

Registered no: 635275

K2 Graphics Limited  
Annual report  
for the year ended 30 April 1995



# **K2 Graphics Limited**

## **Annual report for the year ended 30 April 1995**

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**Directors and advisers**

**Directors**

**K N Illingworth**  
Joint Managing Director

**K Coleman**  
Joint Managing Director

**R Husband**  
Sales Director

**Registered Auditors**

**Coopers & Lybrand**  
Abacus Court  
6 Minshull Street  
Manchester  
M1 3ED

**Secretary and registered office**

**R Wheldrick**  
Units 22/23  
Shepley Industrial Estate South  
Audenshaw  
Manchester  
M34 3ED

**Bankers**

**Bank of Scotland PLC**  
19/21 Spring Gardens  
Manchester  
M2 1EB

**Directors' report  
for the year ended 30 April 1995**

The directors present their report and the audited financial statements for the year ended 30 April 1995.

**Principal activities**

The principal activity of the company during the year was that of commercial printers and direct mail specialists.

**Review of business and future developments**

The profit and loss account for the year is set out on page 5.

Both the level of business and the year end financial position were satisfactory.

On 30 April 1995, the trade assets and liabilities of the company were transferred to its parent company, K2 Direct Mail Limited, and the company became dormant with effect from that date.

Accordingly, the operations of the company have been classified as discontinued in the profit and loss account.

**Changes in presentation of the financial statements**

Following the introduction of Financial Reporting Standard No 4, 'Capital Instruments', the presentation of the financial statements has been amended to conform with the new requirements. Shareholders' funds have been allocated to either equity or non-equity interests.

**Dividends and transfers to reserves**

The directors have paid dividends totalling £1,030,000 in respect of the year ended 30 April 1995, comprising 837.4 pence per ordinary share and 10 pence per preference share (1994: 48.7 pence and 10 pence respectively). After deducting these dividends, the retained loss for the financial year of £581,000 has been debited to reserves.

**Directors**

The directors of the company at 30 April 1995, all of whom have been directors for the whole of the year ended on that date, are listed on page 1.

## Directors' interests in shares of the company

The directors are also directors of the holding company, K2 Direct Mail Limited, and their share interests in group companies are dealt with in the financial statements of that company.

## Changes in fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

## Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

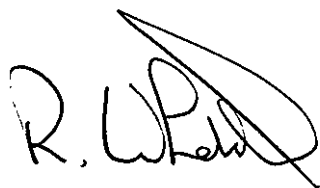
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 April 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

**By order of the board**



**R Wheldrick**  
**Company secretary**  
17 August 1995

## **Report of the auditors to the members of K2 Graphics Limited**

We have audited the financial statements on pages 5 to 14.

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

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

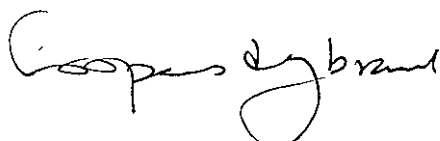
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 April 1995 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**

Chartered Accountants and Registered Auditors  
Manchester  
17 August 1995

## Profit and loss account for the year ended 30 April 1995

	Notes	1995 £'000	1994 £'000
<b>Discontinued operations</b>			
Turnover	2	8,569	5,440
Cost of sales		(4,640)	(2,834)
Gross profit		3,929	2,606
Net operating expenses	3	(3,172)	(1,903)
Operating profit		757	703
Interest receivable		-	1
Interest payable and similar charges	6	(168)	(161)
Profit on ordinary activities before taxation		589	543
Tax on profit on ordinary activities	8	(140)	(166)
Profit for the financial year		449	377
Dividends	9	(1,030)	(60)
Retained (loss)/profit for the year	19	(581)	317

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above, and their historical cost equivalents.

