

Norprint Labelling Systems Limited
Annual report and financial statements
for the year ended 31 March 2004

Registered Number: 3556795



Norprint Labelling Systems Limited

Annual report and financial statements for the year ended 31 March 2004

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Norprint Labelling Systems Limited

Directors' report for the year ended 31 March 2004

The directors present their report and the audited financial statements for the year ended 31 March 2004

Principal activities

The principal activities of the company are the production of tags, tickets and self-adhesive labels for use within the commercial and food industries. The company's Systems Equipment Division markets labelling machines, labelling systems, software and services.

Review of business

Pre Tax Profit for the year was up to £28,000 from a loss of £105,000 in the previous year. This was achieved on lower sales of £18.8m as we continued to exit from lower margin / non-profitable production.

Net debt was again reduced this year, standing at £3.6m at the year-end from £4.5m at March 2003.

The major emphasis in the business is now sales and profit growth. Under the directive of Alex Evans, the sales team has now been significantly strengthened to progressively increase turnover in our key sectors of industrial, food and retail security. The winning of a two-year £1m+ contract with a major high street retailer of our patented 'Nortag' security product should be a springboard to seeing significant expansion in the retail security sector. Sales under this contract commence in April 2004.

David Wood, the Chief Executive, resigned on 7 April 2004 to concentrate full-time on a charity with which he has been associated for many years. The Company wishes him well. Mr Evans has now replaced him in the role to continue the momentum of turnaround.

The directors appreciate the efforts and commitment shown by all our staff during the year.

Norprint Labelling Systems Limited

Directors' report for the year ended 31 March 2004 (continued)

Dividends

The following dividends in respect of the year ended 31 March 2004 have been charged to the profit and loss account:

	2004
	£'000
Preference share dividend proposed	246

Post balance sheet events

There have been no post balance sheet events.

Research and development

The company continues to develop new products, both independently and in conjunction with its customer and supplier partners.

Charitable donations

The donations made by the company during the year for charitable purposes were £1,000 (2003:£1,000)

Directors

The following served as directors during and, unless otherwise indicated, throughout the year:

Mr T Caplin (Non –Executive)	
Mr R D Wood	Resigned 7 April 2004
Mr C J Maycroft	Resigned 22 October 2003
Mr M J Aiken	
Mr D A Smith	
Mr T G Hancock	
Mr K G Carpenter (Non-Executive)	Resigned 15 July 2003
Mr A Evans	Appointed 20 November 2003

Norprint Labelling Systems Limited

Directors' report for the year ended 31 March 2004 (continued)

Directors' interest in shares of the company

The interests of the directors of the company at 31 March 2004 in the shares of the company according to the register required to be kept by section 325 of the Companies Act 1985 were as follows :-

	Ordinary shares of £1 each	
	2004	2003
Mr R D Wood	37,500	37,500
Mr D A Smith	10,000	10,000
Mr C J Maycroft	NIL	10,000
Mr M J Aiken	10,000	10,000
Mr T Caplin	7,500	7,500

No director had any interest in the £1 "A" Ordinary Shares or £1 Cumulative Redeemable Preference Shares.

At 31 March 2004 40,000 £1 Ordinary Shares at par were being held by Lloyds TSB Development Capital Limited (2003: 30,000 £1 Ordinary Shares).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

Employment policies

The company is fully aware of and takes seriously its responsibility to keep all employees informed on all matters of concern to them and to consult them so that their views can be taken into account when making decisions likely to affect their interests. To this end the company has procedural arrangements with recognised Trade Unions for the regular consultation and negotiation of matters concerning their members' interests. Meetings are also held with employees, at which company performance and other matters related to its activities are discussed. Each employee is also issued with a handbook which details the company's personnel and employment policies.

Norprint Labelling Systems Limited

Directors' report for the year ended 31 March 2004 (continued)

Directors' responsibility for the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial year that 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. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

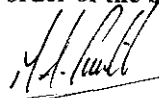
Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue the business.

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.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

By order of the board


D A Smith
Secretary

Independent auditors' report to the members of Norprint Labelling Systems Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes

Respective responsibilities of director and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 United Kingdom Companies Act. 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 is not disclosed.

