

# Markem Systems Limited

## Annual report and financial statements for the year ended 31 December 2008

Registered number 2624582

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# **Markem Systems Limited**

## **Annual report and financial statements for the year ended 31 December 2008**

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# **Markem Systems Limited**

*Registered number 2624582*

## **Directors' report for the year ended 31 December 2008**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

### **Business review and principal activities**

The company's principal activity during the year was the marketing of a range of printing imaging and related information technology systems for marking, identification and coding.

The turnover for the year was £21,269,478 (2007: £25,324,369) and the loss for the financial year was £1,028,758 (2007: £175,324). The directors do not recommend payment of a dividend.

On 9 December 2008, Markem-Imaje Limited (formerly Markem Technologies Limited) acquired the entire share capital of Markem Systems Limited.

### **Future outlook**

On 1 January 2009, Markem-Imaje Limited (formerly Markem Technologies Limited) purchased the business and fair market value of assets and liabilities of Markem Systems Limited.

There will be no trading activities within Markem Systems Limited during 2009.

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to the aggressive competition in the market place and employee retention.

### **Financial risk management**

The company's operations also expose it to a variety of financial risks that include the effects of credit risk, liquidity risk, and interest rate risk. The directors actively manage these risks by monitoring levels of risk and related costs. No derivatives are used.

The company has implemented policies to ensure that appropriate credit checks are carried out on potential customers before credit sales are made.

The company has interest bearing liabilities. When necessary, the company utilises overdraft facilities designed to ensure the company has sufficient available funds for its operations and its required level of working capital. Floating rate interest rates also apply to this. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

# **Markem Systems Limited**

## **Directors' report for the year ended 31 December 2008 (continued)**

### **Directors**

The directors who held office during the year and up to the date of signing of the financial statements are given below:

O Kerbage  
S Kral  
H Claret

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985 either during the year or at the year end.

### **Charitable and political donations**

The company contributed £nil (2007: £nil) to charities. No political contributions were made.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

# **Markem Systems Limited**

## **Directors' report for the year ended 31 December 2008 (continued)**

### **Statement of disclosure of information to auditors**

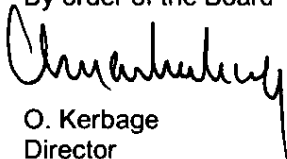
In the case of each of the persons who are directors at the time when the report is approved the following applies:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next AGM.

By order of the Board



O. Kerbage  
Director

## **Independent auditors' report to the members of Markem Systems Limited**

We have audited the financial statements of Markem Systems Limited for the year ended 31 December 2008 which comprise of the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report 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 International Standards on Auditing (UK and Ireland) 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 judgments 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

## **Independent auditors' report to the members of Markem Systems Limited (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
East Midlands

13 January 2010

# Markem Systems Limited

## Profit and loss account for the year ended 31 December 2008

|   | Notes | 2008<br>£           | 2007<br>£    |
|---|-------|---------------------|--------------|
| <b>Turnover</b>   | 2     | <b>21,269,478</b>   | 25,324,369   |
| Cost of sales   |       | <b>(15,753,831)</b> | (18,654,571) |
| <b>Gross profit</b>   |       | <b>5,515,647</b>    | 6,669,798    |
| Other operating expenses                                    | 3     | <b>(5,828,146)</b>  | (6,020,561)  |
| <b>Operating (loss)/profit</b>                              | 4     | <b>(312,499)</b>    | 649,237      |
| Interest receivable and similar income                      |       | <b>5,245</b>        | 36,529       |
| Interest payable and similar charges                        |       | <b>(61,962)</b>     | (107,792)    |
| Other finance charge  | 17    | <b>(281,000)</b>    | (333,000)    |
| <b>(Loss)/profit on ordinary activities before taxation</b> |       | <b>(650,216)</b>    | 244,974      |
| Tax charge on (loss)/profit on ordinary activities          | 7     | <b>(378,542)</b>    | (420,298)    |
| <b>Loss for the financial year</b>                          | 15    | <b>(1,028,758)</b>  | (175,324)    |

All items dealt with in arriving at operating loss above relate to continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.



