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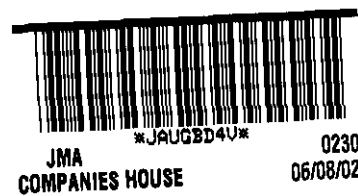
K2 DIRECT MAIL LIMITED

Report and Accounts

28 April 2002

www.k2direct.com

 ERNST & YOUNG



K2 Direct Mail Limited

Registered No.02384773

DIRECTORS

K Coleman - Chairman
K N Illingworth
R Husband
R Wheldrick
L Snow
V Gidley

SECRETARY

R Wheldrick

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

Royal Bank of Scotland
100 Barbirolli Square
Manchester
M60 2FT

REGISTERED OFFICE

Kay Street
Openshaw
Manchester
M11 2XX

K2 Direct Mail Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 28 April 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company are direct mail and communication service specialists encompassing printing, data processing, lasering, finishing, enclosing facilities, envelope production and procurement services, database management and customer relationship marketing solutions. The current production capacity of the organisation is two hundred and fifty million packs per annum.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied with the results for the year and look forward to continued progress.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £582,000 (2001 - £345,000 (restated)). The directors have declared and paid the following dividends in respect of the year ended 28 April 2002:

	£
Fixed cumulative preference dividend	5,500
Fixed cumulative preferential 'A' ordinary dividend	5,610

In addition to the above, the directors propose a final dividend in respect of the 'A' ordinary shares amounting to £82,666.

The retained profit for the year of £488,000 (2001: £281,000 – restated) stated after dividends, will be taken to the profit and loss account reserve.

DIRECTORS AND THEIR INTERESTS

The directors of the company at 28 April 2002 are listed on page 2. The interests of the directors in the shares of the company at 28 April 2002 were as follows:

	2001		2000	
	'A'		'A'	
	Ordinary	preference	Ordinary	preference
	£1 shares	£1 shares	£1 shares	£1 shares
K Coleman	42,500	60,000	42,500	60,000
K N Illingworth	42,500	60,000	42,500	60,000

EMPLOYEES

The company's policy is to consult and discuss with employees through 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 company's performance.

The company'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.

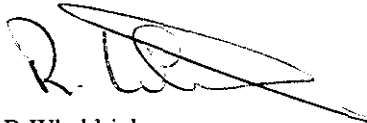
K2 Direct Mail Limited

DIRECTORS' REPORT

AUDITORS

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

On behalf of the Board.



R Wheldrick
Director

Date: 26/7/2002

K2 Direct Mail Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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 accounts 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 K2 DIRECT MAIL LIMITED**

We have audited the company's accounts for the year ended 28 April 2002 which comprise Profit and Loss Account, Statement of Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. These accounts have been prepared on the basis of the accounting policies set out therein.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

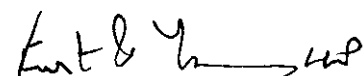
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 28 April 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
Manchester

28/4/02

K2 Direct Mail Limited

PROFIT AND LOSS ACCOUNT

for the year ended 28 April 2002

	Notes	2002 £000	Restated 2001 £000
TURNOVER	2	24,248	23,665
Cost of sales		(13,034)	(12,839)
GROSS PROFIT		11,214	10,826
Administrative expenses		(9,937)	(9,752)
OPERATING PROFIT	3	1,277	1,074
Interest payable and similar charges	6	(372)	(560)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		905	514
Tax on profit on ordinary activities	7	(323)	(169)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	582	345
Dividends	8, 18	(94)	(64)
PROFIT RETAINED FOR THE FINANCIAL YEAR		488	281

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £000	2001 £000
Total recognised gains and losses for the year	582	345
Prior year adjustment (note 18)	(875)	
Total gains and losses recognised since last annual report	(293)	