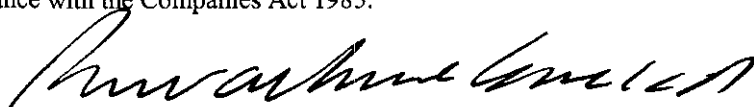
Basis of audit opinion

We conducted our audit in accordance with 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 director 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 March 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands

1 September 2004

Norprint Labelling Systems Limited

Profit and loss account for the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover – continuing activities	2	18,826	19,444
Operating profit before exceptional items		362	745
Exceptional operating expenses	3	-	(400)
Operating profit – continuing activities	3	362	345
Interest receivable and similar income		4	-
Interest payable and similar charges	4	(338)	(450)
Profit / (Loss) on ordinary activities before taxation	5	28	(105)
Taxation	8	-	-
Profit / (Loss) on ordinary activities after taxation		28	(105)
Dividends (including dividends and other appropriations in respect of non-equity shares)	9	(246)	(245)
(Loss) for the financial year	18	(218)	(350)

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

Norprint Labelling Systems Limited

Balance sheet as at 31 March 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	10	-	(59)
Tangible assets	11	1,919	2,463
		1,919	2,404
Current assets			
Stocks	12	1,862	1,748
Debtors: amounts falling due within one year	13	3,379	3,498
Debtors: amounts falling due after one year	13	561	591
Cash at bank and in hand		61	61
		5,863	5,898
Creditors: amounts falling due within one year	14	(5,407)	(5,505)
Net current assets		456	393
Total assets less current liabilities		2,375	2,797
Creditors: amounts falling due after more than one year	15	(2,265)	(2,715)
Net assets		110	82
Capital and reserves			
Called up share capital	17	2,555	2,555
Profit and loss account	18	(2,445)	(2,473)
Shareholders' funds	22	110	82
Deficit on equity shareholders' funds		(3,049)	(2,831)
Non-equity shareholders' funds		3,159	2,913
Total shareholders' funds	22	110	82

The financial statements on pages 7 to 32 were approved by the board of directors on 30 July 2004 and were signed on its behalf by:


A Evans
Director

Norprint Labelling Systems Limited

Cash flow statement for the year ended 31 March 2004

	Note	2004	2003
		£'000	£'000
Net cash inflow from continuing operating activities		1,409	1,097
Returns on investments and servicing of finance			
Interest received		4	-
Interest paid		(321)	(419)
Finance lease and hire purchase interest		(26)	(31)
Net cash outflow from returns on investments and servicing of financing		(343)	(450)
Capital expenditure and financial investment			
Net Purchase of tangible fixed assets		(137)	(13)
Movement in cutters		(6)	44
Net cash (Outflow) / Inflow from investing activities		(143)	31
Cash inflow before financing		923	678
Financing			
Repayment of principal under finance leases and hire purchase		(96)	(140)
Repayment of loans		(827)	(487)
Net cash outflow		(923)	(627)
Increase in cash in the year	20	-	51

Norprint Labelling Systems Limited

Reconciliation of operating profit to net cash inflow from operating activities for the year ended 31 March 2004

	2004	2003
	£'000	£'000
Operating profit	362	345
Depreciation on tangible fixed assets	766	865
Amortisation of goodwill	(59)	(198)
(Increase)/Decrease in stocks	(114)	207
(Increase)/Decrease in debtors	149	340
Increase/(Decrease) in creditors	305	(462)
	1,409	1,097

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004

1 Principal accounting policies

Accounting Convention

The financial statements have been prepared on the historical cost basis of accounting, in accordance with applicable accounting standards in the United Kingdom.

New accounting standards

The company has complied with the transitional rules of FRS17 "Retirement Benefits" and the appropriate disclosures are made in Note 24.

Accounting Reference Date

All figures have been made up for the 52 week period from the last Financial Year End, 30 March 2003 to 28 March 2004.

Turnover

Turnover represents the total amount, less value added tax, receivable by the company for goods supplied as principal and services rendered during the year.

