FORM 10-K

DANKA BUSINESS SYSTEMS PLC - DANKY

Exhibit:

Filed: June 28, 1996 (period: March 31, 1996)

Annual report which provides a comprehensive overview of the company for the past year

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended MARCH 31, 1996 Commission file number: 0-20828

DANKA BUSINESS SYSTEMS PLC
(Exact name of registrant as specified in its charter)

ENGLAND	98-0052869
(State of other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
11201 DANKA CIRCLE NORTH ST. PETERSBURG, FLORIDA	33716
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (813) 576-6003

Securities registered pursuant to Section 12(g) of the Act:
ORDINARY SHARES
1.25 p each

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or an amendment to this Form 10-K. [ ]

As of March 31, 1996, the Registrant had 219,112,247 Ordinary Shares outstanding, including 169,774,453 represented by American Depositary Shares ("ADS"). Each ADS represents four Ordinary Shares. The ADSs are evidenced by American Depositary Receipts. The aggregate market value of voting shares held by non-affiliates of the Registrant as of March 31, 1996 was $2,220,828,292 based on the average bid and asked prices of ADSs as quoted on the NASDAQ National Market.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the year ended March 31, 1996, are incorporated by reference in Part I and Part II of this Form 10-K.

The information called for by Part III is incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Shareholders to be held July 19, 1996, which has been filed with the Securities and Exchange Commission.

DANKA BUSINESS SYSTEMS PLC

ANNUAL REPORT ON FORM 10-K

MARCH 31, 1996

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PART I

ITEM 1. BUSINESS

INTRODUCTION

Danka Business Systems PLC and its Subsidiaries (the "Company") is one of the largest independent suppliers of photocopiers, facsimiles and other automated office equipment in North America and Europe. The Company primarily markets these products and related service, parts and supplies on a direct basis to retail customers. The Company also markets photocopiers, facsimile equipment, and related parts and supplies on a wholesale basis to dealers. In addition, the Company markets private label photocopier and facsimile equipment and related supplies on a direct and wholesale basis under the Company's Infotec trademark, and facsimile equipment under its dex and Omnifax trademarks. Danka has offices in 40 states, nine Canadian provinces and seven European countries.

The Company is one of the largest independent suppliers of Canon, Konica, Minolta, Sharp and Toshiba photocopiers and facsimile equipment. As a result of its recent acquisition of Infotec, a European retail and wholesale supplier, the Company is also one of the largest independent suppliers of Ricoh products in Europe. On September 6, 1995, the Company entered into a marketing agreement with Eastman Kodak's Office Imaging division ("Kodak") granting the Company the non-exclusive right to sell and service certain high-volume Kodak copiers in the United States and Canada.

The Company provides a wide range of customer-related support services, maintenance and supply contracts, training and technical support, and third-party leasing arrangements. The Company's focus on customer service and the contractual nature of its service business, combined with its service contract renewals, provide a significant source of recurring revenue.

The Company's principal business strategy is to increase its presence as a leading independent supplier of automated office equipment and related service, parts and supplies in existing and strategic new geographic markets in North America and Europe. The Company's internal expansion has resulted from increased product offerings, aggressive marketing to new customers and emphasis on providing service and supplies. The Company has expanded externally as a result of the acquisition of selected suppliers of automated office equipment, and over the last three years has completed over 100 acquisitions in the industry. The Company seeks to improve the profitability of the businesses it acquires by integrating them into the Company's sales and service network. The Company's operating philosophy is to support its sales and service network through training in technical, marketing, and administrative support procedures; advertising campaigns; volume purchasing; and uniform operating procedures.

The North American and European photocopier and facsimile markets are highly fragmented, with numerous dealers engaged in the same or similar businesses as the Company. Due to the complexity of new products and the high costs of product support, new technology is driving consolidation within both markets. As a result, the Company believes that significant acquisition opportunities exist in these markets.

