

TXT e-Solutions Limited

Report of the Directors and
Financial Statements
for the Year Ended 31 December 2012

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ANDERSON BARROWCLIFF LLP
Chartered Accountants

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for the Year Ended 31 December 2012

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TXT e-Solutions Limited

Company Information
for the Year Ended 31 December 2012

DIRECTORS:

M Guida
P Matarazzo
A Cencini

REGISTERED OFFICE:

Wellington House
Wynyard Avenue
Wynyard
Billingham
TS22 5TB

REGISTERED NUMBER:

04230389 (England and Wales)

AUDITORS:

Anderson Barrowcliff LLP
Statutory Auditors
Chartered Accountants
Waterloo House
Teesdale South
Thornaby Place
Thornaby on Tees
TS17 6SA

Report of the Directors
for the Year Ended 31 December 2012

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the sale of supply chain and related fields of software products

REVIEW OF BUSINESS

During the year the company acquired Maple Lake UK Limited and the trade of that company was transferred into TXT e-Solutions Limited from 1 October 2012

The directors consider that the results for the year and the financial position at the end of the year were satisfactory. The company has made pre tax profits of £997,860 (2011 £413,438) and had net assets of £3,152,490 (2011 £2,407,259)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012

RESEARCH AND DEVELOPMENT

Research and development is a continuous part of the company's operations. During the year the company spent £162,175 on research and development

FUTURE DEVELOPMENTS

The directors are continually exploring new opportunities in respect of new customers, new products and services and new markets

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

M Guida
P Matarazzo
A Cencini

KEY PERFORMANCE INDICATORS

The directors use key performance indicators to assess the development, performance and position of the company. The main indicators used are earnings before interest tax depreciation and amortisation, profit on services, customer retention for on-going maintenance and total revenue

PRINCIPLE RISKS AND UNCERTAINTIES

Although the company would be affected by the loss of a major customer, the directors believe they have taken adequate steps to mitigate this risk

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Report of the Directors
for the Year Ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD.

A handwritten signature in black ink, appearing to read 'P Matarazzo', written in a cursive style.

P Matarazzo - Director

17 April 2013

Report of the Independent Auditors to the Members of
TXT e-Solutions Limited

We have audited the financial statements of TXT e-Solutions Limited for the year ended 31 December 2012 on pages five to fifteen. 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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages two and three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Jerome Bury FCA (Senior Statutory Auditor)
for and on behalf of Anderson Barrowcliff LLP
Statutory Auditors
Chartered Accountants
Waterloo House
Teesdale South
Thornaby Place
Thornaby on Tees
TS17 6SA

17 April 2013

Profit and Loss Account
for the Year Ended 31 December 2012

	Notes	2012 £	£	2011 £	£
TURNOVER			5,078,250		3,349,186
Continuing operations		4,502,007		3,349,186	
Acquisitions		576,243		-	
		<u>5,078,250</u>		<u>3,349,186</u>	
Cost of sales	2		<u>2,379,781</u>		<u>1,700,473</u>
GROSS PROFIT	2		<u>2,698,469</u>		<u>1,648,713</u>
Net operating expenses	2		<u>1,692,767</u>		<u>1,226,504</u>
OPERATING PROFIT	4		<u>1,005,702</u>		<u>422,209</u>
Continuing operations		1,077,309		422,209	
Acquisitions		(71,607)		-	
		<u>1,005,702</u>		<u>422,209</u>	
Interest receivable and similar income			<u>12,666</u>		<u>-</u>
			1,018,368		422,209
Interest payable and similar charges	5		<u>20,508</u>		<u>8,771</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>997,860</u>		<u>413,438</u>
Tax on profit on ordinary activities	6		<u>252,629</u>		<u>88,513</u>
PROFIT FOR THE FINANCIAL YEAR			<u><u>745,231</u></u>		<u><u>324,925</u></u>
TOTAL RECOGNISED GAINS AND LOSSES					
The company has no recognised gains or losses other than the profits for the current year or previous year					