Research & Development

All expenditure on research and development is charged against the profits of the year in which it is incurred.

Foreign Currencies

Transactions in foreign currencies are translated into sterling at rates of exchange ruling on that date. Monetary assets and liabilities in foreign currencies held at the financial year end are translated into sterling at rates of exchange ruling on that date. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Leased Assets

Tangible fixed assets operated under the terms of finance leases and hire purchase agreements are capitalised at a value equal to the cost incurred by the lessor in acquiring the relevant assets. Leasing and hire purchase agreements which transfer to the company substantially all the benefits and right of ownership of an asset are treated as if the assets had been purchased outright. The capital element of future lease payments is included under creditors. Operating lease rentals are charged against profit in the year in which they are incurred.

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

1 Principal accounting policies (continued)

Depreciation

Depreciation on costs is calculated by the straight line method at rates considered appropriate to the class and life of the assets concerned.

Principal annual depreciation rates are as follows :-

Plant and Machinery	7%; 10%
Office and Computer Equipment	10%; 20%; 25%; 33%
Cutters	33 %
Motor Vehicles	33%

Depreciation of assets operated under the terms of finance leases and hire purchase agreements is over the useful life of the asset.

Stocks & Work in Progress

Stocks and work in progress are stated at the lower of cost, including an appropriate proportion of the manufacturing overheads, and net realisable value. Provisions are made against slow-moving and obsolete stocks.

Deferred Taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability will crystallise.

Pension Funding

The company operates a Pension Scheme providing benefits based on final pensionable pay for some employees and defined contributions for other employees. The assets of the Scheme are held separately from those of the company, in an independently administered fund.

Contributions to the Scheme in respect of defined benefits are charged to the profit and loss account so as to spread the cost of defined benefit pensions over employees' working lives with the company.

The pension charge for the defined contribution members represents contributions payable by the company to the Scheme.

Goodwill

Goodwill represents the difference between costs of acquisition and the fair value of the net tangible assets acquired. The surplus or deficit of the consideration over the fair value attributed to the tangible net assets acquired was capitalised and amortised/released to profit and loss over its estimated useful economic life of 5 years. The amortisation of goodwill was completed during the year ended 31 March 2004

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

2 Turnover

	2004	2003
	£'000	£'000
United Kingdom	18,434	19,065
Rest of Europe	348	333
Rest of World	44	46
	18,826	19,444

3 Operating profit

	2004	2003
	£'000	£'000
Turnover – continuing activities	18,826	19,444
Cost of sales	(15,170)	(15,575)
Gross profit	3,656	3,869
Distribution and marketing costs	(2,218)	(2,196)
Administrative expenses before exceptional items	(1,076)	(928)
Exceptional administrative expenses	-	(400)
Total administrative expenses	(1,076)	(1,328)
Operating profit – continuing activities	362	345

Exceptional administrative expenses relate to redundancies.

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

4 Interest payable and similar charges

	2004	2003
	£'000	£'000
On bank loans and borrowings	311	419
Finance leases and hire purchase contracts	27	31
	338	450

5 Loss on ordinary activities before taxation

Loss on ordinary activities is stated after charging:	2004	2003
	£'000	£'000
Depreciation charge on tangible fixed assets		
- owned	521	633
- held under finance leases	245	232
Auditors remuneration		
- audit services	26	28
- non-audit services	8	14
Hire of plant and machinery	25	47
Operating lease:		
- property (net)	196	220
- equipment	112	132
Loss on ordinary activities before taxation is stated after charging:		
Profit on sale of fixed assets	4	-
Amortisation of goodwill	59	198

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

6 Employee information

	2004	2003
	Number	Number
Production / Research and development	159	183
Marketing / Sales / Distribution	51	50
Administration and finance	16	19
	226	252

	2004	2003
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	4,895	5,184
Social security costs	381	360
Other pension costs	322	314
	5,598	5,858

