

LATTICE LABELS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1999



A23
COMPANIES HOUSE
RUE
COMPANIES HOUSE

0425
31/10/00
25/10/00

Company No: 2589295

LATTICE LABELS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1999

Company registration number:

2589295

Registered office:

**Unit C
Castle Hills Court
Howard Road
Eaton Socon
ST NEOTS
PE19 8ET**

Directors:

**K Mellor
R J Darby
C B Beadle
J L Roberts
M D Allesandro**

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
Merlin Place
Milton Road
CAMBRIDGE
CB4 0DP**

LATTICE LABELS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1999

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 16

LATTICE LABELS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1999.

Principal activities

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 £203,734 (1998: £181,126). Dividends absorbing £223,880 (1998: £nil) have been paid leaving a loss transferred from reserves of £20,146 (1998: profit retained of £181,126).

Directors

The present membership of the Board is set out below. All directors served on the Board throughout the year apart from A Pealling who resigned on 28 July 1999.

The interests of the directors in the shares of the company at 1 January 1999 and 31 December 1999 were as follows:

	Ordinary shares		'A' shares		'B' shares		'C' shares	
	31.12.99	1.1.99	31.12.99	1.1.99	31.12.99	1.1.99	31.12.99	1.1.99
K Mellor	0	0	0	0	0	0	0	0
R J Darby	0	39,000	0	0	0	0	0	0
C B Beadle	0	5,000	0	18,750	0	0	0	0
J L Roberts	0	0	0	0	0	3,125	0	0
M D Allesandro	0	0	0	0	0	0	0	3,125
A Pealling	0	5,000	0	0	0	0	0	0

K Mellor is a director of the parent company, Panopoly 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;

LATTICE LABELS LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements (continued)

- 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.

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 £137,000. If the land and buildings were realised at this figure, corporation tax of approximately £38,000 would be payable on the surplus arising.

Year 2000

The company suffered no impact from the Year 2000 date change nor did any of its major customers, suppliers or trading partners.

Auditors

Grant Thornton were appointed auditors on 19 July 1999 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton as auditors will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



K Mellor
Director

9 October 2000

**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 pages 1 and 2 the company's directors are responsible for the preparation of 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.

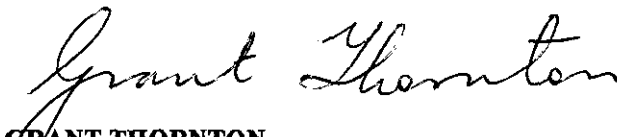
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
CAMBRIDGE**

13 October 2000.

LATTICE LABELS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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 Panoply Group Limited which publishes a consolidated cash flow statement.

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.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets on the straight line basis over their expected useful lives.

The rates generally applicable are:

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

The method of depreciation and estimated useful lives of tangible fixed assets were reviewed during the year. The depreciation method of plant and machinery and fixtures and fittings was changed from reducing balance to straight line, and the remaining useful economic lives of some assets were revised, in order to bring them into line with group depreciation policies. The effect of the change on the depreciation charge for the year is to reduce the charge by £3,506.

STOCKS

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

DEFERRED TAXATION

Deferred tax is provided for under the liability method 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. Exchange differences arising are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

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

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 represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

INVESTMENTS

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

LATTICE LABELS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	1	4,377,281	3,705,686
Cost of sales		<u>2,656,223</u>	<u>2,285,726</u>
Gross profit		1,721,058	1,419,960
Distribution costs		256,115	211,305
Administrative expenses		<u>1,121,395</u>	<u>957,259</u>
Operating profit		343,548	251,396
Net interest	2	<u>25,743</u>	<u>13,178</u>
Profit on ordinary activities before taxation	1	317,805	238,218
Tax on profit on ordinary activities	4	<u>114,071</u>	<u>57,092</u>
Profit for the financial year		203,734	181,126
Profit and loss account brought forward	16	<u>579,520</u>	<u>398,394</u>
		783,254	579,520
Dividends	5	(223,880)	0
Bonus issue of shares		<u>(197,950)</u>	<u>0</u>
Profit and loss account carried forward	16	<u>361,424</u>	<u>579,520</u>

There are 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 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Tangible assets	6		1,047,445		884,695
Investments	7		<u>16,001</u>		<u>0</u>
			1,063,446		884,695
Current assets					
Stocks	8	251,315		216,201	
Debtors	9	1,312,515		783,320	
Cash at bank and in hand		<u>260</u>		<u>78,406</u>	
		1,564,090		1,077,927	
Creditors: amounts falling due within one year	10	<u>(1,781,741)</u>		<u>(1,118,818)</u>	
Net current liabilities			<u>(217,651)</u>		<u>(40,891)</u>
Total assets less current liabilities			845,795		843,804
Creditors: amounts falling due after more than one year	11	(77,221)		(117,074)	
Provisions for liabilities and charges	13	<u>(98,400)</u>	<u>(175,621)</u>	<u>(43,285)</u>	<u>(160,359)</u>
			<u>670,174</u>		<u>683,445</u>
Capital and reserves					
Called up share capital	15		308,750		102,500
Share premium account	16		0		1,425
Profit and loss account	16		<u>361,424</u>		<u>579,520</u>
Shareholders' funds	17		<u>670,174</u>		<u>683,445</u>

