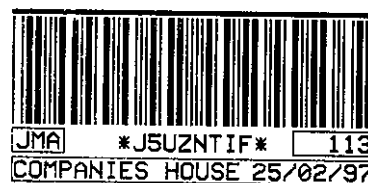


Registered no: 2384773

K2 Direct Mail Limited  
Annual report  
for the year ended 30 April 1996



# **K2 Direct Mail Limited**

## **Annual report for the year ended 30 April 1996**

	<b>Pages</b>
<b>Directors and advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Report of the auditors</b>	<b>5</b>
<b>Consolidated profit and loss account</b>	<b>6</b>
<b>Balance sheets</b>	<b>7</b>
<b>Cash flow statement</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9</b>

**Directors and advisers**

**Executive directors**

**K Coleman**  
Chairman

**K N Illingworth**

**R Husband**

**Registered auditors**

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

**Secretary and registered office**

**R Wheldrick**  
Kay Street  
Openshaw  
Manchester  
M11 2XX

**Bankers**

**Royal Bank of Scotland PLC**  
45 Mosley Street  
Manchester  
M60 2BE

**Directors' report  
for the year ended 30 April 1996**

The directors present their report and the audited financial statements for the year ended 30 April 1996.

**Principal activities**

The main activity of the group is that of commercial printers and direct mail specialists.

**Review of business and future developments**

The consolidated profit and loss account for the year is set out on page 6.

The group has expanded its business rapidly over the last three years. To facilitate this expansion the group has invested heavily in plant and machinery during the year and, in April 1996, relocated its main operations to a new purpose built 75,000 square foot factory close to Manchester city centre. In the second half of the year the group also recruited approximately 70 additional employees in order to provide the necessary staffing levels when the move took place.

In view of these factors the group's year end financial position and trading performance were satisfactory.

**Dividends and transfers to reserves**

The directors have declared and now recommend the following dividends in respect of the year ended 30 April 1996:

	£
Fixed cumulative preference dividend	11,000
Fixed cumulative preferential 'A' ordinary dividend	5,610
Cumulative preferential 'A' ordinary dividend	139,350

The retained profit for the year of £228,000 after payment of the above dividends, will be carried forward to revenue reserves.

**Directors**

The directors of the company at 30 April 1996 are listed on page 1.

Mr R Husband was appointed a director of the company on 28 July 1995.

**Directors' interests in shares of the company**

The interests of the directors of the company at 30 April 1996 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:

	1996		1995	
	Ordinary £1 shares	'A' preference £1 shares	Ordinary £1 shares	'A' preference £1 shares
K Coleman	42,500	60,000	42,500	60,000
K N Illingworth	42,500	60,000	42,500	60,000

**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 and the group as at the end of the financial year and of the profit or loss of the group 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 1996. 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 the group and to prevent and detect fraud and other irregularities.

**Changes in fixed assets**

The movements in fixed assets during the year are set out in notes 11 and 12 to the financial statements.

## Employees

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

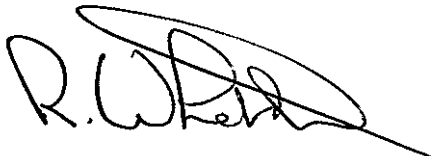
Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

## Auditors

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

By order of the board



**R Wheldrick**  
Secretary  
13 February 1997

## **Report of the auditors to the members of K2 Direct Mail Limited**

We have audited the financial statements on pages 6 to 21.

### **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.

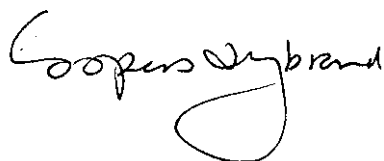
### **Basis of opinion**

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 affairs of the company and the group at 30 April 1996 and of the profit and cash flows of the group 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  
13 February 1997

**Consolidated profit and loss account  
for the year ended 30 April 1996**

	Notes	1996 £'000	1995 £'000
<b>Continuing operations</b>			
Turnover	2	13,306	8,569
Cost of sales		(8,230)	(4,641)
		<hr/>	<hr/>
Gross profit		5,076	3,928
Net operating expenses	3	(4,445)	(3,172)
		<hr/>	<hr/>
Operating profit	4	631	756
Interest payable and similar charges	7	(199)	(176)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		432	580
Tax on profit on ordinary activities	8	(48)	(144)
		<hr/>	<hr/>
Profit for the financial year		384	436
Dividends	10	(156)	(225)
		<hr/>	<hr/>
Retained profit for the year	20	228	211
		<hr/>	<hr/>

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statements 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 profit for the year above and their historical cost equivalents.



