

**LATTICE LABELS LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2000**

# **LATTICE LABELS LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 December 2000

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Company registration number: 2589295

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

Directors: K Mellor  
R J Darby  
C B Beadle  
J L Roberts  
M Chambers

Secretary: T C Clifton

Bankers: National Westminster Bank plc  
3 Thurland Street  
NOTTINGHAM  
NG1 3DT

Solicitors: Teacher, Stern and Selby  
37-41 Bedford Row  
LONDON  
WC1R 4JH

Auditors: Grant Thornton  
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 2000

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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 2000.

### **Principal activity**

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

### **Business review**

There was a profit for the year after taxation amounting to £286,639 (1999: £203,734). Dividends absorbing £126,350 (1999: £223,880) have been paid leaving a profit transferred to reserves of £160,289 (1999: loss of £20,146).

### **Post balance sheet event**

Subsequent to the year end, the company disposed of its subsidiary undertaking LAC Systems Limited.

### **Directors**

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

K Mellor  
J Darby  
C B Beadle  
J L Roberts  
M Chambers

K Mellor is a director of the parent company, Panoply Group Limited. His interest in its share capital is disclosed in the financial statements of that company.

### **Directors' responsibilities for the 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:

- 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 maintaining 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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**Land and buildings**

The directors are of the opinion that in aggregate the market value of the land and buildings exceeds the book value by approximately £135,000. If the land and buildings were realised at this figure, corporation tax of approximately £41,000 would be payable on the surplus arising.

**Auditors**

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



K Mellor  
Director  
22 October 2001

**REPORT OF THE AUDITORS TO THE MEMBERS OF**

**LATTICE LABELS LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 and 5.

**Respective responsibilities of directors and auditors**

As described on page 1 the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**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.

**Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made under "Basis of Preparation" in the accounting policies on page 4 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. 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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**GRANT THORNTON**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**  
**CAMBRIDGE**  
**22 OCTOBER 2001**

# **LATTICE LABELS LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

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

The company is exempt from preparing group accounts under Section 228 of the Companies Act 1985 and accordingly the financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from publishing a cash flow statement because it is a wholly owned subsidiary of Panopoly Group Limited which publishes a consolidated cash flow statement.

The company is party to cross-guarantees in respect of its ultimate parent undertaking and its fellow subsidiaries as set out in note 13.

The group meets its day to day working capital requirements through invoice discounting and an overdraft facility which is repayable on demand. The overdraft facility is due for renewal after 31 December 2001. The group is also in negotiations to obtain further working capital by way of asset finance.

The directors have prepared projected cash flow information for the period ending 8 months from the date of approval of these financial statements. On the basis of this cash flow information and discussions with the group's bankers, the directors consider that the group will continue to operate within the facility currently agreed and within that which they expect to be agreed after the expiration of the current facility and on obtaining further asset finance. On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the company's bankers.

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

### **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**

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

Freehold buildings	2%
Plant and machinery	10%
Computer equipment	25%
Fixtures and fittings	10%
Motor vehicles	25%

# **LATTICE LABELS LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents 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.

### **INVESTMENTS**

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

### **STOCKS**

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

### **DEFERRED TAXATION**

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

### **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.

### **CONTRIBUTIONS TO PENSION SCHEMES**

#### **Defined contributions schemes**

The company contributes to the personal pension schemes of certain directors and employees. The pension costs charged against profits represent the amount of the contributions payable to those schemes in respect of the accounting period.



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

For the year ended 31 December 2000

	Note	2000 £	1999 £
<b>Turnover</b>	1	5,431,816	4,377,281
Cost of sales		<u>(3,202,956)</u>	<u>(2,656,223)</u>
<b>Gross profit</b>		2,228,860	1,721,058
Distribution costs		(274,414)	(256,115)
Administrative expenses		<u>(1,520,773)</u>	<u>(1,121,395)</u>
<b>Operating profit</b>		433,673	343,548
Net interest	2	<u>(20,210)</u>	<u>(25,743)</u>
<b>Profit on ordinary activities before taxation</b>	1	413,463	317,805
Tax on profit on ordinary activities	4	<u>(126,824)</u>	<u>(114,071)</u>
<b>Profit for the financial period</b>		286,639	203,734
Profit and loss account brought forward	17	<u>361,424</u>	<u>579,520</u>
		648,063	783,254
Dividends	5	(126,350)	(223,880)
Bonus issue of shares		<u>-</u>	<u>(197,950)</u>
<b>Profit and loss account carried forward</b>	17	<u>521,713</u>	<u>361,424</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 2000