K2 Direct Mail Limited

BALANCE SHEET

at 28 April 2002

	Notes	2002 £000	Restated 2001 £000
FIXED ASSETS			
Tangible assets	9	6,808	7,453
Investments	10	124	124
		<u>6,932</u>	<u>7,577</u>
CURRENT ASSETS			
Stocks	11	303	452
Debtors	12	5,393	5,087
		<u>5,696</u>	<u>5,539</u>
CREDITORS: amounts falling due within one year	13	(8,911)	(9,120)
NET CURRENT LIABILITIES		<u>(3,215)</u>	<u>(3,581)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,717</u>	<u>3,996</u>
CREDITORS: amounts falling due after more than one year	14	(1,063)	(1,819)
PROVISION FOR LIABILITIES AND CHARGES	16	(845)	(875)
NET ASSETS		<u>1,809</u>	<u>1,302</u>
CAPITAL AND RESERVES			
Called up share capital	17	405	386
Capital redemption reserve	18	81	81
Profit and loss account	18	1,323	835
Equity shareholders' funds		<u>1,540</u>	<u>1,052</u>
Non-equity shareholders' funds		<u>269</u>	<u>250</u>
SHAREHOLDERS' FUNDS		<u>1,809</u>	<u>1,302</u>

Approved by the Board on

26/7/02

K Coleman

Director

K2 Direct Mail Limited

STATEMENT OF CASH FLOWS for the year ended 28 April 2002

	Notes	2002 £000	2001 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19(a)	2,536	2,635
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(129)	(201)
Interest paid on hire purchase and finance lease agreements		(243)	(359)
Dividends paid on non-equity shares		(229)	(11)
		(601)	(571)
TAXATION			
UK corporation tax paid		(88)	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(347)	(401)
Proceeds from sale of tangible fixed assets		7	2
		(340)	(399)
NET CASH INFLOW BEFORE FINANCING		1,507	1,665
FINANCING			
Repayment of capital element of hire purchase and finance lease agreements		(1,344)	(1,315)
Confidential invoice discounting		(231)	(311)
		(1,575)	(1,626)
(DECREASE)/INCREASE IN CASH	19(b)	(68)	39
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		2002 £000	2001 £000
(Decrease)/increase in cash in the year		(68)	39
Repayment of capital element of finance leases and hire purchase contracts		1,344	1,315
Decrease in invoice discounting		231	311
Change in net debt arising from cash flows		1,507	1,665
New finance leases and hire purchase contracts		(408)	(195)
Capitalisation of dividend creditor		(110)	-
		(989)	1,470
OPENING NET DEBT		(4,942)	(6,412)
CLOSING NET DEBT		(3,953)	(4,942)

NOTES TO THE ACCOUNTS

as at 28 April 2002

1. ACCOUNTING POLICIES

Accounting date

The accounts are drawn up for the financial year ending on the nearest Sunday to 30 April and are for the 52 weeks to 28 April 2002 (2001 – 52 weeks to 29 April 2001).

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The company, in the preparation of the accounts, has adopted FRS 19 "Deferred Tax" and has therefore provided for any material deferred taxation in full. The impact of adopting the standard on the results to 28 April 2002 and 29 April 2001 amounted to a decrease of £30,000 and an increase of £77,000 on the respective tax charges for the year. A prior year adjustment was made in the year ended 29 April 2001 reducing profit and loss reserves brought forward by £798,000 in relation to deferred tax.

The company is exempt from the requirement to prepare group accounts by virtue of Section 229(5) of the Companies Act 1985 on the grounds that the subsidiary undertakings are not material. These accounts therefore present information about the company as an individual undertaking and not about its group.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Short leasehold property	over the period of the lease
Plant and machinery	over 7 - 15 years
Motor vehicles	over 4 years
Fixtures and fittings	over 10 years

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 obsolete, slow moving and defective stocks.

Deferred taxation

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 will result in an obligation to pay more tax in future or right to pay less tax.

Deferred tax assets are recognised only if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

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

Pension costs

The group makes contributions to employees' personal pension plans as part of a group personal pension scheme. Contributions are charged in the profit and loss account as they are incurred.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged in the profit and loss account over the period of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Capital instruments

Capital instruments, being instruments issued as a means of raising finance, are classified as debt, non-equity shares or equity shares. Costs incurred directly in connection with the issue of capital instruments are deducted from the fair value of the consideration received on issue and recognised in a manner consistent with the classification of the instrument.

2. TURNOVER

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied and work done. Turnover consists of sales made entirely in the United Kingdom and is attributable to continuing activities.