## Balance sheets at 30 April 1996

	Notes	Group		Company	
		1996 £'000	1995 £'000	1996 £'000	1995 £'000
<b>Fixed assets</b>					
Tangible assets	11	5,867	2,748	5,867	2,748
Investments	12	-	-	124	415
		<u>5,867</u>	<u>2,748</u>	<u>5,991</u>	<u>3,163</u>
<b>Current assets</b>					
Stocks	13	393	301	393	301
Debtors	14	3,878	3,089	3,878	3,089
		<u>4,271</u>	<u>3,390</u>	<u>4,271</u>	<u>3,390</u>
Creditors: amounts falling due within one year	15	(5,625)	(4,135)	(5,749)	(4,259)
<b>Net current (liabilities)/assets</b>		<u>(1,354)</u>	<u>(745)</u>	<u>(1,478)</u>	<u>(869)</u>
<b>Total assets less current liabilities</b>		<u>4,513</u>	<u>2,003</u>	<u>4,513</u>	<u>2,294</u>
Creditors: amounts falling due after more than one year	16	(3,159)	(948)	(3,159)	(948)
Provisions for liabilities and charges	17	(150)	(48)	(150)	(48)
<b>Net assets</b>		<u>1,204</u>	<u>1,007</u>	<u>1,204</u>	<u>1,298</u>
<b>Capital and reserves</b>					
Called up share capital	18	436	467	436	467
Profit and loss account	20	737	540	737	831
Capital redemption reserve	20	31	-	31	-
		<u>1,204</u>	<u>1,007</u>	<u>1,204</u>	<u>1,298</u>
Equity shareholders' interests		1,204	1,007	1,204	1,298
Non-equity shareholders' interests		300	331	300	331
<b>Shareholders' funds</b>	21	<u>1,204</u>	<u>1,007</u>	<u>1,204</u>	<u>1,298</u>

The financial statements on pages 6 to 21 were approved by the board of directors on 13 February 1997 and were signed on its behalf by:

  
K Coleman  
Director

# **Cash flow statement for the year ended 30 April 1996**

	Notes	1996 £'000	1995 £'000
<b>Net cash inflow from operating activities</b>	22	<b>1,044</b>	<b>847</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(24)	(22)
Interest paid on hire purchase and finance lease agreements		(175)	(154)
Dividends paid		(126)	(68)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(325)</b>	<b>(244)</b>
<b>Taxation</b>			
UK corporation tax paid including ACT		(148)	(143)
<b>Investment activities</b>			
Purchase of tangible fixed assets		(447)	(459)
Sale of tangible fixed assets		22	118
<b>Net cash outflow from investing activities</b>		<b>(425)</b>	<b>(341)</b>
<b>Net cash inflow before financing</b>		<b>146</b>	<b>119</b>
<b>Financing</b>			
Issue of shares		-	200
Redemption of shares		(31)	-
Loans	24	(67)	(67)
Payment of principal under hire purchase and finance lease agreements	24	(655)	(514)
<b>Net cash outflow from financing</b>		<b>(753)</b>	<b>(381)</b>
<b>Decrease in cash and cash equivalents</b>	23	<b>(607)</b>	<b>(262)</b>

**Notes to the financial statements  
for the year ended 30 April 1996****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 consolidated financial statements include the financial statements of the parent company and its subsidiaries.

The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of acquisition.

Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

**Goodwill**

Goodwill arising on consolidation, being the excess of the purchase price over the fair value of the net assets of the subsidiary company at the date of acquisition, is capitalised as an intangible fixed asset and amortised over its estimated economic life.

**Tangible fixed assets**

Tangible fixed assets are stated at their fair value upon acquisition by the group with additions at cost. 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 period of the lease
Plant and machinery	7 - 15 straight line
Motor vehicles	25 straight line
Fixtures and fittings	10 straight line

**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, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied and work done.

**Taxation**

The charge for taxation is based on the profit for the year as adjusted for disallowable items, and for timing differences to the extent that they are likely to result in an actual tax liability in the foreseeable future.

**Pension scheme arrangements**

The group 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.

**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 group 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 either on a straight line basis or 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.

**2 Turnover**

Turnover consists of sales made entirely in the United Kingdom.