Danka Business Systems PLC is a corporation organized under the laws of England and Wales. The Company's principal operating subsidiaries are located in the United States, Canada and Europe. The registered and principal executive office of the Company is located at Masters House, 107 Hammersmith Road, London, W14 0QH, England, and its telephone number is 011-44171-603-1515. The Company's principal operating headquarters is located at 11201 Danka Circle North, St. Petersburg, Florida 33716, and its telephone number is 813-576-6003.

ACQUISITION STRATEGY

The Company expands its business through internal growth by increasing its penetration in existing markets, and by entering new geographic areas primarily through the acquisition of existing businesses. The Company's acquisition strategy is focused on acquiring businesses in current territories to increase penetration in those markets and on acquiring businesses in new territories. The Company seeks to acquire companies that generally have (i) an established customer base, (ii) a product line comparable with the Company's current and anticipated products; (iii) necessary manufacturer authorizations, and (iv) the potential to benefit from the Company's uniform operating procedures and centralized purchasing power.

Acquired companies are integrated into the Company through the implementation of the Company's operating procedures, which (i) establishes financial controls, common information systems and reporting requirements, (ii) introduces the Company's service, marketing and sales programs and compensation plans, (iii) evaluates, transfers and retrains personnel as necessary, and (iv) in many cases, expands the acquiree's product mix to incorporate new products which are sold by the Company. This integration generally results in a replication of the Company's service, sales, marketing and other business programs. In most business acquisitions, the acquired businesses' owners and management are contractually bound by executive non-compete and trade secret protection agreements.

Over the last three years, the Company has completed over 100 acquisitions in the industry which has resulted in a network of over 400 locations. The Company believes that significant additional acquisition opportunities exist in the highly fragmented North American and European automated office equipment industry. Technology has increased the complexity of new products, and the higher costs of product support are driving the consolidation within the North American and European markets. This trend has caused smaller independent distributors to consider selling their dealerships to larger marketing and service organizations such as the Company. Through acquisitions, the Company entered the United Kingdom market in 1993, the Canadian market in 1994, and Continental Europe in 1995.

The Company's continued success in future acquisitions will be relative to many things, including the timing and size of an acquisition; the success or failure to successfully integrate any significant acquisition and minimize integration costs related thereto; the Company's ability to successfully grow its infrastructure to sustain, manage, operate and continue significant expansion; and its ability to maintain, manage and operate its core business.

The Company is currently engaged in preliminary discussions and consideration of various possible acquisitions, some of which could be material. However, the Company currently has no agreement, arrangement or understanding with respect to any acquisitions that are, individually or in the aggregate, material to the Company.

INFOTEC ACQUISITION

Effective November 1, 1995, the Company acquired all of the issued and outstanding shares of Infotec Europe B.V. and its operating subsidiaries ("Infotec"), for aggregate cash consideration of approximately $167.0 million (the "Infotec Acquisition").

Infotec is one of Europe's largest independent suppliers of photocopiers, facsimile equipment, and related service, parts and supplies. Infotec markets a full line of Ricoh products under the Infotec brand name through its locations in Germany, the United Kingdom, France, Italy, Denmark, Belgium and the Netherlands, as well as through its wholesale distribution network of independent dealers in these and other European countries. For calendar 1994, Infotec had total revenue of approximately $256.0 million and income from operations of approximately $16.6 million.

The Infotec Acquisition has significantly increased the Company's business in Europe, and provides the Company with its initial operations in Germany, France, Italy and Denmark. In fiscal 1996, the Company's total revenue in Europe was $247 million, or approximately 20% of the Company's total consolidated revenue. The

Company is integrating its existing European operations with Infotec and believes such integrated operations will provide a substantial core operation from which to pursue its growth strategy in Europe. (Reference is made to Note 6 of the "Notes To The Consolidated Financial Statements" entitled "Foreign Operations" contained in the Company's Annual Report to Shareholders for the Year Ended March 31, 1996 which is incorporated by reference).