## Markem Systems Limited

### Statement of total recognised gains and losses for the year ended 31 December 2008

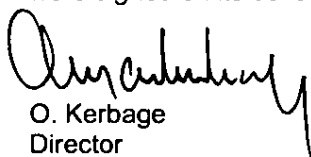
|   |       | 2008               | 2007      |
|---|-------|--------------------|-----------|
|   | Notes | £                  | £         |
| Loss for the financial year                                   |       | <b>(1,028,758)</b> | (175,324) |
| Actuarial gain on pension scheme                              | 17    | <b>1,575,000</b>   | 2,364,000 |
| Movement on deferred tax relating to pension scheme           | 13    | <b>(441,000)</b>   | (662,000) |
| <b>Total recognised gains and losses relating to the year</b> |       | <b>105,242</b>     | 1,526,676 |

# Markem Systems Limited

## Balance sheet as at 31 December 2008

|   | Notes | 2008<br>£          | 2007<br>£          |
|---|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |       |                    |                    |
| Tangible assets                                       | 8     | 25,151             | 35,644             |
| <b>Current assets</b>                                 |       |                    |                    |
| Stock   | 9     | 685,328            | 904,043            |
| Debtors   | 10    | 3,443,669          | 7,639,981          |
| Cash at bank and in hand                              |       | 27,093             | 1,426,790          |
|   |       | <b>4,156,090</b>   | <b>9,970,814</b>   |
| <b>Creditors: amounts falling due within one year</b> | 11    | <b>(2,952,786)</b> | <b>(7,563,542)</b> |
| <b>Net current assets</b>                             |       | <b>1,203,304</b>   | <b>2,407,272</b>   |
| <b>Total assets less current liabilities</b>          |       | <b>1,228,455</b>   | <b>2,442,916</b>   |
| <b>Provisions for liabilities and charges</b>         | 12    | <b>(381,966)</b>   | <b>(385,669)</b>   |
| <b>Net assets excluding pension liability</b>         |       | <b>846,489</b>     | <b>2,057,247</b>   |
| Pension liability                                     | 17    | (4,071,000)        | (5,387,000)        |
| <b>Net liabilities including pension liability</b>    |       | <b>(3,224,511)</b> | <b>(3,329,753)</b> |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Called up share capital                               | 14    | 60,002             | 60,002             |
| Share premium account                                 | 15    | 5,478,807          | 5,478,807          |
| Profit and loss account                               | 15    | (8,763,320)        | (8,868,562)        |
| <b>Total shareholders' deficit</b>                    | 16    | <b>(3,224,511)</b> | <b>(3,329,753)</b> |

The financial statements on pages 6 to 23 were approved by the board of directors on 13 January 2009 and were signed on its behalf by:

  
O. Kerbage  
Director

# **Markem Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2008**

### **1 Accounting policies**

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention on the going concern basis and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, which have been applied consistently. Where a choice of accounting treatment is available then directors apply the most appropriate accounting policy and estimation technique in accordance with FRS18.

#### **Research and development**

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight – line basis over its expected life, as follows:

|                    |                   |
|--------------------|-------------------|
| Machinery          | 10%-20% per annum |
| Computer equipment | 20%-33% per annum |

Residual value is calculated on prices prevailing at the date of acquisition.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Raw materials are stated at average purchase cost. For work-in-progress and finished goods, the cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less all costs expected to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items as appropriate.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# **Markem Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2008 (continued)**

### **1 Accounting policies (continued)**

#### **Pension costs**

The group maintains a pension scheme covering substantially all its employees providing defined benefits relating to final salary. The assets of the scheme are held outside the group by an independent trust. This scheme is now closed to new entrants and the company has set up a new scheme for new employees in 2007.

Under FRS 17 pension scheme assets are measured using fair values. Pension scheme liabilities are valued using the projected unit method and discounted at the current rate of return on a high quality corporate bond or equivalent term to the liability.

Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financial items in the profit & loss account and the statement of total recognised gains and losses.

The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return on the scheme assets is charged/credited to other finance costs.

Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses (STRGL). Similarly, any differences that arise from experience or assumption changes are charged through the statement of total recognised gains and losses

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded in sterling at actual rates at the date of the transaction, or if hedged at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the year end (or, where appropriate at the forward contract rate). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

#### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, value added tax and other sale related taxes.

