

# THE PALATINE ENGRAVING COMPANY LIMITED

## Report and Financial Statements

31 December 2002

*Registered Number: 2703966*



# The Palatine Engraving Company Limited

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Registered No. 2703966

## **DIRECTORS**

J-P Bobst  
S J Darlington  
M A Ridings

## **SECRETARY**

S J Darlington

## **AUDITORS**

Ernst & Young LLP  
One Colmore Row  
Birmingham  
B3 2DB

## **BANKERS**

The Royal Bank of Scotland  
2<sup>nd</sup> Floor  
79-83 Colmore Row  
Birmingham  
B3 2AP

## **SOLICITORS**

Bullivant Jones & Co  
State House  
22 Dale Street  
Liverpool  
L2 4UR

## **REGISTERED OFFICE**

2 Meir Road  
Old Forge Drive  
Park Farm North  
Redditch  
B98 7SY

# The Palatine Engraving Company Limited

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2002.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £33,000 (2001: loss of £76,000). No dividend is proposed (2001: £Nil).

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activities continue to be that of letterpress platemakers and engravers of embossing and foil blocking dies for the printing, packaging and greeting card manufacturing industries.

### FUTURE DEVELOPMENTS

No major changes are expected in the nature of the company's activities.

### DIRECTORS AND THEIR INTERESTS

The directors who held office during the year are set out below

J-P Bobst	
S J Darlington	
G C Darricotte	(resigned 1 August 2002)
M A Ridings	

There are no directors' interests requiring disclosure under the Companies Act 1985.

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board



S J Darlington  
Secretary

3 March 2003

## The Palatine Engraving Company Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 year. 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PALATINE ENGRAVING COMPANY LIMITED**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 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 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 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Birmingham

3 March 2003

# The Palatine Engraving Company Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	<i>Notes</i>	<b>2002</b> £'000	<b>2001</b> £'000
<b>Turnover</b>	2	2,812	2,987
Cost of sales		(1,627)	(1,958)
<b>Gross Profit</b>		1,185	1,029
Administrative expenses		(1,129)	(1,237)
<b>Profit/(loss) on ordinary activities before taxation</b>	3	56	(208)
Tax on profit/(loss) on ordinary activities	6	(23)	132
<b>Profit / (loss) retained for the financial year</b>	15	33	(76)

The company had no unrecognised gains or losses in the year other than the results shown above.

# The Palatine Engraving Company Limited

## BALANCE SHEET at 31 December 2002

	Notes	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	1,009	1,208
Investments	8	-	-
		<u>1,009</u>	<u>1,208</u>
<b>CURRENT ASSETS</b>			
Stocks	9	44	39
Debtors	10	889	803
Cash at bank and in hand		725	488
		<u>1,658</u>	<u>1,330</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(892)</u>	<u>(818)</u>
<b>NET CURRENT ASSETS</b>		<u>766</u>	<u>512</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,775</u>	<u>1,720</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(956)</u>	<u>(934)</u>
		<u>819</u>	<u>786</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1	1
Share premium	15	595	595
Profit and loss account	15	223	190
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>819</u>	<u>786</u>

The financial statements were approved by the Board on 3 March 2003 and signed on its behalf by:



S J Darlington  
Director

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standard 19 for deferred tax. This has not had a material effect on the figures reported in the financial statements.

Consolidated financial statements have not been prepared because the company has taken advantage of section 228 of the Companies Act 1985 which exempts the company from the obligation to prepare and deliver group accounts as it is included in the consolidated financial statements of Bobst Group (UK Holdings) Limited, a company registered in England and Wales. These financial statements present information about the company as an individual and not about its group.

#### **Cashflow statement**

The Company has taken advantage of the exemption from preparing a cash flow statement conferred by FRS 1 (revised) on the grounds that it is entitled to the exemption as a wholly owned subsidiary of a parent undertaking which publishes a consolidated cash flow statement.

#### **Depreciation**

Depreciation is calculated to write off the cost of all tangible fixed assets evenly over their estimated useful lives at the following rates:

Freehold buildings	-	2 - 4%
Short leasehold buildings	-	over the period of the lease
Plant & equipment	-	10 - 20%
Office equipment & fixtures	-	10 - 33%
Motor Vehicles	-	25%

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstance indicate that the carrying value may not be recoverable.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less the estimated cost of disposal. Cost is computed as follows:

Raw materials	-	purchase cost on a first in, first out basis
Work in progress & finished goods	-	cost of direct materials & labour, plus attributable overheads

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate approximating to those ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or at contracted rates, if applicable. All differences are taken to the profit and loss account.

