

Data-Label Limited

Report and Accounts

3 October 1998



Data-Label Limited

REGISTERED NO. 912556

DIRECTORS

M J Smith
D J Holt
D S Tonner
D N Day
R H Merrick

SECRETARY

E J Richards

AUDITORS

Ernst & Young
Cambridge House
26 Tombland
Norwich
NR3 1RH

BANKERS

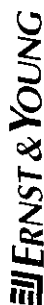
Barclays Bank PLC
10 Market Place
Macclesfield
Cheshire SK10 1HA

SOLICITORS

Addleshaw Booth & Co
100 Barbirolli Square
Manchester
M2 3AB

REGISTERED OFFICE

Silk House
Park Green
Macclesfield
Cheshire SK11 7NU

 ERNST & YOUNG

Data-Label Limited

DIRECTORS REPORT

The directors submit their report and accounts for the year ended 3 October 1998

RESULTS AND DIVIDENDS

The loss after taxation for the year amounted to £107,538 (1997 - £125,150). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the purchase and sale of self-adhesive labels and thermal transfer printers and accessories.

DIRECTORS AND THEIR INTERESTS

The directors during the year were:

M J Smith

D J Holt

B Holt (resigned 11 February 1998)

R G Vaughan (resigned 5 May 1999)

D S Tonner (appointed 4 December 1997)

D N Day (appointed 4 December 1997)

R H Merrick (appointed 5 May 1999)

The shareholdings of M J Smith and D J Holt, are set out in the accounts of the ultimate parent undertaking, API Group plc. The shareholdings of R G Vaughan who is also a director of the parent undertaking, Tenza Limited, are disclosed in the accounts of that company.

No director had any beneficial interest in any share of the company or any other group company except as shown above.

INTRODUCTION OF THE EURO

The directors are of the opinion the introduction of the Euro will not have a material effect on the financial statements of the company.

DIRECTORS REPORT

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The directors are fully aware of the Year 2000 issues and have taken steps to address them. A comprehensive programme is in place to check, and correct where necessary, internal systems. In addition, the programme is confirming with advisers and key suppliers that they have formulated appropriate strategies.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that they will achieve an acceptable state of readiness and have also provided resources to deal promptly with significant subsequent failures or issues that might arise.


SUPPLIERS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then normally made in line with those terms, subject to the suppliers' own adherence to the agreed terms and conditions.

AUDITORS

Ernst & Young are the appointed auditors of the company. On 31 January 1997 the company passed an Elective Resolution dispensing with the obligation to appoint auditors annually. The auditors will therefore continue in office.