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

7 Directors' emoluments

	2004	2003
	£'000	£'000
Aggregate emoluments	498	496
Compensation for loss of office	86	-
Company pension contributions to defined contribution scheme	17	18
	601	514
Number of directors to whom benefits are accruing under a defined benefit scheme	2	2
Number of directors to whom benefits are accruing under a defined contribution scheme	3	3
The remuneration paid to the highest paid director was:-		
Aggregate Emoluments	132	113
Company pension contributions defined contribution scheme	13	13
	145	126

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

8 Taxation

There is no current year tax liability (2003: £ nil) due to the utilisation of bought forward tax losses. The tax assessed for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£'000	£'000
Profit / (Loss) on ordinary activities	28	(105)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2003: 30%)	8	(32)
Effects of:		
Expenses not allowable for tax purposes	53	(49)
Capital allowances for the year in excess of depreciation	(61)	81
Total current tax	-	-

The unprovided deferred tax asset is shown in note 16.

9 Dividends and appropriations

	2004	2003
	£'000	£'000
Preference		
Interim proposed 4.5% per cumulative redeemable preference share	107	106
Final proposed 4.5% per cumulative redeemable preference share	107	107
	214	213
Non-equity appropriation for issue costs	32	32
	246	245

In accordance with the provisions of FRS 4, the company has appropriated through the profit and loss account preference share interim and final dividends for the year on the company's 9% cumulative redeemable preference shares of £214,000. However as the company does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within the profit and loss account reserves (note 18).

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

10 Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 April 2003 and 31 March 2004	(1,029)
Amortisation	
At 1 April 2003	970
Charge for year	59
At 31 March 2004	1,029
Net book value at 31 March 2004	-
Net book value at 31 March 2003	(59)

Goodwill arose on the purchase of the business and assets of the Labelling Division of Norprint International Ltd.

Goodwill has been amortised on a straight line basis over a period of 5 years, being consistent with the accounting treatment for the pension holiday.

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

11 Tangible fixed assets

	Plant and machinery Equipment & Motor Vehicles
	£'000
Cost	
At 1 April 2003	8,552
Additions	220
Disposals	(33)
Movement in cutters	6
At 31 March 2004	8,745
Depreciation	
At 1 April 2003	6,089
Disposals	(29)
Charge for the year	766
At 31 March 2004	6,826
Net book value	
At 31 March 2004	1,919
At 31 March 2003	2,463

Included in the cost of Fixed Assets are cutters at written down value which, in the opinion of the directors of the company, are more fairly represented in that matter. The following represents the relative cost and aggregate depreciation of the item in question.

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

11 Tangible fixed assets (continued)

	2004	2003
	£'000	£'000
Gross Cost	413	479
Aggregate Depreciation	(270)	(342)
Written down value	143	137

The net book value of tangible fixed assets includes an amount of £292,000 (2003: £502,000) in respect of assets held under finance leases and hire purchase contracts.

12 Stocks

	2004	2003
	£'000	£'000
Stocks comprise		
Raw Materials	227	253
Work in Progress	47	28
Finished Goods	1,441	1,376
Other	147	91
	1,862	1,748

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

13 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year		
Trade debtors	3,030	3,139
Other debtors	11	-
Prepayments and accrued income	225	71
Pension prepayment	113	288
	3,379	3,498
Amounts falling due after one year		
Pension prepayment	561	591

14 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	3,166	2,728
Bank overdraft and loans	1,335	1,724
Other taxation and social security payable	462	460
Other creditors	134	172
Accruals	274	336
Finance Leases	36	85
	5,407	5,505

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

15 Creditors: amounts falling due after more than one year

	2004	2003
	£'000	£'000
Bank loan and borrowings	2,250	2,688
Finance Leases	15	27
	2,265	2,715

Obligations under finance leases are repayable as follows:-

	2004	2003
	£'000	£'000
In one year or less	36	85
Between one and two years	6	27
Between two and five years	9	-
	51	112

Bank loan and borrowings are repayable as follows:

	2004	2003
	£'000	£'000
In one year or less	1,335	1,724
Between one and two years	500	438
Between two and five years	1,750	2,250
In five years or more	-	-
	3,585	4,412

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

15 Creditors: amounts falling due after more than one year (continued)

During 2003 the terms of the existing facilities agreement were amended and restated. As part of the amendment the revolving credit facility was transferred into Term Loan B.

