

15/11/03

**REGISTRAR OF
COMPANIES**

Nipson UK Limited

Report and Financial Statements

Year Ended

31 December 2003



BDO

BDO Stoy Hayward
Chartered Accountants

Nipson UK Limited

Annual report and financial statements for the year ended 31 December 2003

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Directors

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Directors

K Lalo
N Shchalca
R Ben-Shaoul

Secretary and registered office

D Van Audenrode, Unit 32, Wilks Avenue, Questor, Dartford, DA1 1JS.

Company number

4344679

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Nipson UK Limited

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activities of the company are the sale and maintenance of high-speed continuous black and white digital printers. The directors are disappointed with the small loss recorded which is down to a very poor market, especially at the beginning of the year, for new equipment sales and an unusually high parts usage for a short period. The second half of the year was much stronger and consumable revenues were growing and continue to do so into 2004. The directors are very optimistic about the outlook for 2004 and, with the benefit of a sound UK economy and the impetus from the all important Drupa industry event in May at which new products will be demonstrated fully expect a return to profit.

Directors

The directors of the company during the year were:

K Lalo
N Shchalca
R Ben-Shaoul

None of the directors has an interest in the shares of the company. Their interests in the shares of the parent company are disclosed in the financial statements of that company.

Directors' responsibilities

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 year. 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; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Nipson UK Limited

Report of the directors for the year ended 31 December 2003 (Continued)

Auditors

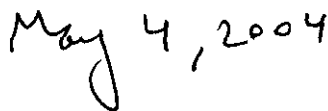
On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board



Director

Date



NIPSON UK LIMITED

Report of the independent auditors

To the shareholders of Nipson UK Limited

We have audited the financial statements of Nipson UK Limited for the year ended 31 December 2003 on pages 5 to 13 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Nipson UK Limited


Report of the independent auditors (*Continued*)

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 16 of the financial statements concerning the uncertainty over the continued support available from the immediate parent company, Nipson SAS. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

4 May 2004

Nipson UK Limited

Profit and loss account for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Turnover	2	2,688,742	1,594,243
Cost of sales		2,358,345	1,181,359
Gross profit		330,397	412,884
Other income		10,282	-
Selling costs		(110,194)	(51,808)
Administrative expenses		(315,765)	(249,333)
(Loss)/profit on ordinary activities before taxation		(85,280)	111,743
Taxation (credit)/charge on (loss)/profit from ordinary activities	6	(25,417)	33,020
(Loss)/profit on ordinary activities after taxation and transferred (from)/to reserves		(59,863)	78,723

All amounts relate to continuing activities.

There are no recognised gains or losses for the year, other than the profit shown above.

The notes on pages 8 to 13 form part of these financial statements.

Nipson UK Limited

Reconciliation of movements in shareholders' funds for the year ended 31 December 2003

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Shareholders' funds at 1 January 2003	78,724	-
(Loss)/profit for the year	(59,863)	78,723
	<hr/>	<hr/>
Shareholders' funds at 31 December 2003	18,861	78,724
	<hr/>	<hr/>

The notes on pages 8 to 13 form part of these financial statements.

Nipson UK Limited

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	7		6,217		10,243
Current assets					
Stocks	8	185,063		178,867	
Debtors	9	465,306		418,594	
Cash at bank and in hand		257,391		158,816	
		<u>907,760</u>		<u>756,277</u>	
Creditors: amounts falling due within one year	10	<u>895,116</u>		<u>687,796</u>	
Net current assets			<u>12,644</u>		<u>68,481</u>
Total assets less current liabilities			<u>18,861</u>		<u>78,724</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account			18,860		78,723
Shareholders' funds - equity			<u>18,861</u>		<u>78,724</u>

The financial statements were approved by the Board on

Ken Rh

Director

May 4, 2004

The notes on pages 8 to 13 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rate:

Fixtures, fittings and equipment	- 33% per annum
Assets held for rental	- over year of lease

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax balances are not discounted.

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the year to the date on which the rent is first expected to be adjusted to the prevailing market rate.

1 Accounting policies (Continued)

Leased assets: lessor

The agreements for the rental of machines to third parties are in the nature of operating leases. The annual rentals are credited to the profit and loss account on a straight line basis over the term of the agreement.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately from those of the company in an independently administered fund.

2 Turnover

5% of the company's turnover is attributable to geographical markets outside the UK (2002 – 12.99%).