Balance Sheet
31 December 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Intangible assets	7	3,996,522	1,661,196
Tangible assets	8	42,601	4,310
Investments	9	167,125	-
		<u>4,206,248</u>	<u>1,665,506</u>
CURRENT ASSETS			
Debtors	10	2,345,861	1,376,309
Cash at bank		193,097	202,805
		<u>2,538,958</u>	<u>1,579,114</u>
CREDITORS			
Amounts falling due within one year	11	3,592,716	837,361
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,053,758)</u>	<u>741,753</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>3,152,490</u></u>	<u><u>2,407,259</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	2,966,460	2,966,460
Profit and loss account	14	186,030	(559,201)
SHAREHOLDERS' FUNDS	17	<u><u>3,152,490</u></u>	<u><u>2,407,259</u></u>

The financial statements were approved by the Board of Directors on 17 April 2013 and were signed on its behalf by

Piero Matarazzo

P Matarazzo - Director

Notes to the Financial Statements
for the Year Ended 31 December 2012

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the parent company includes the subsidiary in its published financial statements

Turnover

Turnover represents fees (excluding value added tax) derived from the provision of software, installation, maintenance and support of these software products and consultancy services

Revenue arising from the provision of software and related support is recognised when the company becomes contractually entitled to the income according to the terms of the licence agreement. Revenue arising from services such as consultancy and training is recognised as those services are performed. Revenue related to future periods is deferred on the balance sheet.

Goodwill

Goodwill is being amortised evenly over its estimated useful life of ten years.

Software licence

Amortisation is provided on the intangible asset so as to write off the cost or valuation, less any estimated residual value, over its expected useful economic life of five years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Improvements to property	- 33% on cost
Fixtures and fittings	- 33% on cost
Computer equipment	- 33% on cost

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated at the balance sheet date and are expected to reverse in the foreseeable future.

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 transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

2 ANALYSIS OF OPERATIONS

	Continuing £	2012 Acquisitions £	Total £
Cost of sales	<u>2,064,772</u>	<u>315,009</u>	<u>2,379,781</u>
Gross profit	<u>2,437,235</u>	<u>261,234</u>	<u>2,698,469</u>
Net operating expenses			
Distribution costs	775,615	119,097	894,712
Administrative expenses	<u>584,311</u>	<u>213,744</u>	<u>798,055</u>
	<u>1,359,926</u>	<u>332,841</u>	<u>1,692,767</u>
	Continuing £	2011 Acquisitions £	Total £
Cost of sales	<u>1,700,473</u>	<u>-</u>	<u>1,700,473</u>
Gross profit	<u>1,648,713</u>	<u>-</u>	<u>1,648,713</u>
Net operating expenses			
Distribution costs	758,396	-	758,396
Administrative expenses	<u>468,108</u>	<u>-</u>	<u>468,108</u>
	<u>1,226,504</u>	<u>-</u>	<u>1,226,504</u>

3 STAFF COSTS

	2012 £	2011 £
Wages and salaries	1,546,537	1,112,088
Social security costs	192,985	141,758
Other pension costs	<u>50,534</u>	<u>35,985</u>
	<u>1,790,056</u>	<u>1,289,831</u>

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

	2012	2011
Direct staff	14	10
Distribution staff	7	5
Admin staff	<u>5</u>	<u>3</u>
	<u>26</u>	<u>18</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

4 OPERATING PROFIT

The operating profit is stated after charging

	2012	2011
	£	£
Car hire and leasing expenses	59,112	40,310
Other operating leases	58,534	54,055
Depreciation - owned assets	9,900	3,796
Goodwill amortisation	211,152	137,292
Software licence amortisation	401,520	401,520
Auditors remuneration	11,820	9,710
Foreign exchange differences	17,680	6,838
	<u> </u>	<u> </u>
Directors' remuneration	-	-
	<u> </u>	<u> </u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Interco loan interest	20,508	8,771
	<u> </u>	<u> </u>