Term Loan A is repayable in 6 quarterly instalments of £93,750 which commenced on 31 March 2003.

Term Loan B is repayable in 20 quarterly instalments of £125,000 commencing 30 September 2004.

Interest is charged at between 1.75% and 3.75% above the base rate.

Included with bank loans and overdrafts is £897,000 (2003:£1,349,000) in respect of a cashflow finance agreement. This CFF loan is secured over trade debtors. The main terms of the agreement are that the bank purchases select debts for an amount equal to 80% of the invoice. On receipt of funds from the bank, the bank becomes the beneficial owner of the debt, however the company continues to be responsible for the collection of the debt. Note 21 describes the debt movement in more detail.

16 Deferred taxation

Unprovided deferred tax assets at 31 March 2004 is shown below:-

	Provided 2004 £'000	Unprovided 2004 £'000	Provided 2003 £'000	Unprovided 2003 £'000
Short term timing differences	-	(19)	-	2
Accelerated capital allowances	-	3	-	(80)
Losses	-	1,156	-	1,274
	-	1,140	-	1,196

The deferred tax asset has not been recognised on the grounds of remoteness of recoverability.

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

17 Share capital

	2004	2003
	£'000	£'000
<hr/>		
Authorised		
105,000 Ordinary shares of £1 each	105	105
82,500 'A' Ordinary Shares of £1 each	83	83
2,367,500 Cumulative Redeemable Preference		
Shares of £1 each	2,367	2,367
	<hr/>	<hr/>
	2,555	2,555
<hr/>		
Allotted, Called-Up and Fully Paid		
105,000 Ordinary shares of £1 each	105	105
82,500 'A' Ordinary Shares of £1 each	83	83
2,367,500 Cumulative Redeemable Preference		
Shares of £1 each	2,367	2,367
	<hr/>	<hr/>
	2,555	2,555
	<hr/>	<hr/>

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

17 Share capital (continued)

Redemption of Preference Shares

The preference share are due to be redeemed at an amount equal to the amount paid up in ten equal six monthly instalments commencing 30 September 2002 and ending on 28 February 2007. The company may redeem some or all of these shares in advance of the due date for redemption. Agreement has been made with Lloyds TSB Development Capital not to redeem the preference shares until an unspecified time in the future.

Conversion of 'A' Ordinary Shares

Each 'A' Ordinary Share in issue and not redeemed, shall be converted into one Ordinary Share upon the happening of certain circumstances.

The Ordinary Shares resulting from such conversation will be credited as fully paid and shall rank pari passu in all respects with the then existing Ordinary Shares in the capital of the company.

On the date of conversion the company shall pay to the holder(s) a sum equal to any arrears, deficiencies or accruals of the participating dividend.

Voting Rights

The holders of all classes of shares with the exception of the Redeemable Preference Shares are entitled on a show of hands to one vote and on a poll to one vote per share at any General Meeting of the company. The Redeemable Preference Shares are only entitled to vote in the event of certain circumstances.

Distribution Rights

The Redeemable Preference Shares carry a cumulative dividend of 9% per annum accruing from the date of subscription.

The 'A' Ordinary Shares carry a cumulative dividend based on the greater of 9% of the amount paid up on each share or percentage of net profits as defined in the company's Articles of Association.

The 'A' Ordinary Shares carry a dividend which is calculated by reference to the dividend paid to the holders of the 'A' Ordinary Shares.

Capital Rights

Upon a winding-up, Redeemable Preference Shares have first priority for payment of the amount paid up on the Redeemable Preference Shares plus any arrears or accruals of dividend.

'A' Ordinary Shares have second priority for payment of the amount paid up on the Ordinary Shares plus any arrears or accruals of dividend.

'A' Ordinary Shares have third priority for payment of the amount paid up on the Ordinary Shares plus any arrears or accruals of dividend.