3. OPERATING PROFIT

This is stated after charging:

	2002 £000	2001 £000
Auditors' remuneration - audit services	26	26
- non-audit services	23	29
Depreciation of owned fixed assets	656	576
Depreciation of assets held under finance leases and hire purchase contracts	738	741
Operating lease rentals - plant and machinery	966	1,329
- land and buildings	364	274
Loss on sale of fixed assets	-	4

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

4. DIRECTORS' EMOLUMENTS

	2002 £000	2001 £000
Emoluments for management services	841	716
Pension contributions	92	82
	<u>933</u>	<u>798</u>

The emoluments of the highest paid director were:

	£000	£000
Emoluments for management services	178	172
Pension contributions	24	24
	<u>202</u>	<u>196</u>

The number of directors eligible for membership of the defined contribution pension scheme at the year end was 6 (2001: 6).

5. STAFF COSTS

The average weekly number of employees (including executive directors) during the year was as follows:

	2002 No.	2001 No.
Production	255	241
Selling and administration	106	98
	<u>361</u>	<u>339</u>

	2002 £000	2001 £000
Wages and salaries	8,309	7,553
Social security costs	836	786
Other pension costs	381	333
	<u>9,526</u>	<u>8,672</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Shareholder loan interest	4	-
Bank overdraft	125	201
Hire purchase interest	209	305
Finance lease interest	34	54
	<u>372</u>	<u>560</u>

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £000	2001 £000
<i>UK corporation tax :</i>		
UK corporation tax on profit for the period	366	112
Adjustments in respect of previous periods	(13)	(10)
ACT recoverable	-	(10)
	<u>352</u>	<u>92</u>
<i>Deferred tax</i>		
Originating and reversal of timing differences	(30)	77
	<u>323</u>	<u>169</u>

Factors affecting the tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	905	514
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001:30%)	<u>272</u>	<u>154</u>
Effect of:		
Disallowed expenses and non-taxable income	66	51
Depreciation in excess of capital allowances	37	-
Capital allowances in excess of depreciation	-	(21)
Short term timing differences	(4)	(3)
Adjustments in respect of previous periods	(13)	(10)
ACT written back	-	(10)
Tax losses brought forward	-	(43)
Marginal relief	(6)	(27)
Other	1	1
	<u>353</u>	<u>92</u>

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

8. DIVIDENDS

	2002 £000	2001 £000
<i>On 11% preference shares of £1 each:</i>		
Fixed dividend:		
Paid	5	5
<i>On 11% 'A' ordinary shares of £1 each:</i>		
Fixed dividend:		
Paid	6	6
Participating dividend of 162.10p (2001: 95.58p) per share:		
Proposed	83	49
Additional dividend:		
Proposed	-	4
	<u>94</u>	<u>64</u>

9. TANGIBLE FIXED ASSETS

	<i>Short leasehold property</i> £000	<i>Plant and machinery</i> £000	<i>Motor vehicles</i> £000	<i>Fixtures and fittings</i> £000	<i>Total</i> £000
Cost:					
At 1 May 2001	732	11,590	149	329	12,800
Additions	92	645	-	18	755
Disposals	-	(13)	-	-	(13)
At 29 April 2002	<u>824</u>	<u>12,222</u>	<u>149</u>	<u>347</u>	<u>13,542</u>
Depreciation:					
At 1 May 2001	142	4,937	89	179	5,347
Charge for the year	31	1,295	37	30	1,393
Disposals	-	(6)	-	-	(6)
At 29 April 2002	<u>173</u>	<u>6,226</u>	<u>126</u>	<u>209</u>	<u>6,734</u>
Net book value:					
At 29 April 2002	<u>651</u>	<u>5,996</u>	<u>23</u>	<u>138</u>	<u>6,808</u>
At 30 April 2001	<u>590</u>	<u>6,653</u>	<u>60</u>	<u>150</u>	<u>7,453</u>

The net book value of tangible fixed assets includes an amount of £4,341,000 (2001: £4,746,000) in respect of assets held under finance leases and hire purchase contracts.