**3 Net operating expenses**

	1996 £'000	1995 £'000
Administrative costs	4,445	3,172

**4 Operating profit**

	1996 £'000	1995 £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	18	13
Depreciation of tangible fixed assets:		
Tangible owned fixed assets	402	252
Tangible fixed assets held under finance leases	133	100
Amortisation of goodwill	-	18
Loss/(profit) on sale of fixed assets	2	(38)
Operating lease rentals:		
Plant and machinery	228	71
Land and buildings	172	68
	<u>          </u>	<u>          </u>

**5 Directors' emoluments**

	1996 £'000	1995 £'000
Emoluments for management services (including pension contributions and benefits in kind)	<u>574</u>	<u>618</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1996 £'000	1995 £'000
The chairman	<u>213</u>	<u>285</u>
The highest paid director	<u>234</u>	<u>285</u>

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:

	1996 Number	1995 Number
£100,001 to £105,000	1	-
£210,001 to £215,000	1	-
£230,001 to £235,000	1	-
£280,001 to £285,000	-	1
£285,001 to £290,000	-	1

**6 Employee information**

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

	1996 Number	1995 Number
By activity		
Production	265	140
Selling and administration	64	33
	<u>329</u>	<u>173</u>
	<u><u>£'000</u></u>	<u><u>£'000</u></u>
Staff costs (for the above persons)		
Wages and salaries	4,023	2,566
Social security costs	378	237
Other pension costs	91	115
	<u>4,492</u>	<u>2,918</u>
	<u><u>£'000</u></u>	<u><u>£'000</u></u>

**7 Interest payable and similar charges**

	1996 £'000	1995 £'000
Interest payable on sums wholly repayable within five years:		
Bank overdraft	21	14
Hire purchase interest	126	98
Finance lease interest	49	55
Other loans payable by instalments	3	9
	<u>199</u>	<u>176</u>
	<u><u>£'000</u></u>	<u><u>£'000</u></u>

**8 Tax on profit on ordinary activities**

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995: 33%):		
Current	54	144
Deferred	-	-
Overprovision in respect of prior years:		
Current	(6)	-
	<u>48</u>	<u>144</u>
	<u><u>£'000</u></u>	<u><u>£'000</u></u>

**9 Result of K2 Direct Mail Limited**

The result of K2 Direct Mail Limited amounting to a loss of £63,000 (1995: a profit of £811,000) forms part of the consolidated profit attributable to the shareholders of K2 Direct Mail Limited. K2 Direct Mail Limited has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

**10 Dividends**

	1996 £'000	1995 £'000
On 11% preference shares of £1 each:		
Paid	5	7
Proposed	6	7
On 11% 'A' ordinary shares of £1 each:		
Fixed dividend:		
Paid	3	3
Proposed	3	3
Participating dividend of 116.26p (1995: 166.81p) per share)	58	85
Additional dividend of 159.25p (1995: 235.52p)	81	120
	<u>156</u>	<u>225</u>

**11 Tangible fixed assets**
**Group and company**

	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 1995	55	3,213	167	112	3,547
Additions	128	3,499	-	51	3,678
Disposals	-	-	(69)	-	(69)
<b>At 30 April 1996</b>	<u>183</u>	<u>6,712</u>	<u>98</u>	<u>163</u>	<u>7,156</u>
<b>Depreciation</b>					
At 1 May 1995	40	644	78	37	799
Charge for year	3	491	29	12	535
Disposals	-	-	(45)	-	(45)
<b>At 30 April 1996</b>	<u>43</u>	<u>1,135</u>	<u>62</u>	<u>49</u>	<u>1,289</u>
<b>Net book value</b>					
At 30 April 1996	<u>140</u>	<u>5,577</u>	<u>36</u>	<u>114</u>	<u>5,867</u>
<b>Net book value</b>					
At 30 April 1995	<u>15</u>	<u>2,569</u>	<u>89</u>	<u>75</u>	<u>2,748</u>

The net book value of tangible fixed assets includes an amount of £718,000 (1995: £605,000) in respect of assets held under finance leases.

## 12 Fixed asset investments

### Group

	1996 £	1995 £
Shares in group companies: At 1 May 1995 and 30 April 1996	100	100

Shares in group companies consist of the cost of an investment in K2 Envelopes Limited.