#### **Operating leases**

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### **Cash flow statement**

The company is a wholly owned subsidiary of Markem Technologies Limited and is included in the consolidated financial statements of Dover Corporation. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 2 Turnover

The analysis of turnover and profit on ordinary activities before taxation has been omitted as the directors consider that it would be prejudicial to the interests of the group.

### 3 Other operating expenses

|                                | 2008      | 2007      |
|--------------------------------|-----------|-----------|
|                                | £         | £         |
| Selling and distribution costs | 2,795,145 | 2,977,450 |
| Administrative expenses        | 3,033,001 | 3,043,111 |
|                                | 5,828,146 | 6,020,561 |

### 4 Operating (loss)/profit

|   | 2008    | 2007    |
|---|---------|---------|
|   | £       | £       |
| Operating profit is stated after charging |         |         |
| Depreciation of tangible fixed assets     |         |         |
| - owned assets (note 8)                   | 14,673  | 17,633  |
| Operating lease charges                   |         |         |
| - plant and machinery                     | 269,596 | 223,950 |
| - other                                   | 245,561 | 242,097 |
| Auditors' remuneration:                   |         |         |
| - audit services                          | 21,000  | 20,000  |
| - non-audit services - taxation           | 21,250  | 25,834  |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

| By activity              | 2008   | 2007   |
|--------------------------|--------|--------|
|                          | Number | Number |
| Production               | 37     | 42     |
| Selling and distribution | 63     | 56     |
| Administration           | 10     | 9      |
|                          | 110    | 107    |

|                       | 2008             | 2007             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 3,664,183        | 3,930,657        |
| Social security costs | 342,123          | 407,287          |
| Other pensions costs  | 1,085,709        | 1,342,607        |
| <b>Staff costs</b>    | <b>5,092,015</b> | <b>5,680,551</b> |

Contained in the above staff costs are £834,942 (2007 £1,128,544) which have been recharged to other group countries under the Pan Euro scheme.

### 6 Directors' emoluments

|  | 2008 | 2007 |
|--|------|------|
|  | £    | £    |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

|                      | 2008 | 2007    |
|----------------------|------|---------|
|                      | £    | £       |
| Aggregate emoluments | -    | 246,697 |

### Highest paid director

|                  | 2008 | 2007    |
|------------------|------|---------|
|                  | £    | £       |
| Total emoluments | -    | 246,697 |
|                  | -    | 246,697 |

The number of directors who were members of the pension scheme was as follows:

|                        | Number | Number |
|------------------------|--------|--------|
| Defined benefit scheme | -      | 1      |

## 7 Tax charge on (loss)/profit on ordinary activities

### Analysis of charge in year

|   | 2008    | 2007      |
|---|---------|-----------|
|   | £       | £         |
| <b>Current tax</b>  |         |           |
| UK corporation tax on profit for the year                 | -       | -         |
| Adjustment in respect of prior years                      | -       | -         |
| <b>Total current tax</b>                                  | -       | -         |
| <b>Deferred tax</b>                                       |         |           |
| Origination and reversal of timing differences            | 5,619   | 250,268   |
| Adjustment in respect of prior years                      | 13,923  | (192,370) |
| Pension deficit movement                                  | 359,000 | 362,400   |
| <b>Total deferred tax (note 13)</b>                       | 378,542 | 420,298   |
| <b>Tax charge on (loss)/profit on ordinary activities</b> | 378,542 | 420,298   |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 7 Tax charge on (loss)/profit on ordinary activities (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK (28.5%). The differences are explained below.

|   | 2008             | 2007      |
|---|------------------|-----------|
|   | £                | £         |
| (Loss)/profit on ordinary activities before taxation                                    | <b>(650,216)</b> | 244,974   |
| (Loss)/profit on ordinary activities at standard rate of UK tax of 28.5%<br>(2007: 30%) | <b>(185,312)</b> | 73,492    |
| Expenses not deductible for tax purposes  | <b>11,399</b>    | 34,566    |
| Accelerated capital allowances and other timing differences                             | <b>(821,178)</b> | (5,583)   |
| Group relief claimed  | <b>995,091</b>   | 234,513   |
| Adjustment to tax charge in respect of previous years                                   | -                | (336,988) |
| Current tax charge for the year   | -                | -         |



# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 8 Tangible assets

|                                 | Machinery<br>and<br>computer<br>equipment |
|---------------------------------|---|
|                                 | £   |
| <b>Cost or valuation</b>        |   |
| At 1 January 2008               | 561,009                                   |
| Additions                       | 4,180                                     |
| Disposals                       | -   |
| <b>At 31 December 2008</b>      | <b>565,189</b>                            |
| <b>Accumulated depreciation</b> |   |
| At 1 January 2008               | 525,365                                   |
| Charge for the year             | 14,673                                    |
| Disposals                       | -   |
| <b>At 31 December 2008</b>      | <b>540,038</b>                            |
| <b>Net book amount</b>          |   |
| <b>At 31 December 2008</b>      | <b>25,151</b>                             |
| At 31 December 2007             | 35,644                                    |

### 9 Stocks

|                                     | 2008           | 2007           |
|-------------------------------------|----------------|----------------|
|                                     | £              | £              |
| Raw materials and consumables       | 384,974        | 532,227        |
| Finished goods and goods for resale | 300,354        | 371,816        |
|                                     | <b>685,328</b> | <b>904,043</b> |

In the opinion of the directors there is no material difference between the value as shown and the replacement cost of stocks.

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 10 Debtors

|  | 2008             | 2007             |
|--|------------------|------------------|
|  | £                | £                |
| <b>Amounts falling due within one year:</b>    |                  |                  |
| Trade debtors                                  | 3,037,637        | 4,990,120        |
| Amounts owed by group undertakings             | 27,798           | 1,797,404        |
| Amounts owed by fellow subsidiary undertakings | 156,996          | 604,332          |
| Prepayments and accrued income                 | 83,754           | 93,782           |
| UK corporation tax                             | 2,682            | -                |
| Deferred tax asset (note 13)                   | 134,802          | 154,343          |
|  | <b>3,443,669</b> | <b>7,639,981</b> |

### 11 Creditors: amounts falling due within one year

|  | 2008             | 2007             |
|--|------------------|------------------|
|  | £                | £                |
| Trade creditors                                | 169,888          | 422,380          |
| Amounts owed to ultimate parent company        | 858,124          | 4,141,695        |
| Amounts owed to fellow subsidiary undertakings | (20,283)         | 858,829          |
| Amounts owed to parent company                 | -                | 237,172          |
| - VAT  | 356,312          | 557,741          |
| - social security and PAYE                     | 106,703          | 114,189          |
| - other  | 34,546           | 18,547           |
| Accruals and deferred income                   | 1,447,496        | 1,212,989        |
|  | <b>2,952,786</b> | <b>7,563,542</b> |

Amounts owed to parent undertakings are varying in interest rates and are repayable on demand.

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 12 Provisions for liabilities and charges – warranty

|                                    | £              |
|------------------------------------|----------------|
| At 1 January 2008                  | 385,669        |
| Charged to profit and loss account | (3,703)        |
| <b>At 31 December 2008</b>         | <b>381,966</b> |

### 13 Deferred tax (asset)

The movement in the deferred tax asset during the current year was as follows:

|  | £              |
|--|----------------|
| At 1 January 2008                              | 154,343        |
| Charged to profit and loss account in the year | (19,541)       |
| <b>At 31 December 2008</b>                     | <b>134,802</b> |

The company has no un-provided deferred tax balances.

The deferred tax asset is analysed as follows:

|   | 2008             | 2007             |
|---|------------------|------------------|
|   | £                | £                |
| Accelerated capital allowances  | 17,£             | 20,£             |
| Other short term timing differences   | 116,£            | 133,£            |
| <b>Deferred tax asset</b>   | <b>134,802</b>   | <b>154,343</b>   |
| At 1 January 2008   | 2,965,000        | 3,989,400        |
| Deferred tax credited in profit and loss account                            | (359,000)        | (362,400)        |
| Deferred tax credited in the statement of total recognised gains and losses | (441,000)        | (662,000)        |
| <b>At 31 December 2008</b>  | <b>2,165,000</b> | <b>2,965,000</b> |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 14 Called up share capital

|   | 2008          | 2007   |
|---|---------------|--------|
|   | £             | £      |
| <b>Authorised</b>                         |               |        |
| 64,000 ordinary shares of £1 each         | <b>64,000</b> | 64,000 |
| <b>Allotted, called up and fully paid</b> |               |        |
| 60,000 ordinary shares of £1 each         | <b>60,000</b> | 60,000 |
| <b>Allotted and called up</b>             |               |        |
| 2 ordinary shares of £1 each              | <b>2</b>      | 2      |
|   | <b>60,002</b> | 60,002 |