By order of the board


E J Richards
Company Secretary

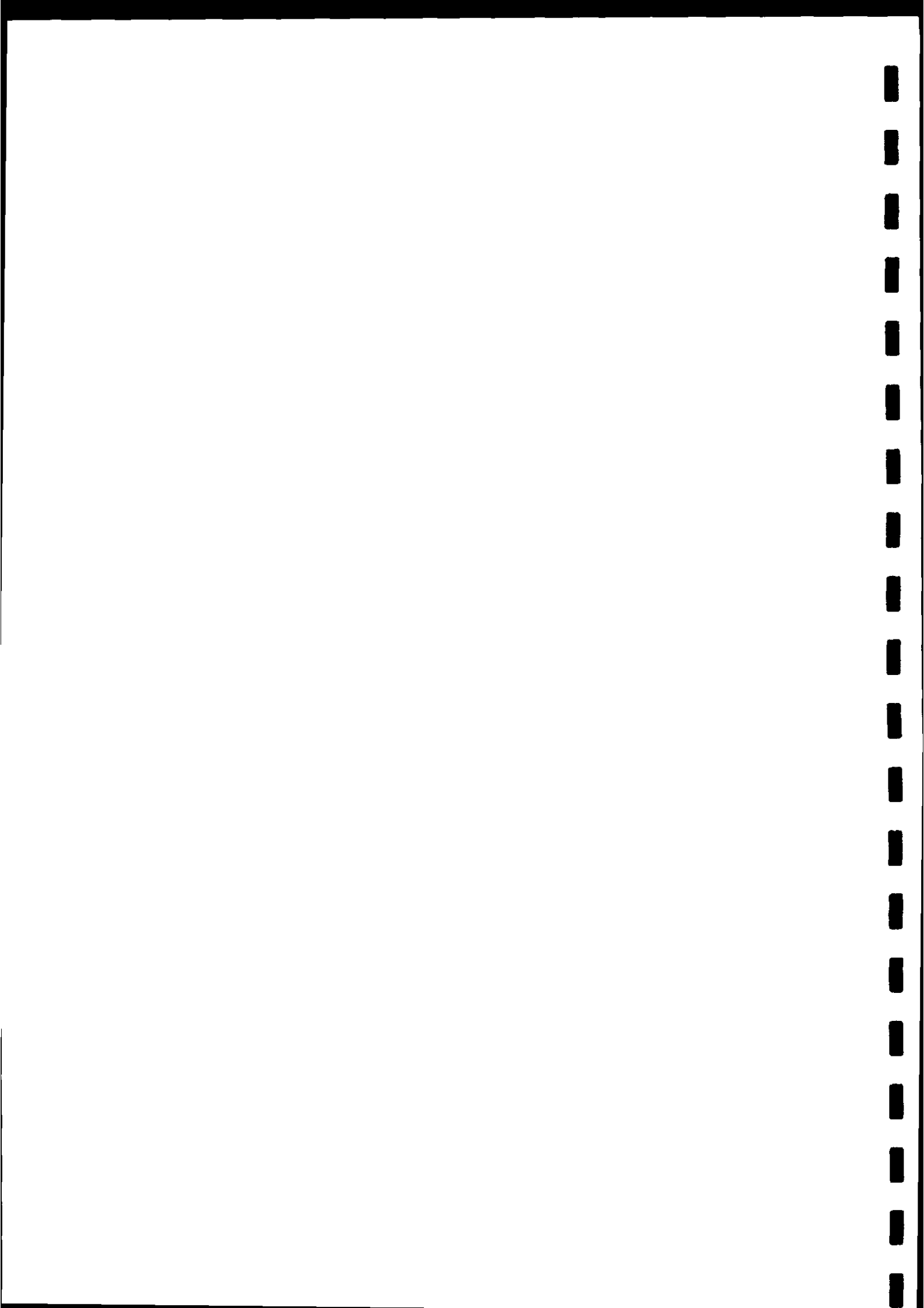
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STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.



REPORT OF THE AUDITORS
to the members of Data-Label Limited

We have audited the accounts on pages 7 to 17, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

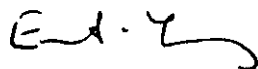
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 3 October 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Norwich

22 June 1999

Data-Label Limited

PROFIT AND LOSS ACCOUNT

for the year ended 3 October 1998

	Notes	1998 £	1997 £
TURNOVER	2	2,298,998	3,352,575
Operating costs (including exceptional item of £217,786, 1997: £nil)	3	(2,449,763)	(3,350,601)
OPERATING (LOSS)/ PROFIT	3	(150,765)	1,974
Interest receivable	7	4,465	25,733
Interest payable	8	(23)	(207,688)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(146,323)	(179,981)
Tax on profit on ordinary activities	9	38,785	54,831
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(107,538)	(125,150)
Dividends		-	-
LOSS FOR THE FINANCIAL PERIOD		(107,538)	(125,150)