The financial statements were approved by the Board of Directors on

9 October 2000

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 1999

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:

	1999 £	1998 £
Auditors' remuneration - audit services	5,500	5,000
Depreciation		
Tangible fixed assets, owned	62,296	12,674
Tangible fixed assets, held under finance leases and hire purchase contracts	<u>30,029</u>	<u>82,879</u>

2 NET INTEREST

	1999 £	1998 £
On bank loans and overdrafts	16,489	8,524
Finance charges in respect of finance leases	<u>10,878</u>	<u>10,521</u>
	<u>27,367</u>	<u>19,045</u>
Other interest receivable	<u>(1,624)</u>	<u>(5,867)</u>
	<u>25,743</u>	<u>13,178</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1999 £	1998 £
Wages and salaries	662,886	560,314
Social security costs	73,132	56,861
Other pension costs	<u>19,244</u>	<u>13,336</u>
	<u>755,262</u>	<u>630,511</u>

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

For the year ended 31 December 1999

DIRECTORS AND EMPLOYEES (CONTINUED)

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

	1999 £	1998 £
Office and management	3	3
Production and development	23	18
Selling and marketing	6	5
	<u>32</u>	<u>26</u>

Remuneration in respect of directors was as follows:

	1999 £	1998 £
Emoluments	246,163	190,807
Pension contributions to money purchase pension schemes	<u>6,685</u>	<u>6,953</u>
	<u>252,848</u>	<u>197,760</u>

During the year 4 directors (1998: 4 directors) participated in money purchase pension schemes.

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

	1999 £	1998 £
Emoluments	77,012	55,500
Pension contributions to money purchase pension schemes	<u>2,774</u>	<u>2,220</u>
	<u>79,786</u>	<u>57,720</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	1999 £	1998 £
Corporation tax at 31% (1998: 22%)	37,518	24,712
Group relief	23,982	0
Deferred tax	<u>55,115</u>	<u>28,115</u>
	116,615	52,827
Adjustment in respect of previous year:		
Corporation tax	(2,544)	14,166
Deferred tax	<u>0</u>	<u>(9,901)</u>
	<u>114,071</u>	<u>57,092</u>

LATTICE LABELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

5 DIVIDENDS

	1999 £	1998 £
Equity dividends		
Ordinary shares - interim scrip dividend of £1 per share paid (1998: £nil)	6,875	0
- interim dividend £0.184 per share paid	56,326	0
- interim dividend £0.260 per share paid	80,173	0
- interim dividend £0.173 per share paid	53,529	0
- final dividend £0.087 per share proposed	26,977	0
	<u>223,880</u>	<u>0</u>

6 TANGIBLE FIXED ASSETS

	Freehold property £	Computer equipment £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost						
At 1 January 1999	313,372	107,767	37,705	770,898	14,951	1,244,693
Additions	0	8,483	2,754	235,498	10,000	256,735
Disposals	0	(1,695)	0	0	0	(1,695)
At 31 December 1999	<u>313,372</u>	<u>114,555</u>	<u>40,459</u>	<u>1,006,396</u>	<u>24,951</u>	<u>1,499,733</u>
Depreciation						
At 1 January 1999	18,801	73,447	14,552	249,772	3,426	359,998
Provided in the year	6,267	13,861	10,447	55,721	6,029	92,325
Eliminated on disposals	0	(35)	0	0	0	(35)
At 31 December 1999	<u>25,068</u>	<u>87,273</u>	<u>24,999</u>	<u>305,493</u>	<u>9,455</u>	<u>452,288</u>
Net book amount 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>
Net book amount at 31 December 1998	<u>294,571</u>	<u>34,320</u>	<u>23,153</u>	<u>521,126</u>	<u>11,525</u>	<u>884,695</u>

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

For the year ended 31 December 1999

TANGIBLE FIXED ASSETS (CONTINUED)

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 1999	<u>392,558</u>
Net book amount at 31 December 1998	<u>303,818</u>
Depreciation provided in the year	<u>30,029</u>
The effect of the change in depreciation method disclosed in the accounting policies has been to reduce the depreciation charge for the year by £3,506.	

7 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
Cost and net book value	
At 1 January 1999	0
Additions	<u>16,001</u>
At 31 December 1999	<u>16,001</u>

On 13 October 1999 the company purchased 100% of the issued share capital (one £1 ordinary share) of LAC Systems Limited for £1 (note 18).