Any remaining balance assets after the above payments have been made is to be distributed amongst the holders of the 'A' Ordinary Shares and the Ordinary shares in proportion to the amounts paid up on the shares.

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

17 Share capital (continued)

Dividend arrears

Dividend arrears on cumulative preference shares amount to £960,000 as at 31 March 2004 (2003: £746,000).

18 Reserves

	Profit & Loss Account 2004 £'000	Profit & Loss Account 2003 £'000
At 1 April 2003	(2,473)	(2,368)
Loss for the year	(218)	(350)
Cost of issuing shares	-	-
Preference share appropriations		
(Note 9)	214	213
Reversal of non-equity appropriations	32	32
At 31 March 2004	(2,445)	(2,473)

Norprint Labelling Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

19 Future Commitments

There was no unprovided contracted capital expenditure at the year end. (2003: £nil)

Operating Leases

The company has annual commitments under non-cancellable operating leases as follows:-

	2004		2003	
	Property	Other	Property	Other
	£'000	£'000	£'000	£'000
Amount payable within one year for leases expiring :-				
Within one year	-	7	-	-
2 – 5 years	54	67	-	56
Over 5 years	310	-	264	1
	364	74	264	57

20 Reconciliation of net cash flow to movement in net debt

	2004
	£'000
Increase in cash in the year	-
Cash flow from reduction in net debt	923
Change in net debt resulting from cash flows	923
Movement in net debt due to other	(35)
Movement in net debt in the year	888
Net debt at 31 March 2003	(4,463)
Net debt at 31 March 2004	(3,575)

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Notes to the financial statements for the year ended 31 March 2004 (continued)

21 Analysis of net debt

	At 31 March 2003 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2004 £'000
Cash in hand and at bank	61	-	-	61
Debt due within one year	(1,724)	827	(438)	(1,335)
Debt due after one year	(2,688)	-	438	(2,250)
Finance leases due within one year	(85)	96	(47)	(36)
Finance leases due after one year	(27)	-	12	(15)
	(4,463)	923	(35)	(3,575)

22 Reconciliation of Movement in Shareholders' Funds

	Equity £'000	Non-Equity £'000	Total £'000
Opening Shareholders Funds	(2,831)	2,913	82
(Loss)/profit for the year	(218)	246	28
Dividend	-	(214)	(214)
Reversal of non-equity appropriations	-	(32)	(32)
Reversal of cumulative preference dividends	-	246	246
Issue of shares	-	-	-
Closing shareholders' funds	(3,049)	3,159	110

23 Contingent Liabilities

There were no contingent liabilities at 31 March 2004 (2003: £Nil).

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Notes to the financial statements for the year ended 31 March 2004 (continued)

24 Pension commitments

The company operates a pension scheme providing benefits based on final pensionable pay for some employees and defined contributions for other employees. The assets of the scheme are held separately from those of the company, in an independently administered fund.

The pension cost charged to the profit and loss account is calculated by a qualified independent actuary to spread the costs of pensions over employees' working lives with the Company.

The most recent actuarial valuation was at 6 April 2002 and used the Projected Unit Method. It showed that the market value of the scheme's assets was £20,535,000. These assets represented 94% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The most significant assumptions are those relating to investment returns and the rate of increase in salaries and price inflation. It was assumed that the rate of investment return was 6.5% per annum pre-retirement and 6.0% per annum on post retirement liabilities. Salaries and price inflation were assumed to increase at 2.5% per annum.

The pension charge for the defined benefit members in the period was £295,000 (2003: £288,000). This has increased by £13,000 due to the amortisation of experience deficits that are being recognised over 10 years, the average remaining service lives of employees.

The pension charge for the defined contribution members represents contributions payable by the company to the scheme and amounted to £25,000 (2003: £13,000).

A prepayment of £674,000 (2003: £879,000) is included in the balance sheet.