3 Employees

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
Staff costs consist of:		
Wages and salaries	645,056	209,637
Social security costs	65,666	24,059
Other pension costs	13,335	4,357
	<u>724,057</u>	<u>238,053</u>
The average number of employees during the year was as follows:		
	Number	Number
Full time	<u>17</u>	<u>18</u>

Nipson UK Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

4 Directors

None of the directors received remuneration from the company in respect of this year (2002 - Nil).

5 Operating profit

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
This has been arrived at after charging:		
Depreciation	4,026	26,994
Hire of plant and machinery - operating leases	-	44,631
Hire of other assets - operating leases	25,000	18,325
Auditors' remuneration	12,500	9,500
	<u> </u>	<u> </u>
and after crediting:		
Operating lease income	26,679	35,883
Profit on sale of fixed assets	-	25,000
	<u> </u>	<u> </u>

6 Taxation on (loss)/profit from ordinary activities

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
UK corporation tax		
Current tax	-	33,020
Adjustment in respect of previous periods	(24,553)	-
	<u> </u>	<u> </u>
Total current tax	(24,553)	33,020
Deferred tax		
Origination and reversal of timing differences – adjustment in respect of previous periods	(864)	-
	<u> </u>	<u> </u>
	(25,417)	33,020
	<u> </u>	<u> </u>

Nipson UK Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

6 Taxation on profit from ordinary activities

The differences of tax assessed for the year in comparison with the standard rate of corporation tax in the UK are explained below:

	Year ended 31 December 2003 £	Period ended 31 December 2002 £
(Loss)/profit on ordinary activities before tax	(85,280)	111,743
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	(25,584)	33,523
Effects of:		
Expenses not deductible for tax purposes	69	1,730
Losses carried back	25,194	-
Depreciation for year in excess of capital allowances	428	5,267
Profit on sale of fixed assets	-	(7,500)
Other short term timing differences	(107)	-
Current tax charge for year	-	33,020

7 Tangible assets

	Fixtures, fittings and equipment £
<i>Cost or valuation</i>	
At 1 January 2003	13,187
Disposal	(780)
At 31 December 2003	12,407
<i>Depreciation</i>	
At 1 January 2003	2,944
Provided for the year	4,026
Disposal	(780)
At 31 December 2003	6,190
<i>Net book value</i>	
At 31 December 2003	6,217
At 31 December 2002	10,243

Nipson UK Limited**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****8 Stocks**

	2003 £	2002 £
Parts and consumables	185,063	178,867

There is no material difference between the replacement cost of stocks and the amounts stated above.

9 Debtors

	2003 £	2002 £
Trade debtors	416,667	396,305
Other debtors	-	1,318
Prepayments and accrued income	47,775	20,971
Deferred tax asset	864	-
	465,306	418,594

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	54,223	31,834
Taxation and social security	152,944	54,959
Corporation tax	8,983	33,020
Owed to parent undertaking	619,270	487,601
Accruals	31,653	29,978
Deferred income	28,043	50,404
	895,116	687,796

Nipson UK Limited

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

11 Share capital

	Authorised		Allotted, called up and fully paid	
	2003 Number	2002 Number	2003 Number	2002 Number
£1 ordinary shares	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	2003	2002	2003	2002
	£	£	£	£
£1 ordinary shares	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

12 Provision for liabilities and charges

	Deferred taxation £
At 1 January 2003	-
Credited to profit and loss account and transferred to debtors	864
	<u>864</u>
At 31 December 2003	<u>864</u>

The deferred taxation asset relates to sundry timing differences.

13 Commitments under operating leases

As at 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2003 £	Land and buildings 2002 £
Operating leases which expire:		
In two to five years	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

14 Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, 'Related Party Transactions', not to disclose any transactions with entities that are included in the consolidated financial statements of Nipson SAS.

15 Ultimate parent company

At 31 December 2003 the company's parent company was Nipson SAS, a company incorporated in France.

The ultimate parent company was Koonras Technologies Limited, a company incorporated in Israel.

16 Going concern

During the year ended 31 December 2003 the company made a loss of £59,863 and at 31 December 2003 had net current assets of £12,644. The financial statements have been prepared on the going concern basis, which may not be appropriate because the company has continued to incur significant losses since the year-end.

The continuation of the company's activities is dependent upon the support of its parent company, Nipson SAS, and the success of management in identifying opportunities which return the company to profitability. The directors consider that the continuing support of the parent company will be available for the foreseeable future although this has not been formally confirmed to the company.

The directors are therefore of the opinion that the financial statements should be prepared on a going concern basis.

Should the company be unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets as current assets.