8 STOCKS

	1999 £	1998 £
Raw materials and consumables	170,793	137,071
Finished goods and goods for resale	<u>80,522</u>	<u>79,130</u>
	<u>251,315</u>	<u>216,201</u>

LATTICE LABELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

9 DEBTORS

	1999 £	1998 £
Trade debtors	1,111,406	747,086
Amounts owed by group undertaking	148,694	2,734
Other debtors	15,258	16,099
Prepayments	<u>37,157</u>	<u>17,401</u>
	<u>1,312,515</u>	<u>783,320</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Bank loans and overdrafts	82,009	35,000
Trade creditors	1,369,371	821,172
Corporation tax	37,518	37,238
Amounts owed to group undertakings	51,125	0
Social security and other taxes	112,532	30,440
Accruals and deferred income	53,357	109,968
Amounts due under finance leases and hire purchase contracts	<u>75,829</u>	<u>85,000</u>
	<u>1,781,741</u>	<u>1,118,818</u>

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £	1998 £
Bank loans and overdrafts	0	61,250
Amounts due under finance leases and hire purchase contracts	<u>77,221</u>	<u>55,824</u>
	<u>77,221</u>	<u>117,074</u>

LATTICE LABELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

12 BORROWINGS

Borrowings are repayable as follows:

	1999 £	1998 £
Within one year		
Bank loan and overdrafts	82,009	35,000
Finance leases	75,829	85,000
Between one and two years		
Bank loan	0	35,000
Finance leases	46,665	42,500
Between two and five years		
Bank loan	0	26,250
Finance leases	30,556	13,324
	<u>235,059</u>	<u>237,074</u>

The bank loan and overdraft are 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 its fellow subsidiaries. At 31 December 1999, the contingent liability under this cross guarantee was £894,016.

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (Note 14) £
At 1 January 1999	43,285
Provided during year	<u>55,115</u>
At 31 December 1999	<u>98,400</u>

14 DEFERRED TAXATION

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

	Amount provided	
	1999 £	1998 £
Accelerated capital allowances	<u>98,400</u>	<u>43,285</u>

LATTICE LABELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

15 SHARE CAPITAL

	1999 £	1998 £
Authorised, allotted, called up and fully paid		
308,750 (1998: 100,000) ordinary shares of £1 each	308,750	100,000
Nil (1998: 18,750) 'A' ordinary shares of 10p each	0	1,875
Nil (1998: 3,125) 'B' ordinary shares of 10p each	0	313
Nil (1998: 3,125) 'C' ordinary shares of 10p each	0	312
	<u>308,750</u>	<u>102,500</u>

Allotments during the year

On 27 July 1999, the authorised share capital was increased from £102,500 to £308,750.

On 27 July 1999, 5,000 ordinary shares of £1 each and 18,750 'A' ordinary shares of 10 pence each were converted into 5,000 and 1,875 'D' ordinary shares of £1 each respectively.

On 27 July 1999, the company made an allotment of 206,250 'D' ordinary shares of £1 each by way of a scrip dividend to existing holders of 'D' ordinary shares. The value of the cash alternative was £6,875 and this has been treated as an appropriation of profits in the year. There has been a transfer from distributable reserves to the share capital account for the balance of the nominal value of the shares issued.

On 25 August 1999, 95,000 ordinary shares of £1 each, 3,125 'B' ordinary shares of 10 pence each, 3,125 'C' ordinary shares of 10 pence each and 213,125 'D' ordinary shares of £1 each were converted into 308,750 ordinary shares of £1 each.

16 RESERVES

	Share premium £	Profit and loss account £
At 1 January 1998	1,425	398,394
Profit for the financial year added to reserves	<u>0</u>	<u>181,126</u>
At 1 January 1999	1,425	579,520
Loss for the financial year deducted from reserves	0	(20,146)
Bonus issue of shares	<u>(1,425)</u>	<u>(197,950)</u>
At 31 December 1999	<u>0</u>	<u>361,424</u>

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

For the year ended 31 December 1999

17 RECONCILIATION ON MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	203,734	181,126
Dividends	<u>(223,880)</u>	<u>0</u>
	(20,146)	181,126
Bonus issue of shares	(199,375)	0
Issue of shares	<u>206,250</u>	<u>0</u>
Net (decrease)/increase in shareholders' funds	(13,271)	181,126
Shareholders' funds at 1 January 1999	<u>683,445</u>	<u>502,319</u>
Shareholders' funds at 31 December 1999	<u><u>670,174</u></u>	<u><u>683,445</u></u>

18 ACQUISITIONS

On 13 October 1999 the company acquired one ordinary share of £1 in LAC Systems Limited, being 100% of its nominal share capital. The purchase of LAC Systems Limited has been accounted for by the acquisition method of accounting.

The assets and liabilities of LAC Systems Limited acquired were as follows:

	Book value £	Adjustments £	Fair value £
Cash	<u>1</u>	<u>0</u>	1
Goodwill			<u>16,000</u>
			<u><u>16,001</u></u>
Satisfied by:			£
Cash			1
Costs of acquisition			<u>16,000</u>
			<u><u>16,001</u></u>

19 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1999 or 31 December 1998.

LATTICE LABELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

20 CONTINGENT LIABILITIES

The company had no contingent liabilities at 31 December 1999, other than the company's composite cross guarantee, referred to in Note 12 (31 December 1998: guarantee not in place).

21 PENSIONS

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

22 RELATED PARTY TRANSACTIONS

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.

23 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. It is situated at Bond House, Unit 9, George Street, Huntingdon, Cambridgeshire, PE18 6BD and its financial statements may be obtained from that address.