

Company Registration No. 4344679

Nipson UK Limited

REPORT AND FINANCIAL STATEMENTS

Year ended

31 December 2007

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COMPANIES HOUSE

Nipson UK Limited

DIRECTORS AND OFFICERS

DIRECTORS

K Lalo
R Cahill
R Ben-Shaoul

SECRETARY

Peter Wilcock

REGISTERED OFFICE

Unit 32
Wilks Avenue
Questor
Dartford
DA1 1JS

AUDITORS

RSM Bentley Jennison
45 Moorfields
London
EC2Y 9AE

Nipson UK Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Nipson UK Limited for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the sale and maintenance of high-speed continuous digital printers.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company saw a reduction in turnover of 20% in 2007 to £2,055,000 (2006: £2,580,000). This was due primarily due to a lack of new equipment sales in 2007 (2006: £355,000) following changes in technology. As a consequence recurring revenues also saw a 7.5% fall to £2,055,000 (2006: £2,225,000). However, the company had equipment orders to deliver at the year end.

Total overheads fell by 13% to £328,000 (2006: £379,000) mainly due to lower exhibition costs. An overall loss of £283,000 has been reported (2006: £27,000).

The Nipson group has invested strongly in new technology and has a strong current order pipeline. The forecasts for the company show a strong growth in turnover and a pretax profit of just under £200,000.

DIVIDENDS

The directors do not recommend the payment of a final dividend.

DIRECTORS

The following directors have held office since 1 January 2007:

K Lalo
R Ben-Shaoul
R Cahill

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.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

- So far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware;
- and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

In July 2007 Robson Rhodes left the RSM International Network to become part of Grant Thornton and resigned, creating a casual vacancy which the directors filled by appointing RSM Bentley Jennison. A resolution to reappoint RSM Bentley Jennison as auditors of the company will be proposed at the forthcoming Annual General Meeting.

APPROVAL

The directors have prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The directors report was approved by the Board on 23rd April 2008 and signed on its behalf by :

Robert Cahill
Director
5th May 2008



Nipson UK Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and 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 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 requirements of 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIPSON UK LIMITED for the year ended 31 December 2007

We have audited the financial statements of Nipson UK Limited for the year ended 31 December 2007 set out on pages 5 to 12. These financial statements have been prepared in accordance with 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 directors and auditors

As described in the statement of Directors' responsibilities on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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.

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 2007 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.

RSM Bentley Jennison

RSM Bentley Jennison

Chartered Accountants & Registered Auditors

13/5/2008

45 Moorfields
London
EC2Y 9AE

Nipson UK Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	<i>Notes</i>	2007 £	2006 £
TURNOVER	<i>1</i>	2,055,039	2,579,596
Cost of sales		(2,014,839)	(2,214,276)
Gross profit		<u>40,200</u>	<u>365,320</u>
Selling costs		(174,911)	(231,042)
Administrative expenses		(152,724)	(148,348)
OPERATING LOSS		<u>(287,435)</u>	<u>(14,070)</u>
Interest receivable	<i>2</i>	4,899	3,147
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<i>4</i>	<u>(282,536)</u>	<u>(10,923)</u>
Taxation	<i>5</i>	-	(16,261)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<i>11</i>	<u>(282,536)</u>	<u>(27,184)</u>

The operating loss for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as the company has not recognised such gains and losses other than the results above.

Nipson UK Limited
BALANCE SHEET
31 December 2007

	<i>Notes</i>	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	7,416	15,824
CURRENT ASSETS			
Stocks	7	277,022	255,994
Debtors	8	569,757	706,881
Cash at bank and in hand		108,958	99,204
		<u>955,737</u>	<u>1,062,079</u>
CREDITORS: Amounts falling due within one year	9	(1,244,701)	(1,076,915)
NET CURRENT LIABILITIES		<u>(288,964)</u>	<u>(14,836)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(281,548)</u>	<u>988</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	(281,549)	987
SHAREHOLDERS' FUNDS	12	<u>(281,548)</u>	<u>988</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on the 23 April 2008 and are signed on its behalf by:



Robert Cahill
Director

Nipson UK Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

CASH FLOW STATEMENT

The company is exempt under FRS 1 from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of a company which prepares a consolidated cash flow statement.

