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Integritie (UK) Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2012

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COMPANIES HOUSE

Integritie (UK) Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Veenswyk
P Lewis
S Nienaltowski

SECRETARY

S Nienaltowski

REGISTERED OFFICE

1000 Lakeside
North Harbour
Western Road
Portsmouth
England
PO6 3EN

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1ED

BANKERS

Lloyds TSB Bank plc
121 High Street
Tonbridge
Kent TN9 1DB

Integritie (UK) Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Integritie (UK) Limited for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The principal activity of the company during the 2012 year was that of an image capture and content cloud services company

REVIEW OF THE BUSINESS

Within 2012 Integritie continued to accelerate revenues and profits, achieved by further divesting from non-strategic commodity sales, refocusing Integritie resources towards repeatable Cloud services and product applications, www.kc-ol.com, enabling lower cost of sales, faster speed to market, and improving profit margins

Within 2012 Integritie invested considerable resources in finalising and rolling out the Integritie image and content cloud brand named Knowledge Capture Online, (KCOL) while also starting development of social media applications, www.smcapture.com, to complement our end to end Cloud service

Integritie enjoyed early success with KCOL, with many customers signing 3 to 7 year Cloud contracts, including both small and blue chip customers. The Integritie Cloud has enabled Integritie to develop a solid long term annuity business, ensuring more stable and predictable cash flow

Integritie will continue to develop Cloud based repeatable products and services, focused predominantly on banking, finance, insurance, government industry applications. Integritie plan to expand the KCOL Cloud service in the North American and European markets over the next 24 months, Integritie has enjoyed early success already, with KCOL customers in the UK, Ireland, and USA. Our 2013 focus also includes developing growth via International Business Partner channels selling KCOL, enabling Integritie to reach a wider global customer base

An additional highlight of 2012 was the Integritie purchase of Oceanus in January 2012, and successfully merging Oceanus into a single Integritie company brand. Oceanus owned complimentary capture and content applications that Integritie have integrated into the KCOL Cloud offering

By reducing the number of products Integritie sell and focusing on our own differentiated KCOL business Integritie has been able to increase the annual Gross Profit margins from circa 46% in 2010, to circa 62% in 2011, and circa 66% Gross Profit in 2012

The Board of Integritie is pleased with the continued and accelerating growth of the business and excited about the opportunities ahead.

DIRECTORS

The directors who served the company during the year were as follows

M Veenswyk
P Lewis
S Nienaltowski

DONATIONS

During the year the company made the following contributions

	2012	2011
	£	£
Charitable donations	<u>16,757</u>	<u>-</u>

Integritie (UK) Limited

DIRECTORS' REPORT

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Registered office
1000 Lakeside
North Harbour
Western Road
Portsmouth
England
PO6 3EN

On behalf of the board


M Veerdswyk
Director

5 April 2013

Integritie (UK) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTEGRITIE (UK) LIMITED

We have audited the financial statements on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 (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 the 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - debt recovery

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 8 to the financial statements concerning the recoverability of a debtor and related income due to the company of £329,124. As explained in note 8 there is uncertainty as to whether this amount will be fully recovered and no provision has been made in the financial statements for any under recovery or associated legal expenses.

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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report.

Baker Tilly UK Audit LLP

GARY PURDY (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent TN11 1ED

8 April 2013

Integritie (UK) Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	<i>Notes</i>	2012 £	2011 £
TURNOVER	1	4,581,099	2,842,807
Cost of sales		1,565,983	1,086,450
GROSS PROFIT		3,015,116	1,756,357
Administrative expenses		2,361,237	1,466,847
OPERATING PROFIT	2	653,879	289,510
Interest receivable		—	402
		653,879	289,912
Interest payable and similar charges		(19,263)	(1,950)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		634,616	287,962
Taxation	4	(149,164)	(70,893)
PROFIT FOR THE FINANCIAL YEAR	15	485,452	217,069