PRODUCTS

The Company's primary products are photocopiers, facsimile equipment, other automated office equipment, and related parts and supplies. The photocopier industry is informally divided into six segments. Segments one and two contain the least sophisticated photocopiers; segments three and four contain faster and more sophisticated midrange photocopiers; and segments five and six contain the most sophisticated and fastest photocopiers in the industry. The Company sells photocopiers primarily in segments one through five through its retail operations, while it sells photocopiers primarily in segment one through its wholesale operations. The principal manufacturers in segments one through four are Canon, Konica, Sharp, Mita, Minolta, Ricoh and Toshiba. The Company offers products from each of these manufacturers. Segments five and six are currently dominated by Kodak and Xerox. It is important that the Company offer all segments of photocopiers to its customers. Through its Kodak agreement described below, the Company has increased its revenues from the sale and service of segment five and six photocopiers. The Company will continue to expand its product offerings to encompass new equipment as it is made available by its vendors.

On September 6, 1995, the Company and Kodak entered into an agreement (the "Kodak Agreement") granting the Company the non-exclusive right to sell and service Kodak high-volume copiers throughout the United States and Canada. Danka is selling and servicing all configurations of the Kodak ImageSource 85 copier, as well as the Kodak 3100 duplicator, and the Kodak 2085 copier-duplicator. These Kodak models supplement Danka's existing product line, by offering a segment six copier (which copies at a rate of 100 copies per minute) and further enhances the Company's segment five (70 to 90 copies per minute) product line. The Kodak Agreement better positions Danka to market a full product line and the related services to major market customers. The Kodak Agreement is cancelable without cause by either party with 120 days notice. On January 18, 1996, Kodak announced that it is developing alternatives to strengthen and reposition its office imaging business. As a consequence, Kodak is exploring a variety of strategic options and structural alternatives, which range from expanded use of strategic alliances to the formation of joint ventures or a potential divestiture. The Company is currently assessing the possible effect of Kodak's potential actions and is considering various strategies in connection with these potential actions. Should the Kodak Agreement be terminated, the Company believes that it can obtain an alternative source of competing segment five and six equipment. However, there can be no assurance that the Company will be able to obtain such products or that the same would be available on terms that would make the Company competitive in such segments or that the same would be well accepted in the marketplace.

In addition, the Company distributes a range of facsimile equipment, with a concentration in the more sophisticated plain paper and multifunctional models. The plain paper and multifunctional models use toner and other supplies and require maintenance similar to photocopiers. A majority of these facsimile machines are private label products of the Company.

TECHNOLOGY

The Company believes that the black and white photocopier and facsimile equipment markets will continue to change with the increasing acceptance of digital technology. Digital photocopiers have the ability to communicate with other automated office equipment. This innovation is resulting in a blurring of the distinction between traditional photocopiers, facsimile equipment, and laser printers, with the emergence of a range of multifunctional office equipment.

Many of the Company's existing vendors have expended considerable resources in the research, development, and creation of digital products and have been recently introducing digital black and white photocopiers. To support this new technology, the Company has developed digital research and support laboratories which enable it to test the manufacturers' equipment in various networked environments in order to evaluate performance prior to releasing the equipment to the Company's sales network. Additionally, the Company's digital labs provide training and support to its sales professionals and service technicians, and also serve as a beta test site for many of its manufacturers' equipment, as well as other vendors offering digital office products. More recently, the Company has begun offering digital support service contracts and providing customers with full software support from the desktop computer through the network to the digital copier/printer.

Currently, color photocopiers represent a small but growing portion of the Company's retail copier sales, and represent a growing segment of the photocopier market. Through the Company's expanded relationship with Ricoh in the U.S., the Company nearly doubled the number of markets in which it sells color products during fiscal 1996. Additionally, with a color server, color photocopiers can be converted into networkable color printers that will accept digital output from a computer as well as hard copy inputs which can be reproduced or scanned into the computer, thus increasing the functionality of the unit.

Due to the emergence of digital technology, the Company has experienced and could continue to experience increased expenses for the retraining of its service technicians and salespersons.

SERVICE

In fiscal 1996, retail service, supplies and rentals represented 48% of the Company's total revenue. This revenue is primarily derived from its equipment, maintenance and supply contracts ("EMS Contracts") and other maintenance contracts. Generally, EMS Contracts are for a one-year term and are automatically renewable. Although the Company has various payment arrangements, most maintenance contracts are based upon a per copy charge. These arrangements provide the customer with scheduled payments that can be conveniently budgeted and provide the Company with a steady source of revenue.