TURNOVER

Turnover represents the total value, excluding value added tax, of goods sold and services rendered during the year. In the normal course of business, revenue is generated through the sale of equipment, services and supplies. More specifically revenue related to sales of products and services is recognised as follows:

- **Equipment:** Direct equipment sales are recognised on shipment and transfer of title and when installation and collectability of revenues can reasonably be assured. Sales to distributors are recognised upon shipment or receipt according to the sales terms.
- **Services:** Service revenue is derived primarily from maintenance contracts on equipment sold to customers. Revenue on maintenance contracts is recognised on a straight-line basis over the life of the related contract, and is recorded as service revenues.
- **Supplies:** Supplies revenue generally is recognised upon shipment or utilisation by the customer in accordance with sales terms.

GOING CONCERN

During the year the company made a loss of £282,536 and had a negative balance sheet total of £281,548. The company is dependent on the support of other group companies, and also the group's ultimate controlling party, Polar Communications Limited, to be able to meet its debts as they fall due. At 31 December 2007 inter company loans totalled £1,081,896. The group's cash flow forecast for the 16 month period ending 30 April 2009 indicates that the group will be able to meet its debts as they fall due with the continuing support of Polar Communications Limited and the group's bankers. Polar Communications have confirmed that they will not seek repayment of their loans during that period. The directors therefore believe that the company is a going concern and the accounts are prepared on this basis. The accounts do not include any adjustments which may arise should this support not be given.

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

STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal. Provision is made for obsolete and slow moving items.

LEASED ASSETS AND OBLIGATIONS

All leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

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.

Nipson UK Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

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 Group'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 assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

5 % of the company's turnover is attributable to geographical markets outside the UK (2006: 4%).

2	INTEREST RECEIVABLE	2007 £	2006 £
	Bank interest	4,899	3,147
		<u>4,899</u>	<u>3,147</u>
3	EMPLOYEES	2007 No.	2006 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Sales and maintenance	11	12
	Administration	3	3
		<u>14</u>	<u>15</u>
		2007 £	2006 £
	Staff costs for above persons:		
	Wages and salaries	469,910	484,332
	Social security costs	56,543	61,123
	Other pension costs	16,999	16,245
		<u>543,452</u>	<u>561,700</u>

DIRECTORS

None of the directors received remuneration from the company in respect of the year (2006: £Nil) nor do any directors accrue pension benefits in this company.

Nipson UK Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

4	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2007 £	2006 £
	Profit on ordinary activities before taxation is stated after charging:		
	Depreciation		
	Owned assets	10,423	11,191
	Operating lease rentals:		
	Land and buildings	25,000	25,000
	Other assets	77,750	66,976
	Auditors' remuneration		
	Fees payable to the company's auditor for the audit of the financial statements	10,000	7,750
	Other services relating to taxation	1,500	1,500
		<u> </u>	<u> </u>
5	TAXATION	2007 £	2006 £
	Current tax:		
	UK corporation tax on profits of the period	-	-
	Deferred taxation:		
	Origination and reversal of timing differences	-	16,261
	Tax on profit on ordinary activities	<u>-</u>	<u>16,261</u>
	Factors affecting tax charge for period:	2007 £	2006 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit/(loss) on ordinary activities before tax	(282,536)	(10,923)
	Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2005: 30%)	(84,761)	(3,277)
	Effects of:		
	Expenses not deductible for tax purposes	3,624	175
	Losses carried back	-	1,070
	Depreciation for year in excess of capital allowances	1,247	1,080
	Other short term timing differences	-	952
	Losses to carry forward	79,890	-
	Tax charge for period	<u>-</u>	<u>-</u>

The company has losses of approximately £295,000 (2006 - £29,000) available to carry forward to utilise against future trading profits.

Nipson UK Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

6 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £
Cost or valuation:	
At 1 January 2007	47,393
Additions	2,015
At 31 December 2007	<u>49,408</u>
Depreciation:	
At 1 January 2007	31,569
Provided in the year	10,423
At 31 December 2007	<u>41,992</u>
Net book value:	
At 31 December 2007	<u>7,416</u>
At 31 December 2006	<u>15,824</u>

7 STOCKS	2007 £	2006 £
Parts and consumables	277,022	255,994
	<u>277,022</u>	<u>255,994</u>

8 DEBTORS	2007 £	2006 £
Trade debtors	422,757	516,311
Other debtors	104,750	104,750
Prepayments and accrued income	39,250	85,820
	<u>569,757</u>	<u>706,881</u>

