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**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004  
FOR  
DOCUMENT OUTSOURCING LIMITED**



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FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004

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**DOCUMENT OUTSOURCING LIMITED**

**COMPANY INFORMATION**

**FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004**

**DIRECTORS:**

G Crawley  
W Fraser  
G Scott  
E Bell

**SECRETARY:**

Quill Serve Limited

**REGISTERED OFFICE:**

Caird Centre  
Caird Park  
Hamilton  
ML3 0EU

**REGISTERED NUMBER:**

SC 254626

**AUDITORS:**

LWC Audit Limited  
150 West George Street  
Glasgow  
G2 2HG

**BANKERS:**

Bank of Scotland  
9 Brandon Street  
Hamilton  
ML3 6BZ

## DOCUMENT OUTSOURCING LIMITED

### REPORT OF THE DIRECTORS FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004

The directors present their report with the financial statements of the company and the group for the period 22 August 2003 to 31 March 2004.

#### INCORPORATION

The group was incorporated on 22 August 2003 and passed a special resolution on 25 November 2003 changing its name from Quilco 151 Limited to Document Outsourcing Limited.

#### PRINCIPAL ACTIVITY

The principal activity of the group in the period under review was that of a holding company. On 5 February 2004, the company acquired 100% of the share capital of Stortext UK Limited, and commenced trading with effect from that date.

#### DIRECTORS

The directors during the period under review were:

E Bell	- appointed 15/1/04
	- resigned 12/11/04
G Crawley	- appointed 5/2/04
W Fraser	- appointed 5/2/04
G Scott	- appointed 5/2/04
Quill Serve Limited	- appointed 22/8/03
	- resigned 15/1/04

The beneficial interests of the directors holding office on 31 March 2004 in the issued share capital of the company were as follows:

#### A Ordinary shares £0.50 shares

No director had any beneficial interest in the 'A' Ordinary £0.50 shares of the company at 31/03/04 or at the date of appointment.

#### B Ordinary shares £0.50 shares

E Bell	26,000	-
G Crawley	11,000	-
W Fraser	11,000	-
G Scott	-	-

#### STATEMENT OF 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 the group and of the profit or loss of the group 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;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS


The auditors, LWC Audit Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**DOCUMENT OUTSOURCING LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004**

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'W Fraser', is written over a horizontal dotted line.

W Fraser - Director

Date: 22 December 2004



LWC Audit Limited  
150 West George Street Glasgow G2 2HG  
Tel. 0141 352 2320 Fax. 0141 352 2321  
E-mail info@lwc.co.uk

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DOCUMENT OUTSOURCING LIMITED**

We have audited the financial statements of Document Outsourcing Limited for the period ended 31 March 2004 on pages five to fourteen. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and 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 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 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 on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors 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 Report of the Directors 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2004 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*LWC Audit Limited*

LWC Audit Limited  
150 West George Street  
Glasgow  
G2 2HG

Date: 22 December 2004

**DOCUMENT OUTSOURCING LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004**

	Notes	£
<b>TURNOVER</b>		438,018
Cost of sales		<u>232,273</u>
<b>GROSS PROFIT</b>		205,745
Administrative expenses		<u>162,394</u>
<b>OPERATING PROFIT</b>	3	43,351
Interest receivable and similar income		<u>160</u>
		43,511
Interest payable and similar charges		<u>8,084</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		35,427
Tax on profit on ordinary activities	4	<u>-</u>
<b>PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		<u>35,427</u>
<b>RETAINED PROFIT FOR THE PERIOD FOR THE GROUP</b>		<u>35,427</u>

The notes form part of these financial statements

DOCUMENT OUTSOURCING LIMITED

CONSOLIDATED BALANCE SHEET  
31 MARCH 2004

	Notes	£	£
<b>FIXED ASSETS</b>			
Intangible assets	6		2,005,877
Tangible assets	7		<u>63,699</u>
			2,069,576
<b>CURRENT ASSETS</b>			
Stocks		30,850	
Debtors	9	<u>652,861</u>	
		683,711	
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>1,062,636</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(378,925)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,690,651
<b>CREDITORS</b>			
Amounts falling due after more than one year	11		<u>805,224</u>
			<u>885,427</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13		50,000
Share premium	14		218,375
Merger reserve	14		581,625
Profit and loss account	14		<u>35,427</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>885,427</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:



G Crawley - Director

Approved by the Board on 22 December 2004

The notes form part of these financial statements



**DOCUMENT OUTSOURCING LIMITED**

**COMPANY BALANCE SHEET  
31 MARCH 2004**

	Notes	£	£
<b>FIXED ASSETS</b>			
Intangible assets	6		-
Tangible assets	7		-
Investments	8		<u>1,493,252</u>
			1,493,252
<b>CURRENT ASSETS</b>			
Debtors	9	20,676	
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>463,431</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(442,755)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,050,497
<b>CREDITORS</b>			
Amounts falling due after more than one year	11		<u>788,000</u>
			<u>262,497</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13		50,000
Share premium	14		218,375
Profit and loss account	14		<u>(5,878)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>262,497</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**ON BEHALF OF THE BOARD:**



G Crawley - Director

Approved by the Board on 22 December 2004

The notes form part of these financial statements

## DOCUMENT OUTSOURCING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004

#### 1. ACCOUNTING POLICIES

##### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

##### Basis of consolidation

The financial statements consolidate the results of Document Outsourcing Limited and its subsidiary from the date of acquisition up to 31 March 2004.

##### Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

##### Goodwill

Goodwill, being the excess of the value of the underlying assets of the subsidiary undertaking over the cost acquired, has been capitalised on the balance sheet in accordance with Financial Reporting Standard 10 (Goodwill and Intangible Assets) and is amortised over its estimated useful life of 10 years.

##### Investments

Investments are stated at cost less any provisions for impairment.

##### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 10% - 20% on cost
Computer equipment	- 33% on cost

##### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

##### Deferred tax

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

##### Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

*Rentals paid under operating leases are charged to the profit and loss account as incurred.*

##### Pensions

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

#### 2. STAFF COSTS

Wages and salaries

£  
123,282

The average monthly number of employees during the period was as follows:

34

Pensions paid during the period totalled £296. Of this sum, £246 was in respect of the only director in the scheme.

**DOCUMENT OUTSOURCING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004**

**3. OPERATING PROFIT**

The operating profit is stated after charging:

	£
Depreciation - owned assets	7,945
Depreciation - assets on finance leases	332
Goodwill amortisation	33,998
Auditors remuneration	<u>7,000</u>
Directors' emoluments	<u>194,998</u>

**4. TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the period.

**5. LOSS OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial period was £(5,878).

**6. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill</b>
	£
<b>COST</b>	
Additions	<u>2,039,875</u>
At 31 March 2004	<u>2,039,875</u>
<b>AMORTISATION</b>	
Charge for period	<u>33,998</u>
At 31 March 2004	<u>33,998</u>
<b>NET BOOK VALUE</b>	
At 31 March 2004	<u>2,005,877</u>

**DOCUMENT OUTSOURCING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004**

**7. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Plant and machinery £</b>	<b>Computer equipment £</b>	<b>Totals £</b>
<b>COST</b>			
On acquisition of subsidiary	91,185	193,250	284,435
Additions	<u>7,447</u>	<u>2,857</u>	<u>10,304</u>
At 31 March 2004	<u>98,632</u>	<u>196,107</u>	<u>294,739</u>
<b>DEPRECIATION</b>			
On acquisition of subsidiary	60,248	162,525	222,773
Charge for period	<u>3,301</u>	<u>4,966</u>	<u>8,267</u>
At 31 March 2004	<u>63,549</u>	<u>167,491</u>	<u>231,040</u>
<b>NET BOOK VALUE</b>			
At 31 March 2004	<u>35,083</u>	<u>28,616</u>	<u>63,699</u>

The net book value of tangible fixed assets includes £1,449 in respect of assets held under finance leases.