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

10. FIXED ASSET INVESTMENTS

	£000
Investments in subsidiary companies at cost:	
At 28 April 2002 and 30 April 2001	124

Details of the company's subsidiaries are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Description and number of shares held</i>	<i>Proportion of nominal value of issued shares held</i>	<i>Principal activity</i>
K2 Graphics Limited	England and Wales	123,000 ordinary £1 shares and 1,000 preference £1 shares	100% 100%	Dormant
K2 Envelopes Limited	England and Wales	100 ordinary £1 shares	100%	Dormant

The aggregate amount of capital and reserves of K2 Graphics Limited and K2 Envelopes Limited at 30 April 2002 was £124,000 and £1,000 respectively.

11. STOCKS

	2002 £000	2001 £000
Raw materials and consumables	231	300
Work in progress	72	152
	<u>303</u>	<u>452</u>

12. DEBTORS

	2002 £000	2001 £000
Trade debtors	4,247	4,352
Prepayments and accrued income	1,146	735
	<u>5,393</u>	<u>5,087</u>

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

13. CREDITORS: amounts falling due within one year

	2002	2001
	£000	£000
Shareholder loan	110	-
Bank overdraft	191	123
Invoice discounting	1,497	1,728
Obligations under finance leases and hire purchase contracts (note 15)	1,092	1,272
Trade creditors	4,333	4,101
Amounts owed to subsidiary undertaking	124	124
Corporation tax	366	102
Other creditors	119	121
Other taxation and social security	494	562
Accruals and deferred income	421	559
Proposed dividends	164	428
	<u>8,911</u>	<u>9,120</u>

The bank overdraft is secured by a fixed and floating charge over the group's assets. The invoice discounting facility is secured by a first charge over group trade debtors amounting to £1,497,225 (2001: £1,728,405).

14. CREDITORS: amounts falling due after more than one year

	2002	2001
	£000	£000
Obligations under finance leases and hire purchase contracts (note 15)	<u>1,063</u>	<u>1,819</u>

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2002 £000	2001 £000
Amounts payable:		
Within one year	1,251	1,499
In two to five years	1,163	2,006
In over five years	-	18
	<hr/>	<hr/>
Less: finance charges allocated to future periods	2,414 (259)	3,523 (432)
	<hr/>	<hr/>
	2,155	3,091
	<hr/>	<hr/>

Finance leases and hire purchase contracts are analysed as follows:

Current obligations (note 13)	1,092	1,272
Non-current obligations (note 14)	1,063	1,819
	<hr/>	<hr/>
	2,155	3,091
	<hr/>	<hr/>

16. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:

	£000
At 1 May 2000 (as previously reported)	-
Prior year adjustment	798
	<hr/>
At 1 May 2000 (restated)	798
Provided during the year	77
	<hr/>
At 30 April 2001	875
Released during the year	(30)
	<hr/>
At 28 April 2002	845
	<hr/>

Deferred taxation provided in the accounts and the amounts not provided can be analysed as follows:

	2002 £000	Restated Provided 2001 £000	2002 £000	Restated Not provided 2001 £000
Capital allowances in advance of depreciation	845	879	-	-
Other timing differences	-	(4)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	845	875	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

K2 Direct Mail Limited

NOTES TO THE ACCOUNTS

as at 28 April 2002

17. SHARE CAPITAL

	2002 £000	2001 £000
Authorised		
85,000 ordinary shares of £1 each	85	85
51,000 'A' ordinary shares of £1 each	51	51
131,000 preference shares of £1 each	131	131
200,000 'A' preference shares of £1 each	200	300
100,000 'B' preference shares of £1 each	100	-
	<u>567</u>	<u>567</u>
Allotted, called up and fully paid		
85,000 ordinary shares of £1 each	85	85
51,000 'A' ordinary shares of £1 each	51	51
50,000 preference shares of £1 each	50	50
120,000 'A' preference shares of £1 each	120	200
99,197 'B' preference shares of £1 each	99	-
	<u>405</u>	<u>386</u>

On 19 September 2001, the company reclassified 80,000 'A' preference shares of £1 each into 80,000 'B' preference shares of £1 each. In addition, the 100,000 unissued 'A' preference shares of £1 each were reclassified as 100,000 'B' preference shares of £1 each.