The Company has a stated mission of repairing a machine on the first service call, and has full time service trainers who teach classes to the Company's technicians. The Company also maintains an emergency toll-free number to assist its own service technicians and service technicians of independent dealers who are customers of its wholesale operations. The Company maintains a database of common service problems and related solutions to assist technicians in the field.

MARKETING AND CUSTOMERS

The Company believes that, in addition to price and product performance and capabilities, its retail customers primarily base their purchasing decisions on the quality of post-sales service and support, speed of service, and the availability of financing and rental programs. The Company believes that its wholesale customers primarily base their purchasing decisions on price, speed of delivery, dealer support, product performance and capabilities, and availability of financing.

The Company's retail operations target a broad range of customer groups which include small to large businesses, professional firms, and governmental and educational institutions. Customers of the Company's wholesale operations consist generally of independent dealers who are not authorized dealers for major manufacturers. Additionally, the Company markets Infotec private label copiers and facsimiles as well as its dex private label facsimile equipment and related supplies on a wholesale basis to a network of authorized independent dealers. No customer represents more than one percent of the Company's total revenue, and the loss of any one customer would not materially affect the Company.

As of March 31, 1996, there were 2,810 Company employees devoted to sales which represents a substantial increase from March 31, 1995. Sales personnel turnover is common in the industry and the Company makes a considerable effort to retain qualified sales personnel. Danka's sales teams are highly specialized, with each office dedicated to marketing the products of one or two particular manufacturers. Individual team members will concentrate on particular product groups, focusing on lower segment machines during their first year and graduating to more complex equipment as their knowledge and experience increases. With its sales force, Danka emphasizes product knowledge, commitment and professionalism. Each sales person negotiates a method of payment - lease, outright sale or rental - to suit the individual customer. Sales personnel have pricing flexibility. Their compensation is comprised of a base salary and a selling commission, based on achievement of unit placements and gross profit dollars.

The Company has been aggressively hiring and training new field sales representatives and support staff. Such expansion of the Company's salesforce has resulted in substantial cost and expense and has not yet yielded expected productivity. However, the Company believes that the expansion is in the long-term best interest of the Company.

The Company utilizes a wide range of advertising and promotional activities, including television, radio, and billboard advertising campaigns, sponsorship of major sporting events and teams, distribution of descriptive brochures and direct mail pieces, and informational seminars and presentations. The Company's marketing efforts are enhanced by manufacturers' national advertising campaigns and co-op arrangements where appropriate and applicable.

MARKET BASED APPROACH

To better support the Company's growth strategy in digital color and high-volume products, major markets and its core commercial business, Danka is moving away from its traditional branch management concept to a more centralized, market oriented, support concept of administration ("Market Based Approach"). Under a Market Based Approach, most of the administrative and management functions which were performed at the branch level are centralized on a regional basis. Such functions include managerial support, service dispatch, billing and collections, supply sales and equipment setup and delivery. Danka's implementation of the Market Based Approach has resulted in unanticipated duplication of certain administrative and management functions, which has increased selling, general and administrative costs. However, the Company believes that this Market Based Approach is ultimately expected to provide for a higher quality of customer support, increased productivity and reduced administrative costs.

LEASING

Leasing plays a significant role in the Company's sales of equipment. The Company believes that the ability of its sales force to offer customers the option to lease equipment leads to additional sales. In substantially all of its lease transactions, the Company has initiated the lease, one of a number of available third-party leasing companies approved the customer's credit and the Company immediately financed the lease on a nonrecourse basis in return for a single payment. The Company has continued to hold title to the leased equipment while eliminating the credit risks normally associated with leasing arrangements and while improving its cash flow and profit margins. In December 1995, Danka finalized a strategic relationship with a third party leasing company. This relationship operates in a similar manner as the Company's previous third party leasing relationships, except that the Company participates in the leasing company's profits from financing these leases. The Company is currently negotiating similar agreements with other third party leasing companies, and intends to route most of its leasing business to these third party leasing companies.