Integritie (UK) Limited
BALANCE SHEET
31 December 2012

	<i>Notes</i>	2012 £	2011 £
FIXED ASSETS			
Intangible assets	5	1,334,908	–
Tangible assets	6	454,671	308,758
Investments	7	1	–
		<u>1,789,580</u>	<u>308,758</u>
CURRENT ASSETS			
Debtors	8	2,484,531	1,126,725
Cash at bank and in hand		8,609	48,006
		<u>2,493,140</u>	<u>1,174,731</u>
CREDITORS			
Amounts falling due within one year	9	2,976,339	997,926
NET CURRENT (LIABILITIES)/ASSETS		<u>(483,199)</u>	<u>176,805</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,306,381</u>	<u>485,563</u>
CREDITORS			
Amounts falling due after more than one year	10	348,111	–
Deferred taxation	11	24,799	37,544
		<u>933,471</u>	<u>448,019</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	933,371	447,919
SHAREHOLDERS' FUNDS		<u>933,471</u>	<u>448,019</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements on pages 6 to 14 were approved by the board of directors and authorised for issue on 5 April 2013, and are signed on their behalf by

... ..
M Veenswyk

Integritie (UK) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

GOING CONCERN

The company has the continued financial support of the directors. Based on this support, the company will have sufficient resources to meet its financial liabilities as they fall due and the directors have therefore prepared the financial statements on the going concern basis.

Should the company be unable to meet its liabilities as they fall due, adjustments would have to be made to the financial statements to reduce the value of assets to their recoverable amount and to provide for any further liabilities which may arise.

CONSOLIDATION

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The financial statements present the results of the parent company only and do not show the results of the group.

TURNOVER

The turnover shown in the profit and loss account represents amounts due in respect of services provided during the year, exclusive of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

GOODWILL

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life of 10 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

AMORTISATION

Amortisation is calculated so as to write off the cost of an intangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	- 10% straight line
Licences	- 3% straight line

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of a tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 25% straight line
Equipment	- 25% straight line
Development of software	- 25% straight line

Integritie (UK) Limited

ACCOUNTING POLICIES

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 the profits on a straight line basis over the period of the lease

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Integritie (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

1 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2012	2011
	£	£
United Kingdom	4,322,694	2,493,145
USA and Caribbean	143,420	223,592
Europe	114,985	126,070
	<u>4,581,099</u>	<u>2,842,807</u>

2 OPERATING PROFIT

Operating profit is stated after charging

	2012	2011
	£	£
Operating lease charge	18,125	—
Amortisation of intangible assets	146,414	—
Depreciation of owned fixed assets	52,086	53,019
Auditor's fees	12,000	14,000
Net loss on foreign currency translation	<u>4,408</u>	<u>9,356</u>

3 DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2012	2011
	£	£
Aggregate remuneration	<u>278,600</u>	<u>262,300</u>

4 TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2012	2011
	£	£
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 24% (2011 - 26%)	161,909	53,589
Over/under provision in prior year	<u>-</u>	<u>(3,287)</u>
Total current tax	161,909	50,302
Deferred tax		
Origination and reversal of timing differences (note 11)		
Capital allowances	(12,745)	20,591
Tax on profit on ordinary activities	<u>149,164</u>	<u>70,893</u>

Integritie (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

5 INTANGIBLE FIXED ASSETS

	Goodwill £	Licence fees £	Total £
Cost			
Additions	1,063,834	417,488	1,481,322
At 31 December 2012	<u>1,063,834</u>	<u>417,488</u>	<u>1,481,322</u>
Amortisation			
Charge for the year	106,383	40,031	146,414
At 31 December 2012	<u>106,383</u>	<u>40,031</u>	<u>146,414</u>
Net book value			
At 31 December 2012	<u>957,451</u>	<u>377,457</u>	<u>1,334,908</u>
At 31 December 2011	<u>—</u>	<u>—</u>	<u>—</u>

The company acquired the trade and certain net liabilities of Oceanus Limited amounting to £369,834 for a consideration of £694,000

CAPITAL COMMITMENTS

On 21 December 2012, the company entered into an Application Specific Licence agreement to purchase the distribution licences for specific programs for the sum of \$760,000 (£470,493) as of 31 December 2012. During the year ended 31 December 2012 \$286,667 (£177,467) has been spent and has been capitalised within intangible assets. The balance of \$473,333 is due to be settled by 21 December 2015.