	Note	£	2000 £	£	1999 £
<b>Fixed assets</b>					
Intangible fixed assets	6		(43,068)		-
Tangible assets	7		1,332,704		1,047,445
Investments	8		18,817		16,001
			<u>1,308,453</u>		<u>1,063,446</u>
<b>Current assets</b>					
Stocks	9	298,228		251,315	
Debtors	10	1,281,123		1,312,515	
Cash at bank and in hand		250		260	
			<u>1,579,601</u>	<u>1,564,090</u>	
<b>Creditors: amounts falling due within one year</b>	11	(1,844,608)		(1,781,741)	
<b>Net current liabilities</b>			<u>(265,007)</u>		<u>(217,651)</u>
<b>Total assets less current liabilities</b>			<u>1,043,446</u>		<u>845,795</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(116,283)		(77,221)	
<b>Provisions for liabilities and charges</b>	14	(96,700)		(98,400)	
			<u>(212,983)</u>		<u>(175,621)</u>
			<u>830,463</u>		<u>670,174</u>
<b>Capital and reserves</b>					
Called up share capital	16		308,750		308,750
Profit and loss account	17		521,713		361,424
<b>Shareholders' funds</b>	18		<u>830,463</u>		<u>670,174</u>

The financial statements were approved by the Board of Directors on 22 October 2001.

  
K Mellor  
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 2000

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

Turnover is attributable to the manufacture and wholesale of adhesive labels.

The profit on ordinary activities is stated after:

	2000 £	1999 £
Auditors' remuneration: Audit services	6,000	5,500
Depreciation and write-backs: Negative goodwill	(4,785)	-
Tangible fixed assets, owned	108,092	62,296
Tangible fixed assets, held under finance leases and hire purchase contracts	<u>32,937</u>	<u>30,029</u>

### 2 NET INTEREST

	2000 £	1999 £
On bank overdraft	8,774	16,489
Finance charges in respect of finance leases	<u>11,436</u>	<u>10,878</u>
	20,210	27,367
Other interest receivable	<u>-</u>	<u>(1,624)</u>
	<u>20,210</u>	<u>25,743</u>

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2000 £	1999 £
Wages and salaries	928,151	662,886
Social security costs	96,039	73,132
Other pension costs	<u>20,252</u>	<u>19,244</u>
	<u>1,044,442</u>	<u>755,262</u>

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### DIRECTORS AND EMPLOYEES (CONTINUED)

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

	2000 Number	1999 Number
Office and management	4	3
Production and development	28	23
Selling and marketing	8	6
	<u>40</u>	<u>32</u>

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	356,957	246,163
Pension contributions to money purchase pension schemes	<u>11,525</u>	<u>6,685</u>
	<u>368,482</u>	<u>252,848</u>

During the year 4 directors (1999: 4 directors) participated in money purchase pension schemes.

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

	2000 £	1999 £
Emoluments	169,583	77,012
Pension contributions to money purchase pension schemes	<u>1,800</u>	<u>2,774</u>
	<u>171,383</u>	<u>79,786</u>

### 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
The tax charge represents		
Corporation tax at 30% (1999: 30%)	-	37,518
Group relief	116,928	23,982
Deferred tax (note 14)	<u>(1,700)</u>	<u>55,115</u>
	115,228	116,615
Adjustment in respect of prior period:		
Corporation tax	<u>11,596</u>	<u>(2,544)</u>
	<u>126,824</u>	<u>114,071</u>

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 5 DIVIDENDS

	2000 £	1999 £
Equity dividends		
Ordinary shares		
- interim scrip dividend of £nil per share paid (1999: £1)	-	6,875
- interim dividend £0.409 per share paid (1999: £0.615)	126,350	190,028
- final dividend £nil per share proposed (1999: £0.087)	-	26,977
	<u>126,350</u>	<u>223,880</u>

### 6 INTANGIBLE FIXED ASSETS

	Negative goodwill £
Cost	
Additions	<u>47,853</u>
At 31 December 2000	<u>47,853</u>
Amounts written off	
Written back in the year	<u>4,785</u>
At 31 December 2000	<u>4,785</u>
Net book amount at 31 December 2000	<u>43,068</u>

Negative goodwill included above relates to the following:

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

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

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### TANGIBLE FIXED ASSETS

	Freehold property £	Computer equipment £	Fixtures and fittings	Plant and machinery	Motor vehicles	Total
Cost						
At 1 January 2000	313,372	114,555	40,459	1,006,396	24,951	1,499,733
Additions	-	23,356	4,065	398,867	-	426,288
At 31 December 2000	313,372	137,911	44,524	1,405,263	24,951	1,926,021
Depreciation						
At 1 January 2000	25,068	87,273	24,999	305,493	9,455	452,288
Charge for the year	6,267	15,969	9,798	102,757	6,238	141,029
At 31 December 2000	31,335	103,242	34,797	408,250	15,693	593,317
Net book value at 31 December 2000	<u>282,037</u>	<u>34,669</u>	<u>9,727</u>	<u>997,013</u>	<u>9,258</u>	<u>1,332,704</u>
Net book value at 31 December 1999	<u>288,304</u>	<u>27,282</u>	<u>15,460</u>	<u>700,903</u>	<u>15,496</u>	<u>1,047,445</u>

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

	Plant and machinery £
Net book amount at 31 December 2000	<u>360,855</u>
Net book amount at 31 December 1999	<u>392,558</u>
Depreciation provided in the year	<u>32,937</u>