NOTE OF HISTORICAL COST PROFIT AND LOSSES

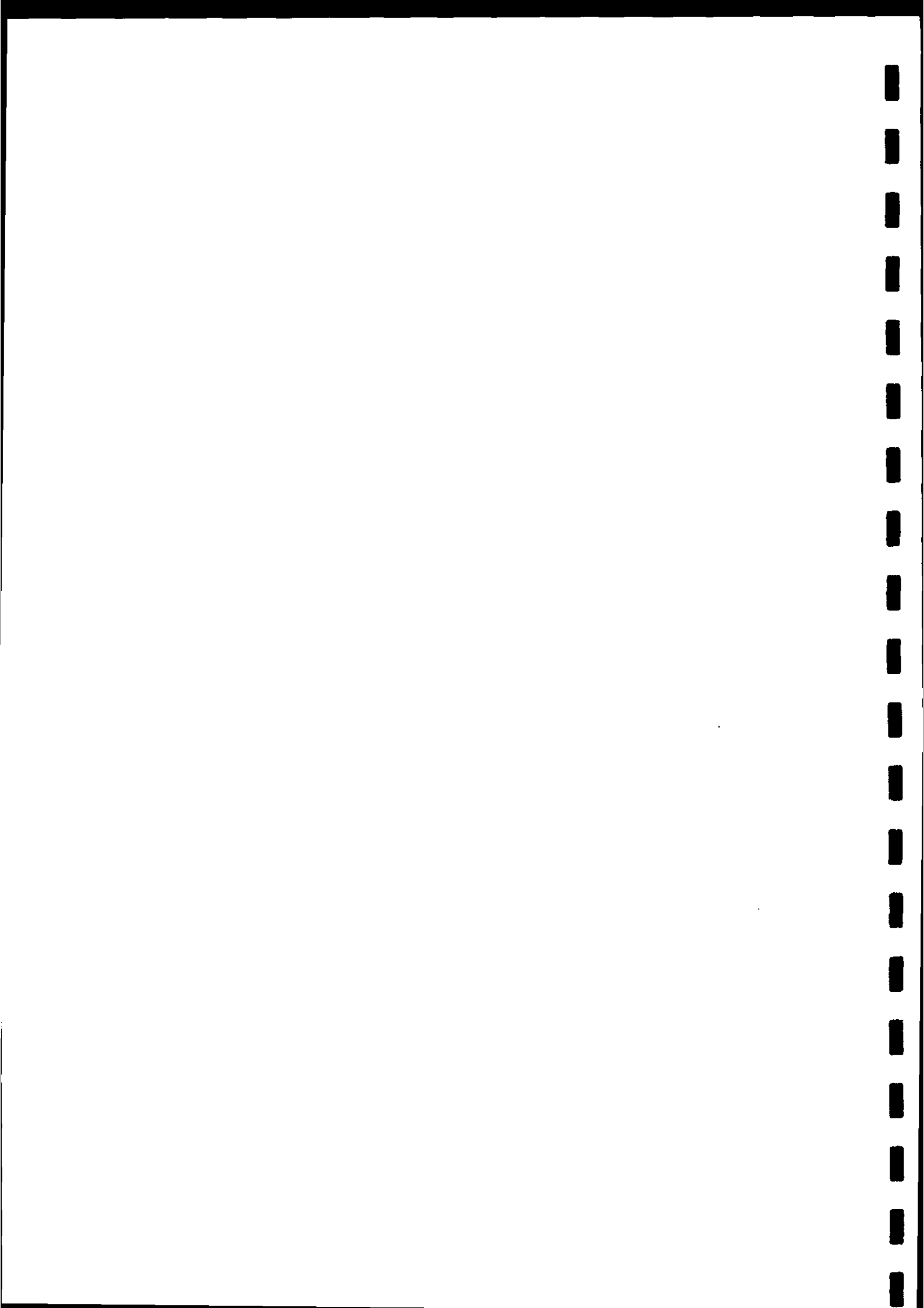
for the year ended 3 October 1998

	1998 £	1997 £
Reported loss on ordinary activities before taxation	(146,323)	(179,981)
Realisation of property revaluation gains of previous years	11,044	-
Historical cost loss on activities before taxation	(135,279)	(179,981)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 3 October 1998

There were no recognised gains or losses in the company for the year ended 3 October 1998 other than the loss of £107,538 (1997: loss of £125,150).



Data-Label Limited

BALANCE SHEET as at 3 October 1998

	Notes	1998 £	1997 (restated) £
FIXED ASSETS			
Tangible assets	10	157,370	148,706
CURRENT ASSETS			
Stocks	11	119,472	129,080
Debtors	12	562,200	477,691
Cash at bank and in hand		37,463	157,778
		719,135	764,549
CREDITORS: amounts falling due within one year	13	(372,305)	(307,411)
NET CURRENT ASSETS		346,830	457,138
TOTAL ASSETS LESS CURRENT LIABILITIES		504,200	605,844
Creditors: amounts falling due after more than one year	14	(5,894)	-
		498,306	605,844
CAPITAL AND RESERVES			
Called up share capital	15	2,214	2,214
Revaluation reserve	16	-	11,044
Profit and loss account	16	496,092	592,586
SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY INTEREST		498,306	605,844



Director

14.10.98

NOTES TO THE ACCOUNTS

at 3 October 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historic cost convention modified to include the revaluation of freehold land and buildings and are prepared in accordance with applicable accounting standards.