6 TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Equipment £	Development of software £	Total £
Cost				
At 1 January 2012	19,063	489,751	47,000	555,814
Additions	—	197,999	—	197,999
Disposals	—	—	(17,000)	(17,000)
At 31 December 2012	<u>19,063</u>	<u>687,750</u>	<u>30,000</u>	<u>736,813</u>
Depreciation				
At 1 January 2012	14,638	212,918	19,500	247,056
Charge for the year	3,780	42,681	5,625	52,086
On disposals	—	—	(17,000)	(17,000)
At 31 December 2012	<u>18,418</u>	<u>255,599</u>	<u>8,125</u>	<u>282,142</u>
Net book value				
At 31 December 2012	<u>645</u>	<u>432,151</u>	<u>21,875</u>	<u>454,671</u>
At 31 December 2011	<u>4,425</u>	<u>276,833</u>	<u>27,500</u>	<u>308,758</u>

Integritie (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

7 INVESTMENTS

Investments in subsidiary undertakings

	£
Cost	
Additions	1
At 31 December 2012	<u>1</u>
Net book value	
At 31 December 2012	<u>1</u>
At 31 December 2011	<u>-</u>

The company owns 100% of the issued ordinary share capital of Knowledge Capture Limited. At the period end the following are shown in its financial statements

	Year ended 31 December 12 £
Aggregate capital and reserves	1
Profit for the year	<u>-</u>

8 DEBTORS

	2012 £	2011 £
Trade debtors	1,645,150	652,821
Amounts owed by group undertakings	318,531	247,241
Other debtors	520,850	226,663
	<u>2,484,531</u>	<u>1,126,725</u>

Included in other debtors is an amount due from the Bank of New York Mellon at the end of December 2012 for a total value of £329,124. This relates to a maintenance and support contract which was transferred to Integritie at the time of acquisition of Oceanus. This amount was potentially subject to a legal dispute at the time of the approval of these financial statements. The Directors of Integritie feel fully justified in including the income and related debtor within these financial statements following a full review of the contract by an independent Barrister who feels the case is of considerable merit so as to advise pursuing the debt legally. The company expects to secure legal expenses insurance cover on any costs incurred in defending its position.

9 CREDITORS Amounts falling due within one year

	2012 £	2011 £
Bank overdrafts	-	31,878
Trade creditors	407,030	411,021
Corporation tax	161,909	53,589
Other taxation and social security costs	490,955	144,519
Other creditors	1,916,445	356,919
	<u>2,976,339</u>	<u>997,926</u>

The bank overdraft and other amounts due to Lloyds TSB Bank plc are secured by a charge over fixed and other assets of the Company.

Integritie (UK) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

10 CREDITORS Amounts falling due after more than one year

	2012	2011
	£	£
Other creditors	<u>348,111</u>	<u>—</u>

11 DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2012	2011
	£	£
Provision brought forward	37,544	16,953
Profit and loss account movement arising during the year	(12,745)	20,591
Provision carried forward	<u>24,799</u>	<u>37,544</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2012	2011
	£	£
Excess of taxation allowances over depreciation on fixed assets	24,799	37,544
	<u>24,799</u>	<u>37,544</u>

12 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2012 the company had aggregate annual commitments under non-cancellable operating leases as set out below

	2012	2011
	£	£
Operating leases which expire Within 2 to 5 years	<u>33,504</u>	<u>—</u>

Integritie (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

13 RELATED PARTY TRANSACTIONS

The ultimate parent company is Electronic Archive Solutions Holdings Limited, a company registered in the British Virgin Islands, which owns 80% of the issued share capital of the company (2011 80%).

During the year, the following transactions have taken place with Electronic Archive Solutions Holdings Limited

- Integritie (UK) Limited was due at the balance sheet date £318,531 (2011 £247,241) in terms of loan balances from Electronic Archive Solutions Holdings Limited - Integritie (UK) Limited paid a management charge of £318,996 (2011 £220,200) to Electronic Archive Solutions Holdings Limited during the year

During the year Integritie (UK) Limited acquired the trade and certain assets of Oceanus Limited from Knowledge Capture Limited, a subsidiary company

At the balance sheet date M Veenswyk owed Integritie (UK) Limited £652 (2011 £nil) as a result of overpaid expenses

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

14 SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

15 PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At the beginning of the year	447,919	230,850
Profit for the financial year	<u>485,452</u>	<u>217,069</u>
At the end of the year	<u>933,371</u>	<u>447,919</u>

16 ULTIMATE PARENT COMPANY

During the year under review, the ultimate parent company was Electronic Archive Solutions Holdings Limited, a company registered in the British Virgin Islands, and the ultimate controlling entity is M Veenswyk