**Balance sheet  
at 30 April 1995**

	Notes	1995 £'000	1994 £'000
<b>Fixed assets</b>			
Tangible assets	10	-	2,020
<b>Current assets</b>			
Stocks	11	-	183
Debtors	12	124	1,285
Cash at bank and in hand		-	20
		124	1,488
<b>Creditors: amounts falling due within one year</b>	13	-	(1,892)
<b>Net current liabilities</b>		124	(404)
<b>Total assets less current liabilities</b>		124	1,616
<b>Creditors: amounts falling due after more than one year</b>	14	-	861
<b>Provisions for liabilities and charges</b>	15	-	50
		-	(911)
<b>Net assets</b>		124	705
<b>Capital and reserves</b>			
Called up share capital	17	124	124
Revaluation reserve	18	-	106
Profit and loss account	18	-	475
<b>Equity shareholders' interests</b>		123	704
<b>Non-equity shareholders' interests</b>		1	1
<b>Shareholders' funds</b>	19	124	705

The financial statements on pages 5 to 14 were approved by the board of directors on 17 August 1995 and were signed on its behalf by:

  
K Coleman  
Director



**Notes to the financial statements  
for the year ended 30 April 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

**Tangible fixed assets**

Certain plant and machinery and other fixtures and fittings are stated at a valuation, together with additions at cost. Motor vehicles and computer equipment are stated at purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Short leasehold property	Over the term of the lease
Plant and machinery	7 - 15 straight line
Motor vehicles	25 straight line
Fixtures and fittings	10 straight line

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing arrangements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

**Stocks and work in progress**

Stocks comprising raw materials, consumables and work in progress are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stocks.

**Turnover**

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

**Taxation**

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Pension scheme arrangements**

The company operates a defined contribution pension scheme which is contracted out of the state scheme. Contributions to the scheme are written off to the profit and loss account as incurred.

**Cash flow statement**

The company is a wholly owned subsidiary of K2 Direct Mail Limited. As a consequence it is exempt from the requirement to publish a cash flow statement.

**2 Turnover**

Turnover consists entirely of sales made in the United Kingdom.

**3 Net operating expenses**

	1995 £'000	1994 £'000
Administrative expenses	3,172	1,903

**4 Directors' emoluments**

	1995 £'000	1994 £'000
Emoluments of directors for management services (including pension contributions)	695	286

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1995 £	1994 £
The chairman and the highest-paid director	285,463	93,874

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995 Number	1994 Number
£70,001 to £75,000	1	1
£75,001 to £80,000	-	1
£90,001 to £95,000	-	1
£280,001 to £285,000	1	-
£285,001 to £290,000	1	-

## 5 Employee information

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

	1995 Number	1994 Number
<b>By activity</b>		
Production	140	95
Selling and administration	33	24
	<u>173</u>	<u>119</u>

	1995 £'000	1994 £'000
<b>Staff costs (for the above persons)</b>		
Wages and salaries	2,566	1,585
Social security costs	237	152
Other pension costs (see note 16)	115	72
	<u>2,918</u>	<u>1,809</u>

## 6 Interest payable and similar charges

	1995 £'000	1994 £'000
<b>Interest payable on sums</b>		
Wholly repayable within five years:		
Bank overdraft interest	14	28
Finance lease interest	55	61
Hire purchase interest	99	72
	<u>168</u>	<u>161</u>

**7 Profit on ordinary activities before taxation**

	1995 £'000	1994 £'000
Profit on ordinary taxation before taxation is stated after charging/(crediting):		
Auditors' remuneration	10	8
Hire of plant and machinery - operating leases	71	43
Hire of other assets - land and buildings/property	68	56
Depreciation charge for the year:		
Tangible fixed assets	352	248
(Profit) on disposal of fixed assets	(38)	(14)
	<u>          </u>	<u>          </u>

**8 Tax on profit on ordinary activities**

	1995 £'000	1994 £'000
United Kingdom corporation tax at 32% (1994: 32%)	141	141
Transfer to deferred taxation	-	27
	<u>          </u>	<u>          </u>
	141	168
Adjustments for previous years:		
United Kingdom corporation tax	(1)	(2)
	<u>          </u>	<u>          </u>
	140	166
	<u>          </u>	<u>          </u>

**9 Dividends**

	1995 £'000	1994 £'000
Ordinary - final dividend of 837.4p (1994: 48.7p) per share paid	1,030	60
	<u>          </u>	<u>          </u>
	1,030	60
	<u>          </u>	<u>          </u>