#### **Leasing**

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.



# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 1. ACCOUNTING POLICIES (continued)

#### **Deferred tax**

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receiving more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Pensions**

The company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The expected cost of providing pensions, as calculated periodically by independent qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

### 2. TURNOVER

Turnover represents the amount derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

An analysis of turnover by geographic market is given below:

	2002 £'000	2001 £'000
United Kingdom	2,812	2,863
Rest of Europe	-	104
Other	-	20
Total	2,812	2,987

All activities are classed as continuing.

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration - audit	9	9
Depreciation	231	253
Operating lease rentals - land and buildings	22	22
- motor vehicles	40	35
	<u>282</u>	<u>319</u>

### 4. DIRECTORS' EMOLUMENTS

No director received any emoluments for his services to the company (2001 - £nil).

### 5. STAFF COSTS

	2002 No	2001 No
The average number of persons employed by the company during the period was:		
Production, sales and distribution	51	61
Administration	5	7
	<u>56</u>	<u>68</u>
	£'000	£'000
Staff costs:		
Wages and salaries	1,250	1,472
Social security costs	112	130
Other pension costs	54	66
	<u>1,416</u>	<u>1,668</u>

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Current taxation:		
Group relief	23	(54)
Adjustments in respect of prior years'	-	(15)
	<u>23</u>	<u>(69)</u>
Deferred taxation	-	(63)
	<u>23</u>	<u>(132)</u>

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	<u>56</u>	<u>(208)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2001 – 30%)	17	(62)
Effect of:		
Disallowed expenses and non-taxable income	2	2
Capital allowances in excess of depreciation	4	6
Prior year charges	-	(15)
	<u>23</u>	<u>(69)</u>

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 7. TANGIBLE FIXED ASSETS

	<b>Land and buildings</b>	<b>Plant &amp; equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 January 2002	886	1,977	21	2,884
Additions	-	32	-	32
Disposals	-	-	(21)	(21)
At 31 December 2002	886	2,009	21	2,895
<b>Depreciation:</b>				
At 1 January 2002	412	1,243	21	1,676
Provided during the year	22	209	-	231
Disposals	-	-	(21)	(21)
At 31 December 2002	434	1,452	-	1,886
<b>Net book value:</b>				
At 31 December 2002	452	557	-	1,009
At 31 December 2001	474	734	-	1,208

The net book value of land and buildings is analysed as follows:

	<b>2002</b>	<b>2001</b>
	£'000	£'000
Freehold land	130	130
Freehold buildings	291	310
Short leasehold buildings	31	34
	452	474

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 8. INVESTMENTS

**Subsidiary  
undertakings**  
£

At 31 December 2002 and 2001, stated at cost 202

The company holds the entire issued ordinary share capital of The Palatine Engraving Company (Scotland) Limited, a dormant company registered in Scotland.

The company also holds two £1 shares in Palatine Engraving Pension Fund Trustee Limited, being the whole of the issued share capital. This company acts as trustee of The Palatine Engraving Company Limited Pension Scheme.

### 9. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	39	34
Work in progress	5	5
	<u>44</u>	<u>39</u>

The difference between the above values and the replacement cost of stocks is not material.

### 10. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	784	740
Other debtors	68	36
Prepayments and accrued income	37	27
	<u>889</u>	<u>803</u>

### 11. CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	191	138
Amounts owed to group undertakings	570	454
Corporation tax	1	-
Other taxes and social security costs	43	130
Accruals and deferred income	87	96
	<u>892</u>	<u>818</u>

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 12. CREDITORS: amounts falling after more than one year

	2002 £'000	2001 £'000
Amount owed to group undertakings	956	934

### 13. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided		Not Provided	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Accelerated capital allowances	-	-	(199)	(196)
Other timing differences	-	-	(7)	(8)
	-	-	(206)	(204)

### 14. SHARE CAPITAL

	2002 and 2001	
	Authorised £'000	Allotted, called up & fully paid £'000
Ordinary shares of £1 each	1	1

### 15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Called up share- capital £'000	Share Premium account £'000	Profit and loss account £'000	Equity share- holders funds £'000
At 1 January 2002	1	595	190	786
Profit for the year	-	-	33	33
At 31 December 2002	1	595	223	819

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

16. PENSION COMMITMENTS

The company operates a pension scheme the assets of which are held separately from those of the company. The scheme is of the defined benefit type and benefits are based on the years of service and the employees' average remuneration in a number of years prior to retirement.