### 15 Reserves

|  | Share<br>premium<br>account | Profit and<br>loss<br>account | Total              |
|--|-----------------------------|-------------------------------|--------------------|
|  | £                           | £                             | £                  |
| At 1 January 2008  | 5,478,807                   | (8,868,562)                   | (3,389,755)        |
| Loss for the financial year                                | -                           | (1,028,758)                   | (1,028,758)        |
| Actuarial gain on pension scheme                           | -                           | 1,575,000                     | 1,575,000          |
| Movement on deferred tax relating to pension scheme        | -                           | (441,000)                     | (441,000)          |
| <b>At 31 December 2008</b>                                 | <b>5,478,807</b>            | <b>(8,763,320)</b>            | <b>(3,284,513)</b> |
| <b>Pension liability</b>                                   | -                           | <b>(4,071,000)</b>            | <b>(4,071,000)</b> |
| <b>Profit and loss reserve excluding pension liability</b> | <b>5,478,807</b>            | <b>(4,692,320)</b>            | <b>786,487</b>     |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 16 Reconciliation of movements in total shareholders' deficit

|   | 2008        | 2007        |
|---|-------------|-------------|
|   | £           | £           |
| Profit for the financial year                       | (1,028,758) | (175,324)   |
| Actuarial gain on pension scheme                    | 1,575,000   | 2,364,000   |
| Movement on deferred tax relating to pension scheme | (441,000)   | (662,000)   |
| Net reduction in shareholders' deficit              | 105,242     | 1,526,676   |
| Opening shareholders' deficit                       | (3,329,753) | (4,856,429) |
| Closing shareholders' deficit                       | (3,224,511) | (3,329,753) |

### 17 Pension commitments

i) The company operates a defined benefit scheme for the majority of full-time employees, operated by Heath Lambert Consulting with assets held in a separately administered fund.

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation of the scheme was performed as at 31 December 2006 using the attained age method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 6.5% per annum, the rate of salary increase would be 3.75% per annum and the rate of pension increase would be in accordance with the Rules of the scheme with Limited Price Indexation taken as 2.75% per annum.

Contributions by the company were at the rate of 20.0% of pensionable salaries during 2008, in addition, further payments totalling £984,000 were made to reduce the pension deficit. In addition employees in the staff category paid 5.0% of pensionable salaries and employees in the executive category paid 7.5% of pensionable salaries. There were no outstanding pension contributions at the year end (2007: Nil).

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 17 Pension commitments (continued)

The actuarial valuation described above has been updated at 31 December 2008 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS17. Investments have been valued, for this purpose, at fair value. The major assumptions used for the actuarial valuation were:

|   | 2008 | 2007 | 2006   |
|---|------|------|--------|
|   | %    | %    | %      |
| Rate of increase in salaries            | 3.00 | 3.40 | 4.05   |
| Rate of increase in pensions in payment |      |      |        |
| - accrued prior to April 1997           | 2.40 | 3.00 | 3 to 5 |
| - accrued after 6 April 1997            | 2.40 | 3.00 | 3.05   |
| Discount rate                           | 6.40 | 5.80 | 5.10   |
| Inflation assumption                    | 2.70 | 3.40 | 3.3    |

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the weighted average expected rate of return at each balance sheet date were:

|                                     | 2008 | 2008     | 2007 | 2007     | 2006 | 2006     |
|-------------------------------------|------|----------|------|----------|------|----------|
|                                     | %    | £'000    | %    | £'000    | %    | £'000    |
| Equities                            | 7.70 | 9,002    | 7.50 | 11,6     | 7.75 | 9,9      |
| Bonds                               | 4.20 | 5,236    | 5.25 | 6,3      | 4.6  | 5,8      |
| Cash                                | 3.70 | 1,275    | 5.25 | 759      | 5.0  | 2        |
| Total fair value of assets          |      | 15,513   |      | 18,76    |      | 15,76    |
| Present value of scheme liabilities |      | (21,749) |      | (27,137) |      | (29,062) |
| Deficit in the scheme               |      | (6,236)  |      | (8,352)  |      | (13,298) |
| Deferred tax asset                  |      | 2,165    |      | 2,965    |      | 3,989    |
| Net liability                       |      | (4,071)  |      | (5,387)  |      | (9,309)  |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 17 Pension commitments (continued)

The company's contribution rate for 2008 was 20% of pensionable salaries.