Nipson UK Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

9	CREDITORS: Amounts falling due within one year	2007 £	2006 £
	Trade creditors	26,175	16,462
	Taxation and social security	77,410	93,012
	Corporation tax	-	36
	Owed to parent undertaking	704,276	547,350
	Due to related undertaking	377,620	349,697
	Accruals and deferred income	47,220	58,358
	Provision for loss making contracts	12,000	12,000
		<u>1,244,701</u>	<u>1,076,915</u>
10	SHARE CAPITAL	2007 £	2006 £
	Authorised:		
	1 Ordinary share of £1	<u>1</u>	<u>1</u>
	Allotted, issued and fully paid:		
	1 Ordinary share of £1	<u>1</u>	<u>1</u>
11	PROFIT AND LOSS ACCOUNT	2007 £	2006 £
	At 1 January 2007	987	28,171
	Profit/(loss) for the financial year	(282,536)	(27,184)
	At 31 December 2007	<u>(281,549)</u>	<u>987</u>
12	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS	2007 £	2006 £
	Profit/(loss) for the financial year	(282,536)	(27,184)
	Net addition/(reduction) to shareholders funds	(282,536)	(27,184)
	Opening shareholders funds	<u>988</u>	<u>28,172</u>
	Closing shareholders funds	<u>(281,548)</u>	<u>988</u>

Nipson UK Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

13 COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2007, the company had annual commitments under non-cancellable operating leases as set out below:

	2007 £	2006 £
Operating leases as follows:		
Plant and machinery		
expiring within 1 year		52,429
expiring between 2 and 5 years	34,213	9,906
	<u>34,213</u>	<u>62,335</u>
Land and buildings		
expiring within 1 year	-	18,750
expiring between 2 and 5 years	-	-
	<u>-</u>	<u>-</u>

14 PENSION COSTS

The company operates a defined contribution scheme. The pension cost for the year was £16,999 (2006 - £16,345). At the year end there were outstanding contributions due to the scheme of £5,256 (2006 - £2,662).

15 RELATED PARTY TRANSACTIONS

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

16 ULTIMATE PARENT COMPANY

At 31 December 2007 the company's immediate parent company was Nipson SAS, a company incorporated in France.

The smallest group for which consolidated financial statements are drawn up is Nipson Digital Printing Systems PLC which can be obtained from their company secretary:

Gravitas Company Secretarial Services Limited
110 Canon Street
London
EC4N 6AR

The ultimate parent undertaking is Polar Communications Limited, a company incorporated and registered in Israel, which is the largest group for which consolidated financial statements are drawn up and which can be obtained from 21 Ha'arba'ah Street
Tel Aviv
Israel

Nipson UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	2007 £	2006 £
TURNOVER	2,055,039	2,579,596
COST OF SALES		
Maintenance	(1,635,093)	(1,403,911)
Consumables	(359,926)	(528,514)
Equipment	(8,841)	(278,787)
Other	(10,979)	(3,064)
	<u>(2,014,839)</u>	<u>(2,214,276)</u>
GROSS PROFIT	40,200	265,320
OTHER INCOME	-	-
SELLING COSTS	(174,911)	(231,042)
ADMINISTRATIVE EXPENSES	(152,724)	(148,348)
OPERATING LOSS	(287,435)	(14,070)
Interest receivable	4,899	3,147
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(282,536)</u>	<u>(10,923)</u>

This page does not form part of the financial statements.

Nipson UK Limited

DETAILED TRADING PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	2007 £	2006 £
ADMINISTRATIVE EXPENSES		
Wages and salaries	28,050	30,162
Subcontractors costs	2,713	9,123
Employers NI	2,990	2,825
Pension contributions	-	175
Other staff costs	492	2,624
Rent and rates	37,585	39,226
Training	-	2,895
Insurance	13,675	8,659
Light and heat	3,351	865
Repairs and maintenance	1,636	493
PPAs	2,999	3,824
Telephone	3,981	7,174
Computer expenses	5,593	1,633
Motor expenses	-	21
Travel and subsistence	295	552
Legal and professional	552	1,055
Subscriptions	918	830
Audit and accountancy	11,029	9,250
Bank charges	2,878	2,295
Sundry expenses	4,248	4,008
Bad debts	21,000	7,543
Depreciation	8,323	9,092
Foreign exchange loss	416	4,024
	<u>152,724</u>	<u>148,348</u>

This page does not form part of the financial statements.