On 19 September 2001 the company issues 19,179 'B' preference shares of £1 each in full settlement of certain dividend arrears amounting to £19,179.

The preference shares shall be redeemed at the earlier of:

- 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*; or
- flotation on a recognised Stock Exchange; or
- 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 preference shares attract a fixed dividend of 11 pence per share payable on 31 March and 30 September each year, receive no voting rights and rank first on a return of assets on liquidation or capital reduction.

NOTES TO THE ACCOUNTS

as at 28 April 2002

17. **SHARE CAPITAL** (continued)

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

- (a) 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;* or
- (b) the discretion of the company.

* applies unless 75% of the holders give notice in writing to the company to the contrary, and 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, receive no voting rights and rank fifth in a return of assets on liquidation or capital reduction, any return of capital being limited to £1 per share.

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 is 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.

The ordinary shares and the 'A' ordinary shares have one vote per share and rank third and second respectively on a return of assets on liquidation or capital reduction.

The 'B' preference shares do not have any voting rights attached. They attract a fixed dividend of 1 pence per share which accrues from 31 March 2001 paid annually.

The 'B' preference shares can be redeemed at par at any time after the date of issue upon the holders having had three months notice in writing. No redemption may be made if there are any arrears of dividends.

On a return of assets on liquidation or capital reduction the 'B' preference shares rank fourth in respect of any arrears and accruals of dividend and fifth in respect of capital which will be limited to £1 per share.

NOTES TO THE ACCOUNTS

as at 28 April 2002

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 30 April 2001	386	81	1,710	2,177
Prior year adjustment	-	-	(875)	(875)
As restated	386	81	835	1,302
Profit for the year	-	-	582	582
Dividends	-	-	(94)	(94)
Issue of share capital	19	-	-	19
At 28 April 2002	405	81	1,323	1,809

Prior year adjustment

The group and company, in the preparation of the accounts has adopted Financial Reporting Standard No 19 'Deferred Tax' and has therefore provided for deferred taxation in full. The impact of adopting the standard on the results to 28 April 2002 and 29 April 2001 amounted to a decrease of £30,000 and an increase of £77,000 on the respective tax charges for the year. A prior year adjustment was made in the year ended 29 April 2001 reducing profit and loss reserves brought forward by £798,000 in relation to deferred tax.

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NOTES TO THE ACCOUNTS

as at 28 April 2002

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2002 £000	2001 £000
Operating profit	1,277	1,074
Depreciation of tangible fixed assets	1,393	1,317
Loss on sale of fixed assets	-	4
Decrease/(increase) in stocks	149	105
Decrease/(increase) in debtors	(306)	166
(Decrease)/increase in creditors	23	(31)
Net cash inflow from operating activities	2,536	2,635

(b) Analysis of changes in net debt:

	At 30 April 2001 £000	Cash flows £000	Other changes £000	At 28 April 2002 £000
Bank overdraft	(123)	(68)	-	(191)
Confidential invoice discounting	(1,728)	231	-	(1,497)
Obligations under finance leases and hire purchase contracts	(3,091)	1,344	(408)	(2,155)
Shareholder loan	-	-	(110)	(110)
	(4,942)	1,507	(518)	(3,953)

(c) Significant non-cash transactions.

During the year the company entered into finance leases and hire purchase contracts with a total capital value at inception of £408,000 (2001: £195,000).

The company has converted £110,000 (2001: £nil) of unpaid dividends into a shareholder loan which is unsecured.

20. PENSION COMMITMENTS

During the previous year the group closed its defined contribution pension scheme and now makes contributions to employees' personal pension plans as part of a group personal pension scheme. The pension cost charge represents contributions payable by the group during the year and amounted to £381,000 (2001: £333,000).

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NOTES TO THE ACCOUNTS

as at 28 April 2002

21. OTHER FINANCIAL COMMITMENTS

At 28 April 2002 the group had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	-	-	649	898
In two to five years	60	-	389	913
In over five years	296	246	-	-
	<u>356</u>	<u>246</u>	<u>1,038</u>	<u>1,811</u>