The Company believes customers are less resistant to a small increase in monthly lease payments as opposed to an increase in the outright cash sales price of such equipment. As a result, in most of these leasing arrangements, the Company is able to achieve a higher sale price, and a higher profit margin than that which would have been obtained by a cash sale of such equipment. Finally, these leasing arrangements permit the Company to utilize its capital for other business activities. The Company has similar arrangements for leases which are offered to customers outside the U.S.

Through various recent acquisitions, the Company has acquired certain lease arrangements and installment receivables that have not been sold to third-party leasing companies. Over time, the Company will seek to convert these acquisition leasing programs to arrangements similar to those described above.

TRAINING

A key element of the Company's operating philosophy is the training of its sales, service and administrative employees in order to assist in uniform application of the Company's established operating procedures throughout the sales network. Upon employment, Company salespersons begin a sales program developed and conducted by the Company. Training continues throughout their careers in sales and sales management with certifications awarded upon completion of various courses. The training sessions, coupled with weekly sales meetings, assist the Company's staff in enhancing and maintaining their marketing and sales management skills.

Service technicians new to the Company are immediately trained and certified in accordance with the Company's methods, procedures, and standards. The Company's technical personnel are continuously updated and retrained as new technology is developed. The Company's service training centers are certified as manufacturers' authorized service facilities. The Company monitors service technicians' continued educational experience and fulfillment of requirements in order to evaluate the competence of its service technicians. All the Company's service technicians receive service bulletins, service technician tips and continued training seminars throughout their careers with the Company.

VENDORS

The Company's business is dependent upon close relationships with its vendors and its ability to purchase products from these vendors on competitive terms. During fiscal 1996, the Company's sales of Canon, Kodak, Konica, Minolta, Ricoh, Sharp and Toshiba equipment represented approximately 68% of its photocopier equipment revenue to retail customers. As a result of the Infotec Acquisition, the Company has increased its retail and wholesale revenues for Ricoh products. The facsimile equipment distributed by the Company is primarily its dex and Omnifax private label equipment which is imported from various Japanese and Korean manufacturers. Facsimile equipment is also purchased from various vendors including Canon, Konica, Ricoh and Sharp. The Company also relies on its photocopier and facsimile vendors for parts and supplies.

The Company conducts its business in reliance upon its continuing ability to purchase equipment, supplies, and parts from its current manufacturers pursuant to authorized retail dealer and wholesale agreements ("Authorized Manufacturer Agreements"). The Company's retail operations' primary Authorized Manufacturer Agreements are with Canon, Konica, Minolta, Sharp and Toshiba and, recently with Ricoh and Kodak. Such agreements are generally for one-year terms, cover only specific products, have specific territorial boundaries, and may be terminated with cause, and in some instances, without cause. Although Authorized Manufacturer Agreements are non-exclusive, they are generally limited to one or two authorized dealers within specific territorial boundaries. For additional information on the Kodak Agreement see "Products" above. The Company's wholesale operations' primary Authorized Manufacturer Agreements are with Copystar, Konica, Minolta and Sharp, and contain terms which are substantially similar to those of the Company's retail operations. Private label facsimile products are provided under purchase agreements with various manufacturers, and the terms of these agreements are similar to the agreements with the Company's photocopier vendors.

COMPETITION

The Company's business is highly competitive with a number of competitors in most geographic markets. The Company's retail operations are in direct competition with local and regional equipment suppliers and dealers, manufacturers, mass merchandisers, and wholesale clubs. Depending upon the customer, principal areas of competition may include: quality and speed of post-sales service support; availability of competitive products, parts and supplies; speed of delivery; product capability and performance; financing terms; and the availability of financing, leasing, or rental programs. The Company's wholesale operations are in direct competition with local, regional, and national distributors and manufacturers. Principal areas of competition for wholesale operations are availability of competitive products, price, speed of delivery, dealer support, centralized volume buying, product performance, and the availability of financing programs. The continued ability of the Company to offer competitive photocopiers in all segment areas is important in both retail and wholesale operations. See "Products". The Company also competes with other large competitors for acquisitions, particularly its principal competitor Alco Standard Corporation, and in many instances such competition can raise the price of an acquisition. Certain of the Company's competitors have greater resources than the Company.