### Company

	£'000
The company's investments in subsidiaries comprise: Investments at cost: At 1 May 1995 and 30 April 1996	124

Details of the company's subsidiaries at 30 April 1996 are as follows:

Name of company and country of registration	Description and number of shares held	Proportion of nominal value of issued shares held	Principal activity
K2 Graphics Limited England and Wales	123,000 ordinary £1 shares and 1,000 preference £1 shares	100% (directly) 100% (directly)	Dormant
K2 Envelopes Limited England and Wales	100 ordinary £1 shares	100% (directly)	Dormant

## 13 Stocks

### Group and Company

	1996 £'000	1995 £'000
Raw materials and consumables	170	210
Work in progress	223	91
	393	301



**14 Debtors**
**Group and Company**

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	3,013	2,863
Corporation tax recoverable	77	-
Other debtors	415	91
Prepayments and accrued income	373	135
	<u>3,878</u>	<u>3,089</u>

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

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank overdraft	849	242	849	242
Trade creditors	2,658	2,284	2,658	2,284
Amounts owed to subsidiary undertaking	-	-	124	124
Other creditors including taxation and social security (see below)	257	672	257	672
Hire purchase	621	324	621	324
Finance leases	242	174	242	174
Proposed dividends	167	137	167	137
Accruals and deferred income	831	302	831	302
	<u>5,625</u>	<u>4,135</u>	<u>5,749</u>	<u>4,259</u>

Other creditors including taxation and social security is made up as follows:

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Loan	-	67	-	67
United Kingdom corporation tax	-	127	-	127
ACT payable	5	3	5	3
Social security	113	328	113	328
Other creditors	139	147	139	147
	<u>257</u>	<u>672</u>	<u>257</u>	<u>672</u>

**16 Creditors: amounts falling due after more than one year**
**Group and Company**

	1996 £'000	1995 £'000
Hire purchase	2,821	667
Finance leases	338	281
	<u>3,159</u>	<u>948</u>

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

Deferred taxation is provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

**Group and Company**

	Amount provided		Total potential liability	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	150	50	505	257
ACT recoverable	-	(2)	-	(2)
	<u>150</u>	<u>48</u>	<u>505</u>	<u>255</u>

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

No provision for tax has been made in respect of the amount of tax which would become payable if the group were to sell certain fixed assets at their revalued amounts as there is currently no intention to sell those assets.

**18 Called up share capital**

	1996 £'000	1995 £'000
<b>Authorised</b>		
85,000 (1995: 85,000) ordinary shares of £1 each	85	85
51,000 (1995: 51,000) 'A' ordinary shares of £1 each	51	51
131,000 (1995: 131,000) preference shares of £1 each	131	131
300,000 (1995: Nil) 'A' preference shares of £1 each	300	300
	<hr/>	<hr/>
	567	567
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
85,000 (1995: 85,000) ordinary shares of £1 each	85	85
51,000 (1995: 51,000) 'A' ordinary shares of £1 each	51	51
100,000 (1995: 131,000) preference shares of £1 each	100	131
200,000 (1995: Nil) 'A' preference shares of £1 each	200	200
	<hr/>	<hr/>
	436	467
	<hr/>	<hr/>

The preference shares attract a fixed dividend of 11 pence per share payable on 31 March and 30 September each year.

**The preference shares shall be redeemed at the earlier of:**

- (a) 31,000 were redeemed on 30 June 1995 and 25,000 will be redeemed on 30 June and 31 December each subsequent year, at the option of the shareholders;
- (b) flotation on a recognised Stock Exchange;
- (c) the date upon which an offer to purchase 90% or more of the issued equity share capital of the company becomes unconditional, or, if later, the date upon which such an offer is due to be completed;

(b) and (c) apply unless 75% of the holders give notice in writing to the company to the contrary.

There is no premium payable on redemption.

**The 'A' preference shares shall be redeemed at the earlier of:**

- (a) flotation on a recognised Stock Exchange;
- (b) the date upon which an offer to purchase 9% or more of the issued equity share capital of the company becomes unconditional, or, if later, the date upon which such an offer is due to be completed; or

(c) the discretion of the company.

(a) and (b) apply unless 75% of the holders give notice in writing to the company to the contrary.

(c) is subject to not less than three months notice in writing.

There is no premium payable on redemption.

The 'A' preference shares do not attract a dividend and receive no voting rights.

**The 'A' ordinary shares attract the following dividends:**

Fixed dividend of 11 pence per share, which accrues from 31 March 1991, paid half yearly.

Participating dividend of 8½% of the net profit of the group as defined in the company's Articles of Association, less the fixed dividend of 11 pence per share. The dividend is payable on the earlier of:

- (a) 6 months after the end of each successive accounting reference period; or
- (b) 14 days after the annual general meeting at which the financial statements are presented.

