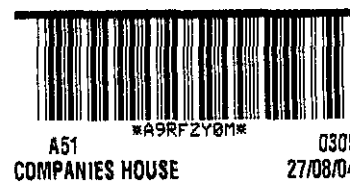


**LATTICE LABELS LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2003**



# LATTICE LABELS LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 December 2003

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Company registration number: 2589295

Registered office: Colmworth Business Park  
Great North Road  
Eaton Socon  
ST NEOTS  
PE19 8YH

Directors: C B Beadle  
J L Roberts  
M Chambers

Secretary: T C Clifton

Bankers: Barclays Bank plc  
41 High Street  
ST NEOTS  
PE19 1AS

Solicitors: Schofield Sweeney  
Number 1  
Valley Court  
Canal Road  
BRADFORD  
B1 4SP

Auditors: Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
Byron House  
Cambridge Business Park  
Cowley Road  
CAMBRIDGE  
CB4 0WZ

**LATTICE LABELS LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 December 2003

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# LATTICE LABELS LIMITED

## REPORT OF THE DIRECTORS

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

### Principal activity

The company is principally engaged in the manufacture and wholesale of adhesive labels.

### Business review

The directors are satisfied with the performance for the year and are cautiously optimistic for the future.

There was a profit for the year after taxation amounting to £161,249 (2002: £249,363). The directors recommend dividends absorbing £nil (2002: £135,000) leaving £161,249 (2002: £114,363) retained.

### Directors

The present membership of the Board is set out below. All directors served throughout the year.

C B Beadle  
J L Roberts  
M Chambers

None of the directors had an interest in the shares of the company. The interests of the directors in the shares of the parent undertaking are disclosed in that company's financial statements.

### Directors' responsibilities for the financial statements

Company law in the United Kingdom 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:

- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**LATTICE LABELS LIMITED**

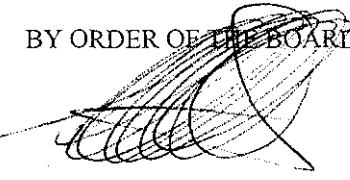
**REPORT OF THE DIRECTORS**

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**Auditors**

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26 (5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

BY ORDER OF THE BOARD



T C Clifton  
Secretary

7.7.04

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
LATTICE LABELS LIMITED**

We have audited the financial statements of Lattice Labels Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 23. These financial statements have been prepared under 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 the directors and auditors**

The directors' responsibilities for preparing the directors' 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

LATTICE LABELS LIMITED

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

CAMBRIDGE

*8 July 2004.*

# LATTICE LABELS LIMITED

## PRINCIPAL ACCOUNTING POLICIES

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### BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

### TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

### GOODWILL

Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired (see note 6).

### TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Plant and machinery	10%
Computer equipment	25%
Fixtures and fittings	10%
Motor vehicles	25%

### LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### STOCKS

Stocks are stated at the lower of cost and net realisable value.

### DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.



## **LATTICE LABELS LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

#### **RETIREMENT BENEFITS**

##### **Defined Contribution Pension Schemes**

The pension costs charged against operating profits are the contributions payable to the schemes in respect of the accounting period.

**LATTICE LABELS LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2003

	Note	2003 £	2002 £
<b>Turnover</b>	1	6,557,990	5,959,145
Cost of sales		<u>(3,978,417)</u>	<u>(3,585,287)</u>
<b>Gross profit</b>		<b>2,579,573</b>	<b>2,373,858</b>
Distribution costs		<u>(438,646)</u>	<u>(332,447)</u>
Administrative expenses		<u>(1,970,925)</u>	<u>(1,659,044)</u>
<b>Operating profit</b>		<b>170,002</b>	<b>382,367</b>
Net interest	2	<u>(105,753)</u>	<u>(89,198)</u>
<b>Profit on ordinary activities before taxation</b>	1	<b>64,249</b>	<b>293,169</b>
Tax on profit on ordinary activities	4	<u>97,000</u>	<u>(43,806)</u>
<b>Profit for the financial year</b>	17	<b>161,249</b>	<b>249,363</b>
Dividends	5	<u>-</u>	<u>(135,000)</u>
<b>Profit retained</b>	16	<u><b>161,249</b></u>	<u><b>114,363</b></u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

**LATTICE LABELS LIMITED****BALANCE SHEET AT 31 DECEMBER 2003**

	Note	2003 £	2003 £	2002 £	2002 £
<b>Fixed assets</b>					
Intangible fixed assets	6		(28,713)		(33,498)
Tangible assets	7		<u>1,360,077</u>		<u>1,354,309</u>
			<b>1,331,364</b>		<b>1,320,811</b>
<b>Current assets</b>					
Stocks	8	219,105		358,796	
Debtors: amounts falling due within one year	9	1,204,974		1,287,788	
Debtors: amounts falling due after more than one year	9	1,807,182		1,537,973	
Cash at bank and in hand		<u>31,811</u>		<u>31,811</u>	
		<b>3,263,072</b>		<b>3,216,368</b>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,879,290)</u>		<u>(2,883,519)</u>	
<b>Net current assets</b>			<b>383,782</b>		<b>332,849</b>
<b>Total assets less current liabilities</b>			<b>1,715,146</b>		<b>1,653,660</b>
<b>Creditors: amounts falling due after more than one year</b>	11		(228,404)		(244,167)
<b>Provisions for liabilities and charges</b>	13		<u>(112,000)</u>		<u>(196,000)</u>
			<b>1,374,742</b>		<b>1,213,493</b>
<b>Capital and reserves</b>					
Called up share capital	15		308,750		308,750
Profit and loss account	16		<u>1,065,992</u>		<u>904,743</u>
<b>Shareholders' funds</b>	17		<b>1,374,742</b>		<b>1,213,493</b>