Leased assets

Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Depreciation

Freehold land is not depreciated. Depreciation on assets is calculated to write off the cost or valuation on a straight line basis over the estimated useful lives, at the following rates:

Freehold buildings	-	25 years
Plant and equipment	-	4-15 years
Motor vehicles	-	4-5 years

Stocks

Stocks are stated at the lower of cost, on a first in first out basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of production overheads.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

Pensions

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to members are evenly matched, so far as possible, to the service lives of the members concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension fund is allocated over the average remaining service lives of current members (on a group basis).

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or at contract forward rates, where appropriate. All differences are taken to the profit and loss account.

Data-Label Limited

NOTES TO THE ACCOUNTS

at 3 October 1998

2. TURNOVER

Turnover comprises the invoiced value of goods and services supplied by the company exclusive of VAT. Turnover is attributable to the continuing activities of the production and sale of self-adhesive labels and the purchase and sale of thermal transfer printers and accessories respectively.

An analysis of turnover by geographical market is given below:

	1998 £	1997 £
United Kingdom	2,245,963	3,268,771
Europe	23,373	65,417
Africa	1,798	—
	<u>2,271,134</u>	<u>3,334,188</u>
Group companies	27,864	18,387
	<u>2,298,998</u>	<u>3,352,575</u>

3. OPERATING COSTS

	1998 £	1997 £
Changes in stocks of work in progress and finished goods	(19,206)	(4,177)
Raw materials and consumables	1,663,775	2,478,294
Staff costs	321,178	482,205
Depreciation	40,180	35,697
Other operating charges	226,050	358,582
Restructuring costs (note 4)	217,786	—
	<u>2,449,763</u>	<u>3,350,601</u>
Operating (loss)/ profit is stated after charging:		
Auditors' remuneration - audit services	10,000	11,710
- non audit services	4,911	—
Operating leases - plant and machinery	35,463	29,269
Compensation re loss of office	46,870	—
	<u>67,514</u>	<u>—</u>

4. EXCEPTIONAL ITEMS

The costs incurred during the process of restructuring the business, resulting from the combining of the Labelworld Limited operations into the company are as follows:

	1998 £	1997 £
Profit on disposal of fixed asset	(20,000)	—
Restructuring	237,786	—
	<u>217,786</u>	<u>—</u>
Taxation credit/(charge)	67,514	—
	<u>67,514</u>	<u>—</u>

Data-Label Limited

NOTES TO THE ACCOUNTS at 3 October 1998

5. DIRECTORS' EMOLUMENTS

	1998 £	1997 £
Total aggregate emoluments	102,573	62,550
Company contributions to money purchase pension schemes	7,200	—
Compensation for loss of office	46,870	—
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	2	—
Members of defined benefit schemes	—	1

6. STAFF COSTS

	1998 £	1997 £
Wages and salaries	290,090	451,638
Social security costs	25,237	30,567
Other pension costs	5,851	—
	321,178	482,205

The average weekly number of employees during the year was as follows:

	<i>No.</i>	<i>No.</i>
Manufacturing	3	3
Management and administration	13	22
	16	25

Data-Label Limited

NOTES TO THE ACCOUNTS at 3 October 1998

7. INTEREST RECEIVABLE

	1998 £	1997 £
Interest receivable from group undertakings	4,465	25,355
Other interest receivable	—	378
	<u>4,465</u>	<u>25,733</u>

8. INTEREST PAYABLE

	1998 £	1997 £
Interest payable to group undertakings	<u>23</u>	<u>207,688</u>

9. TAXATION

	1998 £	1997 £
Taxation on ordinary activities:		
Corporation tax	(35,000)	(54,831)
Release of deferred tax provision transferred from Labelworld Limited	(3,875)	—
	<u>(38,875)</u>	<u>(54,831)</u>

No provision for deferred taxation is considered necessary. There is a potential deferred taxation liability (asset) as follows:

	1998 £	1997 £
Accelerated capital allowances	<u>(8,000)</u>	<u>13,345</u>

Data-Label Limited

NOTES TO THE ACCOUNTS at 3 October 1998

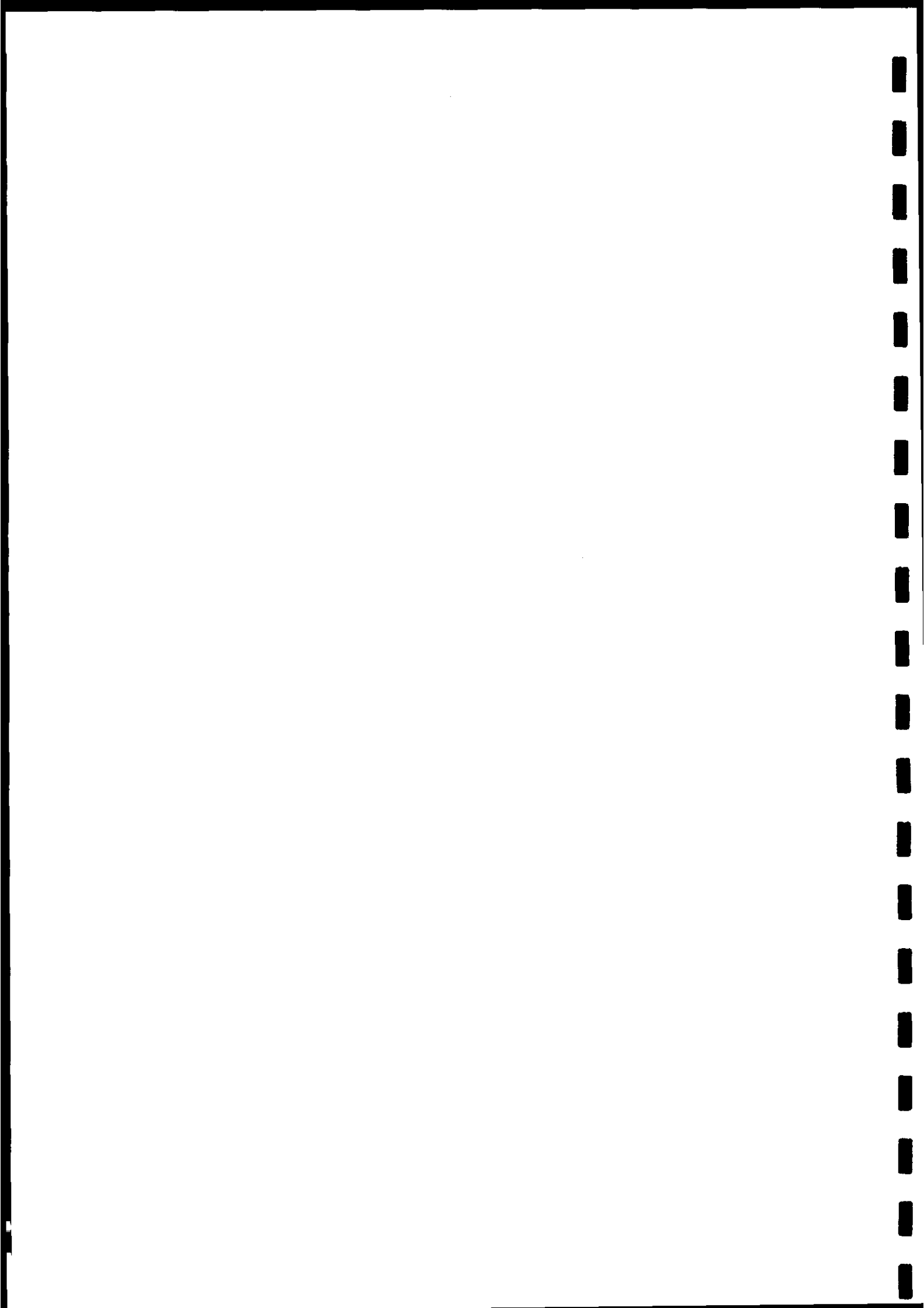
10. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £</i>	<i>Plant, equipment and vehicles £</i>	<i>Total £</i>
Cost or valuation:			
At 4 October 1997	60,000	283,526	343,526
Additions at cost	75,681	65,011	140,692
Disposals	(78,970)	(211,039)	(290,009)
At 3 October 1998	56,711	137,498	194,209
Depreciation:			
At 4 October 1997	15,750	179,070	194,820
Charge for year	1,497	38,683	40,180
Disposals	(17,247)	(180,914)	(198,161)
At 3 October 1998	—	36,839	36,839
Net book value:			
At 3 October 1998	56,711	100,659	157,370
At 4 October 1997	44,250	104,456	148,706

Included in freehold land and buildings at 3 October 1998 is land valued at £nil which is not depreciated (1997: £15,000).