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

For the year ended 31 December 2000

**8 FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £
Cost and net book value At 1 January 2000	16,001
Additions	<u>2,816</u>
At 31 December 2000	<u>18,817</u>

At 31 December 2000 the company held more than 20% of the allotted share capital of the following subsidiary undertaking:

Subsidiary undertaking	Country of incorporation	Class of share capital held	Proportion held	Nature of business
LAC Systems Limited	England	Ordinary	100%	Manufacture and wholesale of adhesive labels

**9 STOCKS**

	2000 £	1999 £
Raw materials and consumables	200,514	170,793
Finished goods and goods for resale	<u>97,714</u>	<u>80,522</u>
	<u>298,228</u>	<u>251,315</u>

**10 DEBTORS**

	2000 £	1999 £
Trade debtors	1,231,618	1,111,406
Amounts owed by group undertakings	17,768	148,694
Other debtors	17,318	15,258
Prepayments	<u>14,419</u>	<u>37,157</u>
	<u>1,281,123</u>	<u>1,312,515</u>

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdraft	294,535	82,009
Trade creditors	1,203,045	1,369,371
Corporation tax	9,180	37,518
Amounts owed to group undertakings	116,928	51,125
Social security and other taxes	54,479	112,532
Accruals and deferred income	103,109	53,357
Amounts due under finance leases and hire purchase contracts	63,332	75,829
	<u>1,844,608</u>	<u>1,781,741</u>

### 12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Accruals and deferred income	63,505	-
Amounts due under finance leases and hire purchase contracts	52,778	77,221
	<u>116,283</u>	<u>77,221</u>

### 13 BORROWINGS

Borrowings are repayable as follows:

	2000 £	1999 £
Within one year		
Bank overdraft	294,535	82,009
Finance leases	63,332	75,829
After one and within two years		
Finance leases	47,223	46,665
After two and within five years		
Finance leases	5,555	30,556
	<u>410,645</u>	<u>235,059</u>

The bank overdraft is secured by a fixed and floating charge over all current and future assets of the company and a composite cross guarantee in respect of its ultimate parent undertaking and certain fellow subsidiaries, Limpet Tapes Limited, Swallow Tapes Limited, PAT Print Limited, Bandfix Limited and LAC Systems Limited. At 31 December 2000, the contingent liability under this cross guarantee was £1,092,749 (1999: £894,016).



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

For the year ended 31 December 2000

**14 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred Taxation (Note 15) £</b>
At 1 January 2000	98,400
Released during year	<u>(1,700)</u>
At 31 December 2000	<u>96,700</u>

**15 DEFERRED TAXATION**

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

	<b>Amount provided</b>	
	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>96,700</u>	<u>98,400</u>

**16 SHARE CAPITAL**

	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid 308,750 ordinary shares of £1 each	<u>308,750</u>	<u>308,750</u>

**17 PROFIT AND LOSS ACCOUNT**

	<b>£</b>
At 1 January 2000	361,424
Retained profit for the year	<u>160,289</u>
At 31 December 2000	<u>521,713</u>

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	286,639	203,734
Dividends	(126,350)	(223,880)
	160,289	(20,146)
Bonus issue of shares	-	(199,375)
Issue of shares	-	206,250
	160,289	(13,271)
Net increase/(decrease) in shareholders' funds	670,174	683,445
Shareholders' funds at 1 January 2000		
	830,463	670,174
Shareholders' funds at 31 December 2000		

### 19 ACQUISITIONS

On 1 January 2000, the company acquired certain assets of LAC Consultancy Limited.

Negative goodwill arising on acquisition has been capitalised and is being written back to the profit and loss account to match the recovery of the assets acquired (see note 6). The purchase has been accounted for by the acquisition method of accounting.

The assets acquired were as follows:

	Fair value £
Fixed assets	
Tangible	122,853
Net assets	122,853
Negative goodwill	(47,853)
	75,000
Satisfied by:	
Cash	75,000

### 20 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 December 1999.

### 21 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2000 or 31 December 1999 other than the company's composite cross guarantee, referred to in note 13.

# LATTICE LABELS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

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### 22 PENSIONS

The company contributed to the personal pension schemes of certain directors and employees.

### 23 LEASING COMMITMENTS

Operating lease payments amounting to £11,667 (1999: £nil) are due within one year. The leases to which these amounts relate expire as follows:

	2000 Land and buildings £	1999 Land and buildings £
In five years or more	<u>11,667</u>	<u>-</u>

### 24 TRANSACTIONS WITH RELATED PARTY

As a wholly-owned subsidiary of Panoply Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Panoply Group Limited.

### 25 POST BALANCE SHEET EVENT

Subsequent to the year end, the company disposed of its subsidiary undertaking LAC Systems Limited.

### 26 CONTROLLING RELATED PARTY

The ultimate parent undertaking of the company is Panoply Group Limited.

The ultimate controlling related party of the company is Mr K Mellor as a result of his directorship and shareholding in Panoply Group Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by Panoply Group Limited. Financial statements for the group may be obtained from Companies House.