6 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2012	2011
	£	£
Current tax		
UK corporation tax	174,000	-
Tax re new acquisition	(939)	-
	<u> </u>	<u> </u>
Total current tax	173,061	-
Deferred taxation	79,568	88,513
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	252,629	88,513
	<u> </u>	<u> </u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

6 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>997,860</u>	<u>413,438</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.500% (2011 - 26.500%)	244,476	109,561
Effects of		
Expenses not deductible for tax purposes	19,032	1,167
Depreciation in excess of capital allowances	63,276	53,345
Utilisation of tax losses	(150,334)	(164,073)
Research and development enhanced deduction	(2,450)	-
Tax credit from Maple Lake UK Limited	(939)	-
Current tax charge	<u>173,061</u>	<u>-</u>

Analysis of deferred tax balances

	2012 £	2011 £
Short term timing difference - losses	217,614	169,409
Deferred/(Accelerated) capital allowances	49,903	(1,789)
Effect of discounting	<u>(198,517)</u>	<u>(65,894)</u>
Total asset	<u>69,000</u>	<u>101,726</u>

Analysis of movement in balances

Asset at 31 December 2011	101,726
Acquired from Maple Lake UK Limited	46,842
Released to P&L account	<u>(79,568)</u>
Asset at 31 December 2012	<u>69,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

7 INTANGIBLE FIXED ASSETS

	Goodwill	Software	Totals
	£	licence	£
		£	
COST			
At 1 January 2012	1,372,919	2,007,648	3,380,567
Additions	2,947,998	-	2,947,998
	<hr/>	<hr/>	<hr/>
At 31 December 2012	4,320,917	2,007,648	6,328,565
	<hr/>	<hr/>	<hr/>
AMORTISATION			
At 1 January 2012	514,811	1,204,560	1,719,371
Amortisation for year	211,152	401,520	612,672
	<hr/>	<hr/>	<hr/>
At 31 December 2012	725,963	1,606,080	2,332,043
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 2012	3,594,954	401,568	3,996,522
	<hr/>	<hr/>	<hr/>
At 31 December 2011	858,108	803,088	1,661,196
	<hr/>	<hr/>	<hr/>

8 TANGIBLE FIXED ASSETS

	Improvements	Fixtures	Computer	Totals
	to	and	equipment	£
	property	fittings	£	
	£	£		
COST				
At 1 January 2012	-	2,192	14,306	16,498
Additions	3,131	19,348	25,712	48,191
Disposals	-	(2,192)	(4,981)	(7,173)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	3,131	19,348	35,037	57,516
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2012	-	2,192	9,996	12,188
Charge for year	494	3,097	6,309	9,900
Eliminated on disposal	-	(2,192)	(4,981)	(7,173)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	494	3,097	11,324	14,915
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 2012	2,637	16,251	23,713	42,601
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	-	-	4,310	4,310
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

9 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
Additions	<u>167,125</u>
At 31 December 2012	<u>167,125</u>
NET BOOK VALUE	
At 31 December 2012	<u><u>167,125</u></u>

The company's investments at the balance sheet date in the share capital of companies include the following

TXT Holding Ontario

Country of incorporation Canada

Nature of business Non trading

	%
Class of shares	holding
Ordinary	100 00

TXT Holding Ontario was formed to facilitate the transfer of Maple Lake UK Limited to the ownership of TXT e-Solutions Limited from it's Canadian parent

The company has yet to produce any statutory financial statements

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

9 FIXED ASSET INVESTMENTS - continued

Maple Lake UK Limited

Nature of business Non trading

	%
Class of shares	holding
Ordinary	100 00

On 28 September 2012, TXT e-Solutions Limited acquired 100% of the share capital of Maple Lake UK Limited. It has merged its business activities with TXT e-Solutions Limited. Goodwill was created as the result of the merger and is summarised below. The transaction was accounted for using acquisition accounting. The fair value of the consideration was £3,636,360.