The historical cost of the freehold land and buildings is as follows:

Historical cost:	
At 4 October 1997	£52,054
At 3 October 1998	£56,711
Accumulated depreciation:	
At 4 October 1997	£17,646
At 3 October 1998	£nil



Data-Label Limited

NOTES TO THE ACCOUNTS

at 3 October 1998

11. STOCKS

	1998	1997
	£	£
Raw materials and consumables	—	—
Finished goods and goods for resale	119,472	129,080
	<u>119,472</u>	<u>129,080</u>

In the opinion of the directors there is no material difference between the replacement cost of stocks and their balance sheet value.

12. DEBTORS

	1998	1997
	£	£
Trade debtors	435,133	415,674
Amounts due from group undertakings	57,611	898
Prepayments	20,136	10,119
Corporation tax	35,000	51,000
ACT recoverable	14,320	—
	<u>562,200</u>	<u>477,691</u>

13. CREDITORS: amounts falling due within one year

	1998	1997
	£	£
Trade creditors	217,520	167,741
Amounts due to group undertakings	100,700	108,958
Corporation tax	15,232	—
Other taxes and social security costs	11,245	14,409
Accruals	21,839	16,303
Obligations under finance losses and hire purchase contracts (see note 14)	5,769	—
	<u>372,305</u>	<u>307,411</u>

14. NET OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1998	1997
	£	£
Amounts payable		
Within one year	5,769	—
In two to five years	5,894	—
	<u>11,663</u>	<u>—</u>