**10 Tangible fixed assets**

	Short leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>					
At 1 May 1994	55	2,312	166	89	2,622
Expenditure	-	1,082	55	23	1,160
Disposals	-	(181)	(54)	-	(235)
Transfers to group company	(55)	(3,213)	(167)	(112)	(3,547)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 April 1995</b>	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 May 1994	16	486	72	28	602
Charge for the year	24	285	34	9	352
Disposals	-	(127)	(28)	-	(155)
Transfers to group company	(40)	(644)	(78)	(37)	(799)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 April 1995</b>	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 30 April 1995	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 30 April 1994	39	1,826	94	61	2,020
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**11 Stocks and work in progress**

	1995 £'000	1994 £'000
Raw materials	-	24
Work in progress	-	159
	<hr/>	<hr/>
	-	183
	<hr/>	<hr/>

**12 Debtors**

	1995 £'000	1994 £'000
<b>Amounts due within one year</b>		
Trade debtors	-	1,130
Amounts due from parent company	124	-
Other debtors	-	94
Prepayments and accrued income	-	61
	<hr/>	<hr/>
	124	1,285
	<hr/>	<hr/>

**13 Creditors: amounts falling due within one year**

	1995 £'000	1994 £'000
Trade creditors	-	982
Amounts owed to parent company and fellow subsidiaries	-	73
Other creditors including taxation and social security costs (see below)	-	201
Hire purchase liability	-	266
Finance leases	-	133
Accruals and deferred income	-	237
	<u>-</u>	<u>1,892</u>
	<u><u>-</u></u>	<u><u>1,892</u></u>

Taxation and social security is made up as follows:

	1995 £'000	1994 £'000
United Kingdom corporation tax payable	-	132
PAYE and social security	-	69
	<u>-</u>	<u>201</u>
	<u><u>-</u></u>	<u><u>201</u></u>

**14 Creditors: amounts falling due after more than one year**

	1995 £'000	1994 £'000
Hire purchase liability	-	610
Finance leases	-	251
	<u>-</u>	<u>861</u>
	<u><u>-</u></u>	<u><u>861</u></u>

**15 Provisions for liabilities and charges**
**Deferred taxation**

	1995		1994	
	Full potential liability £'000	Provision made £'000	Full potential liability £'000	Provision made £'000
<b>Analysis of provision and potential liability</b>				
Accelerated capital allowances	-	-	115	50
Revaluation of assets	-	-	35	-
	<u>-</u>	<u>-</u>	<u>150</u>	<u>50</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>150</u></u>	<u><u>50</u></u>

Deferred taxation is provided on the amount by which, according to the company's medium term plans, tax allowances are estimated to fall short of the charge for depreciation on existing and new assets.

## 16 Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £115,000 (1994: £72,000).

## 17 Called up share capital

	1995 £'000	1994 £'000
<b>Authorised</b>		
200,000 ordinary £1 shares	200	200
1,000 10% cumulative preference £1 shares	1	1
	<u>201</u>	<u>201</u>
<b>Allotted, called up and fully paid</b>		
123,000 ordinary £1 shares	123	123
1,000 10% cumulative preference £1 shares	1	1
	<u>124</u>	<u>124</u>

## 18 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 May 1994	106	475
Transfer from revaluation reserve to profit and loss account	(106)	106
Retained loss for the year	-	(581)
	<u>-</u>	<u>-</u>
At 30 April 1995	<u>-</u>	<u>-</u>

## 19 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Profit for the financial year	449	377
Dividends	(1,030)	(60)
	<u>(581)</u>	<u>317</u>
Net addition to shareholders' funds	705	388
Opening shareholders' funds	<u>124</u>	<u>705</u>
Closing shareholders' funds	<u>124</u>	<u>705</u>

**20 Legal title and liabilities**

Following the transfer of the trade, assets and liabilities of K2 Graphics Limited to the holding company, legal title to certain assets and obligations under certain agreements remain with K2 Graphics Limited. However these have been recorded in the balance sheet of the holding company, in accordance with the principles of FRS 5.

**21 Ultimate parent company**

The company's ultimate holding company is K2 Direct Mail Limited, a company registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Unit 22/23 Shepley Industrial Estate South, Audenshaw, Manchester, M34 3ED.