Maple Lake UK Limited earned a profit after taxation of £141,233 in the year ended 30 June 2012. For the period 1 July 2012 to 28 September 2012 (the date of acquisition) the company earned a profit after taxation of £75,065. The summarised profit and loss account for Maple Lake UK Limited for the period 1 July 2012 to the date of acquisition is as follows:

	£
Turnover	<u>594,106</u>
Operating (loss)/profit and (loss)/profit before taxation	<u>(28,618)</u>
Taxation	<u>103,683</u>
Profit for the period 1 July 2012 to acquisition	<u><u>75,065</u></u>

There were no recognised gains and losses in the period 1 July 2012 to the date of acquisition other than the profit of £75,065 above.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the company:

	Book value £	Revaluation adjustments £	Fair value to group £
Tangible fixed assets	43,138		43,138
Debtors	714,077		714,077
Cash	180,672		180,672
Total assets	<u>937,887</u>		<u>937,887</u>
Creditors	<u>(249,525)</u>		<u>(249,525)</u>
Total liabilities	<u>(249,525)</u>		<u>(249,525)</u>
Net assets	<u>688,362</u>		688,362
Goodwill arising on acquisition			<u>2,947,998</u>
			<u><u>3,636,360</u></u>
Discharged by			
Reduction of intercompany debtor - TXT e-Solutions S p A			1,550,000
Intercompany creditor - TXT e-Solutions S p A			2,235,985
Acquisition fees paid by company			17,500
Investment in TXT Holding Ontario Limited			<u>(167,125)</u>
			<u><u>3,636,360</u></u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

10 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade debtors	1,574,481	891,500
Amounts owed by group undertakings	465,579	-
Amounts recoverable on contract	-	228,191
Other debtors	21,162	1,162
Deferred tax asset	69,000	101,726
Prepayments and accrued income	215,639	153,730
	<u>2,345,861</u>	<u>1,376,309</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	63,335	20,935
Amounts owed to group undertakings	2,103,569	191,535
Taxation	174,000	-
Social security and other taxes	91,497	39,980
VAT	156,627	63,423
Accruals and deferred income	1,003,688	521,488
	<u>3,592,716</u>	<u>837,361</u>

12 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	2012	2011	2012	2011
	£	£	£	£
Expiring				
Within one year	4,155	4,155	-	8,532
Between one and five years	47,500	-	43,780	24,117
	<u>51,655</u>	<u>4,155</u>	<u>43,780</u>	<u>32,649</u>

13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2012	2011
Number	Class	Nominal value	£	£
2,000,000	Ordinary £1 (Sterling)	1	2,000,000	2,000,000
1,479,085	Ordinary €1 (Euro)	6534	966,460	966,460
			<u>2,966,460</u>	<u>2,966,460</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

14 RESERVES

	Profit and loss account £
At 1 January 2012	(559,201)
Profit for the year	745,231
	<hr/>
At 31 December 2012	186,030
	<hr/>

15 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £50,534 (2011: £35,985).

There were outstanding contributions of £550 at the end of the financial year (2011: £Nil).

16 ULTIMATE CONTROLLING PARTY

The company's immediate and ultimate parent company is TXT e-Solutions S P A, a company incorporated in Italy.

The consolidated accounts of TXT e-Solutions S P A in which the company's financial statements are included are available from its registered office at the following address: Via Frigia 27-20126 Milan, Italy.

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the financial year	745,231	324,925
	<hr/>	<hr/>
Net addition to shareholders' funds	745,231	324,925
Opening shareholders' funds	2,407,259	2,082,334
	<hr/>	<hr/>
Closing shareholders' funds	3,152,490	2,407,259
	<hr/>	<hr/>