The most recent actuarial valuation was carried out at 31 May 2001. This valuation showed the aggregate market value of the scheme's assets to be £0.8 million. The scheme showed a surplus of £132,000 and a funding level of 120% at that date.

The assumptions which have the most significant effect on the valuation are as follows:

- investment returns will exceed salary increases by 2 per cent per annum;
- pension increases for post April 1997 service will be 2.5%.

The pension charge for the year to 31 December 2002 under this scheme was £54,000 (2001, 12 months: £66,000).

The future rates of contributions of the company will be 9.5% of earnings. This scheme is closed to new members and accordingly, the average age of members is expected to increase over time and this will increase the annual cost of pension accrual as a percentage of pensionable salaries.

There were no unpaid contributions as at the balance sheet date.

The company currently accounts for pension costs in accordance with SSAP 24. The new accounting standard for pensions, FRS 17, will not become mandatory for the company until year ending 31 December 2005. The disclosures required under the transitional arrangements of FRS 17 are set out below.

<u>FRS 17 valuation assumptions:</u>	2002	2001
Salary increase rate	4.35%	4.5%
Deferred pension increase rate	2.35%	2.5%
Pensions in payment increase		
Pre April 1997 service	0.00%	0.0%
Post April 1997 service	2.35%	2.5%
Discount rate	5.50%	6.0%
Inflation assumption	2.35%	2.5%

# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 16. PENSION COMMITMENTS (continued)

#### FRS 17 valuation results:

	Long term rate of return	2002 Value £'000	Long term rate of return	2001 Value £'000
Equities	7.0%	562	7.5%	613
Bonds	4.5%	190	5.0%	204
Cash	4.0%	8	3.0%	3
Other assets		-		(38)
Total market value		760		782
Actuarial value of liability		(1,001)		(798)
Deficit		(241)		(16)
Deferred tax adjustment		72		5
Net pension liability		(169)		(11)
Ratio of total market value to actuarial value of liability		75.9%		98.0%

#### Operating profit charge

Current service cost

Past service cost

Total operating profit charge

2002  
£'000

51

-

51

#### Finance income

Expected return on pension scheme assets

Interest on pension scheme liabilities

Net return

57

(50)

7

#### Actuarial loss recognised in the Statement of Total Recognised Group Gains and Losses (STRGL)

Actual return less expected return on pension scheme assets

Experience gains and losses arising on the scheme liabilities

Changes in assumptions underlying the present value of the scheme liabilities

Actuarial loss recognised in the STRGL

(146)

(4)

(82)

(232)

#### Movement in surplus during the year

At 31 December 2001

Current service cost

Contributions

Net return on assets

Actuarial loss

At 31 December 2002

(17)

(51)

52

7

(232)

(241)



# The Palatine Engraving Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

### 16. PENSION COMMITMENTS (continued)

#### History of experience gains and losses

Differences between the expected and actual return on scheme assets:

Amount (£000)	(146)
Percentage of scheme assets	19.2%

Experience gains and losses on scheme liabilities:

Amount (£000)	(3)
Percentage of the present value of the scheme liabilities	0.3%

Total amount recognised in the STRGL:

Amount (£000)	(232)
Percentage of the present value of the scheme liabilities.	23%

#### Balance sheet presentation

	2002 £'000	2001 £'000
Net assets excluding pension liability	819	786
Pension liability	(169)	(11)
Net assets including pension liability	650	775

#### Reserves Note

	2002 £'000	2001 £'000
Profit and loss reserve excluding pension asset	223	190
Pension reserve	(169)	(11)
Profit and loss reserve	54	179

### 17. CONTINGENT LIABILITIES AND COMMITMENTS

The Company is party to a bank cross guarantee covering amounts due by other group companies.

### 18. OPERATING LEASE COMMITMENTS

At 31 December 2002, the company had annual commitments in respect of non-cancellable operating leases as set below:

	2002 £'000	2001 £'000
<i>Land and buildings</i>		
Expiring within one year	22	-
After more than five years	-	28
<i>Other</i>		
Within one year	3	8
In two to five years	20	15

# The Palatine Engraving Company Limited

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## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

### 19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption, in FRS 8, from providing details of transactions with members of the Bobst Group (UK Holdings) Limited and the Bobst Group SA groups.

### 20. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Bobst Group (UK Holdings) Limited. It has included the company in its group financial statements, copies of which are available from its registered office:

2 Meir Road, Old Forge Drive, Redditch, B98 7SY.

The company's ultimate parent and ultimate controlling party is Bobst Group SA which is incorporated in Switzerland. Copies of Bobst Group SA's financial statements are available from its registered office: Bobst SA, 1001 Lausanne, Switzerland.