An estimate of the scheme's funding position was carried out as at 28 March 2004 by a qualified independent actuary. The estimate was based on the last full valuation as at 6 April 2002. The major assumptions used by the actuary were:

	31 March 2004	31 March 2003	31 March 2002
Rate of increase in salaries	2.9%	2.5%	3.70%
Rate of increase in pensions in payment	2.9%	2.5%	2.70%
Discount rate	5.4%	5.3%	6.00%
Inflation assumption	2.9%	2.5%	2.70%

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Notes to the financial statements for the year ended 31 March 2004 (continued)

24 Pension commitments (continued)

The assets in the scheme and the expected rates of return were:

	Long term rate of return at 31 March 2004	Value at 31 March 2004	Long term rate of return at 31 March 2003	Value at 31 March 2003	Long term rate of return at 31 March 2002	Value at 31 March 2002
		£'000		£'000		£'000
Equities	7.50%	14,778	7.50%	11,459	7.5%	16,043
Bonds / Gilts	4.70%	2,108	4.50%	2,397	5.0%	3,205
Other	4.00%	728	3.75%	813	4.0%	781
Total		17,614		14,669		20,029

The following amounts at 31 March 2004, 31 March 2003 and 31 March 2002 were measured in accordance with the requirements of FRS17:

	31 March 2004	31 March 2003	31 March 2002
	£'000	£'000	£'000
Total market value of assets	17,614	14,669	20,029
Present value of scheme liabilities	(27,929)	(25,393)	(22,317)
Deficit in scheme	(10,315)	(10,724)	(2,288)
Related deferred tax asset	3,094	3,217	686
Net pension liability	(7,221)	(7,507)	(1,602)

It should be noted that amounts in respect of money purchase and AVC benefits have been excluded from both the assets and liabilities shown above.

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Notes to the financial statements for the year ended 31 March 2004 (continued)

24 Pension commitments (continued)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 March 2004, 31 March 2003 and 31 March 2002 would be as follows:

	31 March 2004	31 March 2003	31 March 2002
	£'000	£'000	£'000
Net liabilities excluding pension liability / asset	(564)	(797)	(980)
Pension liability	(7,221)	(7,507)	(1,602)
Net liabilities including pension liability	(7,785)	(8,304)	(2,582)
Profit and loss reserve excluding pension liability / asset	(3,119)	(3,352)	(3,535)
Pension liability	(7,221)	(7,507)	(1,602)
Profit and loss reserve including pension liability	(10,340)	(10,859)	(5,137)

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Notes to the financial statements for the year ended 31 March 2004 (continued)

24 Pension commitments (continued)

The following amounts would have been recognised in the performance statements in the year to 31 March 2004 and 31 March 2003 under the requirements of FRS17:

Operating profit	2004	2003
	£'000	£'000
Current service cost	523	473
Curtailment costs	-	246
Total operating charge	523	719
Other finance income		
Expected return on pension scheme assets	990	1,363
Interest on pension scheme liabilities	(1,346)	(1,357)
Net return	(356)	6
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	2,338	(5,798)
Experience gains and losses on pension scheme liabilities	101	(1,192)
Change in assumptions underlying pension scheme liabilities	(1,239)	(733)
Total gain / (loss)	1,200	(7,723)

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Notes to the financial statements for the year ended 31 March 2004 (continued)

24 Pension commitments (continued)

Movement in surplus during the year	2004	2003
	£'000	£'000
Deficit in scheme at beginning of year	(10,724)	(2,288)
Movement in year:		
- Current service cost	(523)	(473)
- Contributions	88	-
- Curtailment costs	-	(246)
- Other finance income	(356)	6
- Actuarial gain / (loss)	1,200	(7,723)
Deficit in scheme at end of year	(10,315)	(10,724)

The company is currently contributing 5% of pensionable salaries to the scheme. This rate will increase to 12% from 1 April 2005.

Difference between actual and expected return on assets

Amount	2,338	(5,798)
Percentage of scheme assets	13.3%	(39.5%)

Experience gains and losses on scheme liabilities

Amount	101	(1,192)
Percentage of the present value of the scheme liabilities	(0.4%)	4.7%

Total amount recognised in statement of total recognised gains and losses:

Amount	1,200	(7,723)
Percentage of the present value of the scheme liabilities	(4.3%)	30.4%

25 Controlling Party

No single party has a controlling interest in the company.