Data-Label Limited

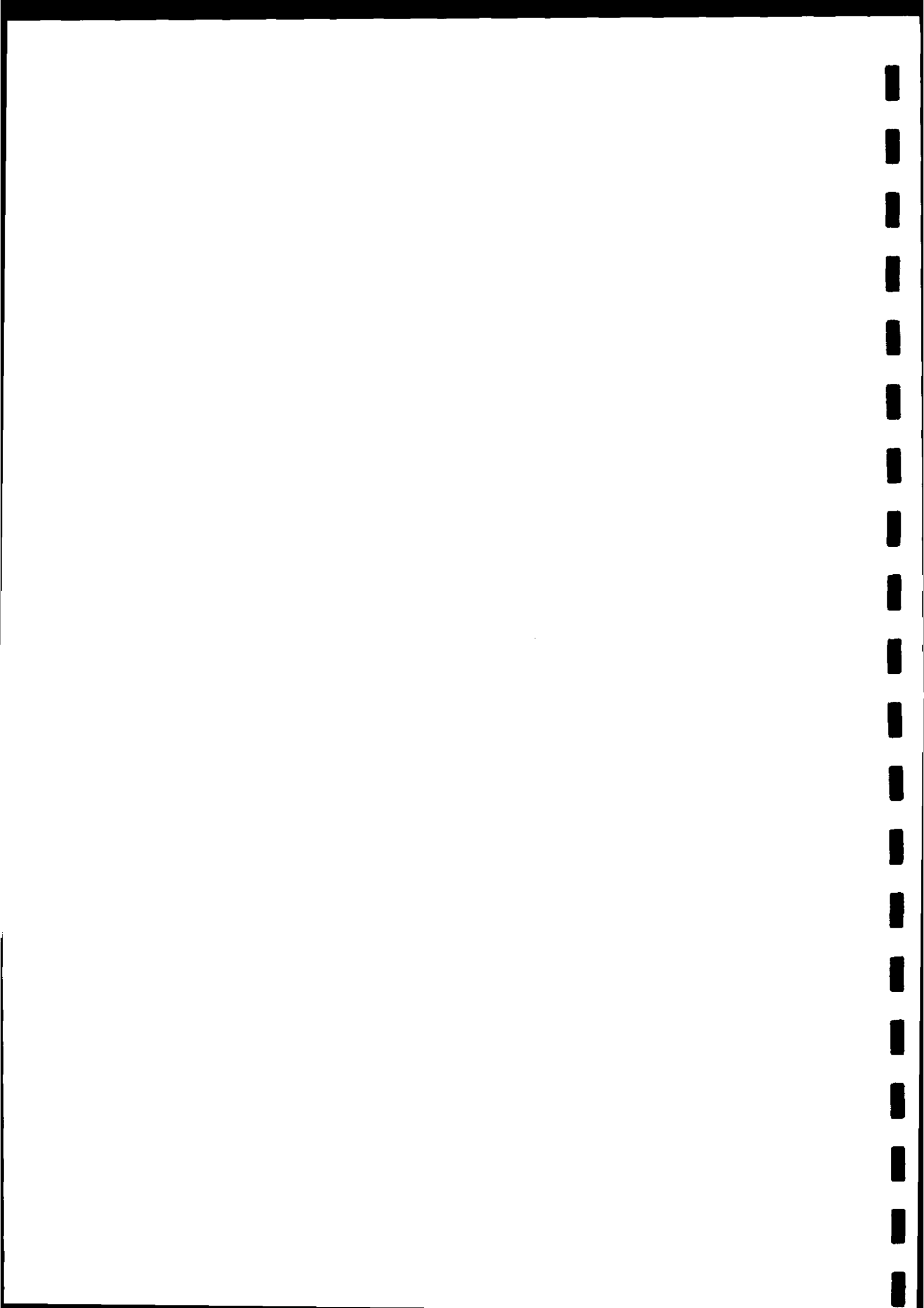
NOTES TO THE ACCOUNTS

at 3 October 1998

15. SHARE CAPITAL

	1998	1997	1998	1997
<i>Authorised</i>	£	£	No	No
Deferred shares of £1 each	50,200	50,200	50,200	50,200
Ordinary shares of US\$0.01 each	312	312	50,000	50,000
	<u>50,512</u>	<u>50,512</u>		
	1998	1997	1998	1997
<i>Allotted, called up and fully paid</i>	£	£	No	No
Deferred shares of £1 each	2,200	2,200	2,200	2,200
Ordinary shares of US\$0.01 each	14	14	2,200	2,200
	<u>2,214</u>	<u>2,214</u>		

The deferred shares do not carry any rights to receive dividend. On distribution of assets on a winding-up the holders of the deferred shares are entitled to receive the amount paid up on their shares after there have been distributed to the holders of ordinary shares the amount of £100,000,000 in respect of each ordinary share held. The holders of the deferred shares are not entitled to attend or vote at general meetings. The company can at any time re-purchase all or any of the deferred shares for an aggregate consideration of £1.



NOTES TO THE ACCOUNTS
at 3 October 1998

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 28 September 1996 (restated)	2,214	11,044	717,736	730,994
Loss for the financial year	-	-	(125,150)	(125,150)
At 4 October 1997	2,214	11,044	592,586	605,844
Loss for the financial year	-	-	(107,538)	(107,538)
Realised revaluation surplus on sale of property	-	(11,044)	11,044	-
At 3 October 1998	2,214	-	496,092	498,306

17. OPERATING LEASE COMMITMENTS

At 3 October 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	1998	1998	1997	1997
	<i>Land & Buildings</i>	<i>Other</i>	<i>Land & Buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
Within one year	-	1,502	-	-
Within two to five years	-	14,489	-	33,553
After five years	20,000	-	-	-
	20,000	15,991	-	33,553

18. CAPITAL COMMITMENTS

At 4 October 1998 the directors had not contracted for any future capital expenditure (1997 - £Nil).

19. PENSION COMMITMENTS

The API Group operates one funded pension for the company and its UK subsidiaries, providing benefits based on final pensionable earnings. A formal actuarial valuation of the scheme was performed by professionally qualified actuaries on 30 March 1996. Further particulars of the actuarial valuation of this Group fund are contained in the accounts of API Group plc.

NOTES TO THE ACCOUNTS
at 3 October 1998

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions conferred by FRS8-3 from the disclosure of certain transactions with group companies on the basis of being a wholly owned subsidiary.

21. ULTIMATE PARENT UNDERTAKING

At 3 October 1998 the company's ultimate parent undertaking was API Group plc, a company registered in England and Wales. Copies of the group accounts may be obtained from API Group plc, Silk House, Park Green, Macclesfield, Cheshire, SK11 7NU.