**8. FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Shares in group undertakings £</b>
<b>COST</b>	
Additions	<u>1,493,252</u>
At 31 March 2004	<u>1,493,252</u>
<b>NET BOOK VALUE</b>	
At 31 March 2004	<u>1,493,252</u>

DOCUMENT OUTSOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004

8. FIXED ASSET INVESTMENTS - continued

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

**Subsidiary**

**Stortext UK Limited**

Nature of business: Imaging services

Class of shares:	%
Ordinary	holding 100.00

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Company £
Trade debtors	593,606	-
Other debtors	<u>59,255</u>	<u>20,676</u>
	<u>652,861</u>	<u>20,676</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Company £
Bank loans and overdrafts	255,035	197,000
Finance leases	1,099	-
Trade creditors	349,668	137,680
Amounts owed to group undertaking	-	128,751
Taxation and social security	98,080	-
Other creditors	<u>358,754</u>	<u>-</u>
	<u>1,062,636</u>	<u>463,431</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £	Company £
Bank loans	803,417	788,000
Finance leases	<u>1,807</u>	<u>-</u>
	<u>805,224</u>	<u>788,000</u>

**DOCUMENT OUTSOURCING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004**

**12. SECURED DEBTS**

The following secured debts are included within creditors:

	Group £
Bank overdraft	8,035
Bank loans	1,050,417
Finance leases	<u>2,906</u>
	<u>1,061,358</u>

The bank loan of £1m (of which £800,000 is due after more than one year), is secured by bond and floating charge over the assets of the group, is repayable by quarterly instalments of £50,000, and bears interest at 3% over base rate. Costs of £15,000 have been set against this particular loan.

The bank loan of £65,416 (of which £15,416 is due after more than one year), is secured by a guarantee from Department of Trade and Industry in respect of 85% of the outstanding balance, and bears interest at 2% over base rate. Costs of £15,000 have been set against

Amounts due under finance leases are secured on the assets to which they relate, and are wholly repayable within five years.

**13. CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	£
49,000	A Ordinary shares	£0.50	24,500
51,000	B Ordinary shares	£0.50	<u>25,500</u>
			<u>50,000</u>

The following fully paid shares were allotted during the period at a premium as shown below:

13,000 A Ordinary shares of £0.50 each at £15.40 per share on cash basis.

36,000 A Ordinary shares of £0.50 each at £16.67 per share in exchange for shares in Stortext UK Limited.

51,000 B Ordinary shares of £0.50 each at £0.98 per share on a cash basis.

## DOCUMENT OUTSOURCING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004

## 14. RESERVES

## Group

	Profit and loss account £	Share premium £	Merger reserves £	Totals £
Retained profit for the period	35,427	-	-	35,427
Cash share issue	-	218,375	-	218,375
Arising on the acquisition of subsidiary	-	-	581,625	581,625
At 31 March 2004	<u>35,427</u>	<u>218,375</u>	<u>581,625</u>	<u>835,427</u>

## Company

	Profit and loss account £	Share premium £	Totals £
Deficit for the period	(5,878)	-	(5,878)
Cash share issue	-	218,375	218,375
At 31 March 2004	<u>(5,878)</u>	<u>218,375</u>	<u>212,497</u>

# DOCUMENT OUTSOURCING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 22 AUGUST 2003 TO 31 MARCH 2004

### 15. ACQUISITIONS AND GOODWILL

On 5 February 2004, 100% of the issued share capital of Stortext UK Limited was acquired by Document Outsourcing Limited. The amount of goodwill arising as a result of the acquisition is £2,039,875.

No adjustments were required to account for differences between the book value of assets and liabilities acquired and their fair value to the group.

Net assets acquired

	£
Tangible fixed assets	68,998
Stock	44,124
Debtors	751,397
Cash	15,813
Creditors	<u>(845,330)</u>
	35,002
Goodwill	<u>2,039,875</u>
	<u>2,074,877</u>

Satisfied by

Cash	1,250,000
Shares allotted	600,000
Deal costs	<u>224,877</u>
	<u>2,074,877</u>

The profit/(loss) after taxation of Stortext UK Limited prior to the acquisition by Document Outsourcing Limited was as follows:

	£
Period from 1 April 2003 to 5 February 2004	405,937
Period from 1 April 2002 to 31 March 2003	(185,579)

The summarised profit and loss account for subsidiary undertaking Stortext UK Limited for the period from 1 April 2003 to the date of acquisition was as follows:

	£
Turnover	1,815,642
Operating profit	173,177
Profit before taxation	405,937
Profit after taxation	405,937