#### Analysis of amount charged to operating profit in respect of schemes

|                        | 2008  | 2007  |
|------------------------|-------|-------|
|                        | £'000 | £'000 |
| Current service cost   | 465   | 568   |
| Past service cost      | -     | -     |
| Total operating charge | 465   | 568   |

#### Analysis of the amount credited to other finance income

|  | 2008    | 2007    |
|--|---------|---------|
|  | £'000   | £'000   |
| Expected return on pension scheme assets | 1,277   | 1,129   |
| Interest on pension scheme liabilities   | (1,558) | (1,462) |
| Net return                               | (281)   | (333)   |

#### Analysis of amount recognised in statement of total recognised gains and losses

|   | 2008    | 2007  |
|---|---------|-------|
|   | £'000   | £'000 |
| Actual return less expected return on pension Scheme assets                 | (5,406) | (868) |
| Experience gains and losses arising on Scheme liabilities                   | 916     | (72)  |
| Changes in assumptions underlying the present value of Scheme liabilities   | 6,065   | 3,304 |
| Actuarial gain recognised in statement of total recognised gains and losses | 1,575   | 2,364 |

# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 17 Pension commitments (continued)

#### Movements in the deficit during the year ended 31 December 2008

|   | 2008           | 2007           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Deficit in scheme at the beginning of the year  | (8,352)        | (13,298)       |
| Movement in year:                               |                |                |
| Current service cost                            | (465)          | (568)          |
| Expenses  | (66)           | -              |
| Contributions                                   | 1,353          | 3,483          |
| Other finance income                            | (281)          | (333)          |
| Actuarial gain/(loss)                           | 1,575          | 2,364          |
| <b>Deficit in scheme at the end of the year</b> | <b>(6,236)</b> | <b>(8,352)</b> |

#### History of experience gains and losses for the year ended 31 December 2008:

|   | 2008   | 2007  |
|---|--------|-------|
|   | £'000  | £'000 |
| Difference between the expected and actual return on Scheme assets        |        |       |
| Amount (£'000)  | (5,41) | (868) |
| Percentage of Scheme assets   | 35%    | 5%    |
| Experience gains and losses on Scheme liabilities                         |        |       |
| Amount (£'000)  | 916    | (72)  |
| Percentage of the present value of the Scheme liabilities                 | 4%     | 0%    |
| Total amount recognised in statement of total recognised gains and losses |        |       |
| Amount (£'000)  | 1,51   | 2,31  |
| Percentage of the present value of the Scheme liabilities                 | 7%     | 9%    |



# Markem Systems Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 18 Capital and other commitments

|  | 2008 | 2007 |
|--|------|------|
|  | £    | £    |
| Contracts placed for future capital expenditure not provided in the financial statements | -    | -    |

### 19 Guarantees and financial commitments

#### a) Lease commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

|                          | Land and buildings |         | Other   |         |
|--------------------------|--------------------|---------|---------|---------|
|                          | 2008               | 2007    | 2008    | 2007    |
|                          | £                  | £       | £       | £       |
| Within one year          | -                  | -       | 76,631  | 88,138  |
| Within two to five years | 227,033            | 227,033 | 192,432 | 201,381 |
|                          | 227,033            | 227,033 | 269,063 | 289,519 |

#### b) VAT

The company is registered for VAT purposes in a group of related undertakings which share a common registration number. As a result, the company jointly guaranteed the VAT liability of the VAT group, and failure by other members of the VAT group would give rise to additional liabilities for the company and the group. The directors are of the opinion that no liability is likely to arise from the failure of those companies.

### 20 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Markem-Imaje Limited (Formerly Markem Technologies Limited), incorporated in the United Kingdom.

The directors regard Dover Corporation, a company incorporated in the State of New York, USA, as the ultimate parent company and the ultimate controlling party.

The results of the company are consolidated in the accounts of Dover Corporation.

As a subsidiary undertaking of Dover Corporation, the company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the group headed by Dover Corporation.