An additional dividend calculated in accordance with a formula specified in the Articles of Association of the company.

The whole of the 'A' ordinary shares may at any time be converted into ordinary shares provided 75% of the 'A' ordinary shareholders notify the company in writing of their intention to convert their shares.

## **19 Pension and similar obligations**

The group operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £91,000 (1995: £115,000).

**20 Reserves**
**Group**

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 May 1995	-	540
Retained profit	-	228
Transfer to capital redemption reserve	31	(31)
	<u>31</u>	<u>737</u>
At 30 April 1996	<u>31</u>	<u>737</u>

**Company**

	£'000	£'000
At 1 May 1995	-	831
Retained profit	-	(63)
Transfer to capital redemption reserve	31	(31)
	<u>31</u>	<u>737</u>
At 30 April 1996	<u>31</u>	<u>737</u>

**21 Reconciliation of movements in shareholders' funds**

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Profit for the financial year	384	436	93	6
Dividends:				
Paid/proposed	(156)	(225)	(156)	(225)
Received	-	-	-	1,030
Shares issued/(redeemed) during the year	(31)	200	(31)	200
	<u>197</u>	<u>411</u>	<u>(94)</u>	<u>1,011</u>
Net addition/(reduction) to shareholders' funds	197	411	(94)	1,011
Opening shareholders' funds	1,007	596	1,298	287
	<u>1,204</u>	<u>1,007</u>	<u>1,204</u>	<u>1,298</u>
Closing shareholders' funds	<u>1,204</u>	<u>1,007</u>	<u>1,204</u>	<u>1,298</u>

**22 Reconciliation of operating profit to net cash inflow from operating activities**

	1996 £'000	1995 £'000
Operating profit	631	756
Amortisation of goodwill	-	18
Depreciation of tangible fixed assets	535	352
Loss/(profit) on sale of assets	2	(38)
Increase in stocks	(92)	(118)
Increase in debtors excluding taxation	(712)	(1,804)
Increase in creditors excluding taxation, loan and overdraft	680	1,681
	<u>1,044</u>	<u>847</u>
Net cash inflow from operating activities	<u>1,044</u>	<u>847</u>

**23 Cash and cash equivalents**

	1996 £'000	1995 £'000
Changes during the year		
At 1 May 1995	(242)	20
Net cash outflow	(607)	(262)
	<u>(849)</u>	<u>(242)</u>
At 30 April 1996	<u>(849)</u>	<u>(242)</u>
	£'000	£'000
Analysis of balances		
Cash at bank and in hand	-	-
Bank overdrafts	(849)	(242)
	<u>(849)</u>	<u>(242)</u>
At 30 April 1996	<u>(849)</u>	<u>(242)</u>

**24 Analysis of changes in financing during the year**

	Share capital (including premium) £'000	Loans, hire purchase and finance lease obligations £'000
At 1 May 1995	467	1,513
Loan repayment	-	(67)
Inception of hire purchase and finance lease contracts	-	3,231
Repayments of principal under hire purchase and finance lease agreements	-	(655)
Redemption of share capital	(31)	-
	<u>436</u>	<u>4,022</u>
At 30 April 1996	<u>436</u>	<u>4,022</u>

**25 Financial commitments**

At 30 April 1996 the group had annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	14	61	16
Expiring between two and five years	26	495	26	94
Expiring in over five years	246	-	-	-
	<u>272</u>	<u>509</u>	<u>87</u>	<u>110</u>
	<u><u>272</u></u>	<u><u>509</u></u>	<u><u>87</u></u>	<u><u>110</u></u>

The amounts payable by the group in respect of finance leases is analysed as follows:

	1996 £'000	1995 £'000
Amounts payable within one year	288	214
Amounts payable between one and five years	366	317
	<u>654</u>	<u>531</u>
Less: interest allocated to future periods	74	(76)
	<u>580</u>	<u>455</u>
	<u><u>580</u></u>	<u><u>455</u></u>
Disclosed as creditors:		
Amounts falling due within one year	242	174
Amounts falling due after more than one year	338	281
	<u>580</u>	<u>455</u>
	<u><u>580</u></u>	<u><u>455</u></u>

**26 Legal title and liabilities**

Following the transfer of the trade, assets and liabilities of K2 Graphics Limited in the year ended 30 April 1995 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.