The financial statements were approved by the Board of Directors on 7.7.04

  
C B Beadle  
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before taxation is attributable to the manufacture and wholesale of adhesive labels.

The profit on ordinary activities is stated after:

	2003 £	2002 £
Auditors' remuneration	7,500	7,000
Depreciation and amortisation:		
Negative goodwill	(4,785)	(4,785)
Tangible fixed assets, owned	189,461	178,661
Tangible fixed assets, held under finance leases and hire purchase contracts	18,259	7,875
Other operating lease rentals	<u>149,845</u>	<u>136,801</u>

### 2 NET INTEREST

	2003 £	2002 £
On bank overdraft	271	544
Finance charges in respect of finance leases	24,359	21,546
Other interest payable and similar charges	<u>81,123</u>	<u>67,108</u>
	<u>105,753</u>	<u>89,198</u>

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	1,126,458	872,847
Social security costs	115,189	98,484
Other pension costs	<u>24,403</u>	<u>25,506</u>
	<u>1,266,050</u>	<u>996,837</u>

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

	2003 Number	2002 Number
Office and management	4	4
Production and development	36	34
Selling and marketing	<u>8</u>	<u>6</u>
	<u>48</u>	<u>44</u>

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

### DIRECTORS AND EMPLOYEES (CONTINUED)

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments	223,181	240,864
Pension contributions to money purchase pension schemes	10,135	10,448
	<u>233,316</u>	<u>251,312</u>

During the year 3 directors (2002: 4 directors) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2003 £	2002 £
Emoluments	86,684	92,496
Pension contributions to money purchase pension schemes	4,355	3,140
	<u>91,039</u>	<u>95,636</u>

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge represents:

	2003 £	2002 £
Corporation tax at 30%	-	5,000
Adjustment in respect of prior year	(13,000)	(41,694)
Total current tax	<u>(13,000)</u>	<u>(36,694)</u>
Origination and reversal of timing differences	(84,000)	64,500
Adjustment in respect of prior year	-	16,000
Total deferred tax	<u>(84,000)</u>	<u>80,500</u>
Tax on profit on ordinary activities	<u>(97,000)</u>	<u>43,806</u>

The prior period adjustment in both years relates to group relief payments waived.

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

### TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2002: 19.25%). The differences are explained as follows:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>64,249</u>	<u>293,169</u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2002: 19.25%)	12,207	56,135
Effect of:		
Expenses not deductible for tax purposes	2,379	2,009
Difference between capital allowances for the year and depreciation	11,056	(12,694)
Other timing differences	-	(20,966)
Group relief claimed	(25,642)	(19,784)
Adjustments to tax charge in respect of prior year	<u>(13,000)</u>	<u>(41,694)</u>
Current tax credit for the year	<u>(13,000)</u>	<u>(36,694)</u>

### 5 DIVIDENDS

	2003 £	2002 £
Equity dividends		
Ordinary shares - interim dividend nilp per share paid (2002: 43.7p)	<u>-</u>	<u>135,000</u>

### 6 INTANGIBLE FIXED ASSETS

	Negative goodwill £
Cost	
At 1 January 2003 and at 31 December 2003	<u>47,853</u>
Amounts written off	
At 1 January 2003	14,355
Written back in the year	<u>4,785</u>
At 31 December 2003	<u>19,140</u>
Net book amount at 31 December 2003	<u>28,713</u>
Net book amount at 31 December 2002	<u>33,498</u>

**LATTICE LABELS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

**INTANGIBLE FIXED ASSETS (CONTINUED)**

Negative goodwill included above relates to the following:

	<b>Date of acquisition</b>	<b>Period of amortisation (years)</b>	<b>Negative goodwill at original cost £</b>
LAC Consultancy	1 January 2000	10	<u>47,853</u>

**7 TANGIBLE FIXED ASSETS**

	<b>Computer equipment £</b>	<b>Fixtures and fittings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
Cost				
At 1 January 2003	160,614	166,779	1,872,527	2,199,920
Additions	19,428	3,434	210,516	233,378
Disposals	-	-	(33,150)	(33,150)
At 31 December 2003	<u>180,042</u>	<u>170,213</u>	<u>2,049,893</u>	<u>2,400,148</u>
Depreciation				
At 1 January 2003	125,949	41,540	678,122	845,611
Provided in the year	22,063	16,352	169,305	207,720
Eliminated on disposal	-	-	(13,260)	(13,260)
At 31 December 2003	<u>148,012</u>	<u>57,892</u>	<u>834,167</u>	<u>1,040,071</u>
Net book amount at 31 December 2003	<u><b>32,030</b></u>	<u><b>112,321</b></u>	<u><b>1,215,726</b></u>	<u><b>1,360,077</b></u>
Net book amount at 31 December 2002	<u>34,665</u>	<u>125,239</u>	<u>1,194,405</u>	<u>1,354,309</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	<b>Plant and Machinery £</b>
Net book amount at 31 December 2003	<u><b>216,250</b></u>
Net book amount at 31 December 2002	<u>117,125</u>
Depreciation provided in the year	<u>18,259</u>

