depreciation	**(61)**	(6,384)
Tax losses arising in the year	**8,249**	47,871
Other timing differences	**(219)**	190
Overseas tax expensed	**67,419**	(4,366)
	67,419	-

(c) Factors that may affect future tax charges

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

5 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2008	121,858	441,871	563,729
Additions	115,675	11,550	127,225
Disposals	(100,212)	(34,801)	(135,013)
At 31 December 2008	137,321	418,620	555,941
Depreciation			
At 1 January 2008	116,250	404,159	520,409
Provided in the year	11,172	18,809	29,981
Disposals	(99,315)	(32,002)	(131,317)
At 31 December 2008	28,107	390,966	419,073
Net book amount at 31 December 2008	**109,214**	**27,654**	**136,868**
Net book amount at 31 December 2007	5,608	37,712	43,320

6 Debtors

	2008 £	2007 £
Trade debtors	**581,730**	673,365
Amounts owed by other group undertakings	**1,760,679**	1,414,381
Corporation tax repayable	-	37,803
Prepayments and accrued income	**125,186**	86,233
	2,467,595	2,211,782

Amounts owed by group undertakings of £ 1,388,786 (2007: £1,388,786) are 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

	2008 £	Restated 2007 £
Trade creditors	**59,795**	81,540
Amounts owed to group undertakings	**1,416,477**	933,808
PAYE and social security	**51,075**	46,218
VAT	**77,699**	104,466
Accruals and deferred income	**1,013,498**	908,968
	2,618,544	2,075,000

8 Deferred taxation

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows:

	2008 £	Restated 2007 £
Depreciation in excess of capital allowances	**19,440**	27,638
Tax losses available	**745,298**	591,358
Other timing differences	**206**	178
	764,944	683,148

9 Share capital

	2008 £	2007 £
Authorised		
2,000,000 ordinary shares of £0.02 each	**400,000**	400,000
Allotted, called up and fully paid		
1,630,798 ordinary shares of £1 each	**324,160**	324,160

10 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2008	491,837	(593,091)
Prior year adjustment (as explained below)	-	213,247
At 1 January 2008 (restated)	491,837	(379,844)
Loss for the year	-	(142,070)
At 31 December 2008	**491,837**	**(521,914)**

During the year the Company revised its revenue recognition policy to a percentage of completion method to bring it in-line with the accounting policy adopted by the ultimate parent undertaking. This resulted in a reduction to the prior year loss of £213,247, with tax losses carried forward reduced by the same amount.

11 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Loss for the financial year (restated)	**(142,070)**	(164,055)
Shareholders' funds at 1 January 2008	**436,153**	600,208
Shareholders' funds at 31 December 2008	**294,083**	436,153

12 Capital commitments

The company had no capital commitments at 31 December 2008 or 31 December 2007.

13 Contingent assets/liabilities

There were no contingent assets or liabilities at 31 December 2008 or 31 December 2007.

14 Leasing commitments

Operating lease payments amounting to £142,402 (2007: £127,723) are due within one year. The leases to which these amounts relate expire as follows:

	2008		2007	
	Land and buildings £	**Other** £	Land and buildings £	Other £
In one year or less	-	**23,453**	36,776	12,892
Between one and five years	**65,000**	**53,949**	-	78,055
	65,000	**77,402**	36,776	90,947

15 Related party transactions

During the year the company made the following transactions with other group undertakings:

	2008 Sales £	2008 Purchases £	Amount outstanding 2008 £	Amount outstanding 2007 £
Digital Technology International, LLC	412,753	537,869	(758,076)	(456,723)
Digital Technology International (Holdings) Limited	-	-	1,388,786	1,388,786
Digital Technology International GmbH	33,600	106,011	(652,019)	(475,094)
Digital Technology International AS	-	-	291,382	25,594
Digital Technology International Asia Pacific Pty Ltd	-	-	80,511	-
Publishing Business Systems, Inc	-	91,680	(6,382)	(1,156)
Informatel Services Informatique, Inc	-	-	-	(835)

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.