**LATTICE LABELS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

**8 STOCKS**

	2003 £	2002 £
Raw materials and consumables	159,408	278,846
Finished goods and goods for resale	59,697	79,950
	<u>219,105</u>	<u>358,796</u>

**9 DEBTORS**

	2003 £	2002 £
Trade debtors	1,156,705	1,188,786
Amounts owed by group undertakings	1,807,182	1,537,973
Other debtors	-	30,042
Prepayments and accrued income	48,269	68,960
	<u>3,012,156</u>	<u>2,825,761</u>

Included in the above is the following amount which is due after more than one year:

	2003 £	2002 £
Amounts owed by group undertakings	<u>1,807,182</u>	<u>1,537,973</u>

**10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Bank loan and overdraft	157,324	126,796
Invoice discounting balance	910,452	956,290
Trade creditors	1,474,693	1,428,575
Corporation tax	-	13,000
Social security and other taxes	155,387	143,880
Accruals and deferred income	137,376	194,422
Amounts due under finance leases and hire purchase contracts	44,058	20,556
	<u>2,879,290</u>	<u>2,883,519</u>

The bank loan and overdraft are secured by a charge over the assets of the company.

The company has granted a floating charge on its trade debtors to secure invoice discounting borrowing totalling £910,452 (2002: £956,290).

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.



**LATTICE LABELS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

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

	2003 £	2002 £
Bank loan	116,671	216,667
Amounts due under finance leases and hire purchase contracts	111,733	27,500
	<u>228,404</u>	<u>244,167</u>

The bank loan is secured by a charge over the assets of the company.

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

**12 BORROWINGS**

Borrowings are repayable as follows:

	2003 £	2002 £
Within one year:		
Bank and other borrowings	157,324	126,798
Finance leases	44,058	20,556
After one and within two years:		
Bank and other borrowings	100,000	100,000
Finance leases	41,548	15,000
After two and within five years:		
Bank and other borrowings	16,671	116,667
Finance leases	70,185	12,500
	<u>429,786</u>	<u>391,521</u>

**13 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation (note 14) £
At 1 January 2003	196,000
Reversed in the year (note 4)	<u>(84,000)</u>
At 31 December 2003	<u>112,000</u>

**LATTICE LABELS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

**14 DEFERRED TAXATION**

Deferred taxation provided for in the financial statements is set out below.

	2003 £	2002 £
Accelerated capital allowances	96,000	180,000
Capital gains rolled over	16,000	16,000
	<u>112,000</u>	<u>196,000</u>

**15 SHARE CAPITAL**

	2003 £	2002 £
Authorised, allotted, called up and fully paid 308,750 ordinary shares of £1 each	<u>308,750</u>	<u>308,750</u>

**16 RESERVES**

	Profit and loss account £
At 1 January 2003	904,743
Retained profit for the year	<u>161,249</u>
At 31 December 2003	<u>1,065,992</u>

**17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Profit for the financial year	161,249	249,363
Dividends	-	(135,000)
Net increase in shareholders' funds	161,249	114,363
Shareholders' funds at 1 January 2003	<u>1,213,493</u>	<u>1,099,130</u>
Shareholders' funds at 31 December 2003	<u>1,374,742</u>	<u>1,213,493</u>

**18 CAPITAL COMMITMENTS**

The company had no capital commitments at 31 December 2003 or 31 December 2002.

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

### 19 CONTINGENT LIABILITIES

Guarantees and performance bonds given by banks to the third parties on behalf of the company amount to £10,000 (2002: £nil).

### 20 RETIREMENT BENEFITS

The group contributed to the personal pension schemes of certain employees.

### 21 LEASING COMMITMENTS

Operating lease payments amounting to £149,845 (2002: £136,801) are due within one year. The leases to which these amounts relate expire as follows:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Between one and five years		22,845	-	9,801
In five years or more	127,000	-	127,000	-
	<u>127,000</u>	<u>22,845</u>	<u>127,000</u>	<u>9,801</u>

### 22 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Random Factor Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with Random Factor Limited on the grounds that accounts are publicly available from Companies House.

### 23 CONTROLLING RELATED PARTY

The ultimate parent undertaking of this company is Random Factor Limited.

Random Factor Limited is the company's controlling related party by virtue of its 100% ownership of the company. The ultimate controlling related parties are the board of directors of Random Factor Limited by virtue of their directorships of and majority shareholdings in the company.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Random Factor Limited. Copies of group accounts can be obtained from Companies House.