EMPLOYEES

As of March 31, 1996, the Company employed approximately 10,500 persons, of which approximately 4,320 employees were devoted to service, and approximately 2,810 persons in the Company were devoted to sales. Of the remaining employees, 390 were devoted to training, management or other administrative positions at the corporate and regional administrative offices, and 2,980 were in various administrative and other support positions at other Company locations. Support provided by these employees at such locations includes receiving customer service calls and dispatching service technicians, contacting customers to obtain meter readings from customer copiers, renewing customer maintenance agreements, collecting accounts receivable, controlling inventory, and performing certain billing functions.

Some of Infotec's employees are subject to labor agreements with unions that establish rates of pay, hours of working, procedures for orderly settlement of disputes and other terms and conditions of employment. The

Company considers its employee relations to be good, and believes that it provides working conditions and wages which compare favorably to those of its competitors.

The Company relies heavily on its senior management, and the loss of certain Executive Officers could have an adverse effect on the Company. Additionally, the Company's ability to successfully grow and maintain its management and employee base, as well as to successfully integrate acquired company employees during periods of expansion, are extremely important to the Company's continued success.

TRADEMARKS AND SERVICE MARKS

The Company believes that its trademarks and service marks have gained significant recognition in the automated office equipment market and are important to its marketing efforts. The Company has registered various trademarks and service marks in certain markets. The trademarks "Danka", "dex", "Omnifax" and "Infotec" are among those registered marks which are viewed as important to the Company's ongoing business. The Company's policy is to continue to pursue registration of its marks whenever possible and to oppose vigorously any infringement of its proprietary rights. Depending on the jurisdiction, trademarks and service marks are valid as long as they are in use and/or their registrations are properly maintained, and they have not been found to have become generic. Registrations of trademarks and service marks in the United States can generally be renewed indefinitely as long as the trademarks and service marks are in use.

BACKLOG

The backlog of orders at March 31, 1996 and March 31, 1995 were not material.

ITEM 2. PROPERTIES

The Company's general policy is to lease, rather than own, its business locations. The Company leases numerous properties for administration, sales and service, and distribution functions. The terms vary under the respective leases and some contain a right of first refusal or an option to purchase the underlying real property and improvements. In general, the Company's lease agreements require it to pay its proportionate share of taxes, common area expenses, insurance, and related costs of such rental properties.

The Company leases its 35,000 square foot headquarters facility in St. Petersburg, Florida. In addition, the Company leases in excess of 400 properties throughout North America and Europe for its retail and wholesale operations.

The Company owns several smaller business locations, none of which are necessary to the success of the particular location's business. Generally, these properties were included among the assets obtained in certain acquisitions. In the future, the Company may dispose of such properties and enter into leases of properties which the Company believes may be more desirable or more centrally located.

Management believes that the properties which it occupies are, in general, suitable and adequate for the purposes for which they are utilized. Additional space will be occupied as necessary upon future expansion of operations.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings to which the Company is a party to which the Company believes will have a material adverse effect on its results of operations or its financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET PRICE FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the information under the heading "Market Prices of ADSs and Ordinary Shares" in the Company's Annual Report to Shareholders for the Year Ended March 31, 1996. See Exhibit 13 to this Report.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is incorporated herein by reference to the information under the heading "Selected Consolidated Financial Data" in the Company's Annual Report to Shareholders for the Year Ended March 31, 1996. See Exhibit 13 to this Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated herein by reference to the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report to Shareholders for the Year Ended March 31, 1996. See Exhibit 13 to this Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the information under the headings "Consolidated Statements of Earnings", "Consolidated Balance Sheets", "Consolidated Statements of Cash Flows", "Consolidated Statements of Shareholders' Equity" and "Notes to the Consolidated Financial Statements" in the Company's Annual Report to Shareholders for the Year Ended March 31, 1996. See Exhibit 13 to this Report. As is the case with any company, prior financial condition and results of operations are not necessarily indicative of future results.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference to the information under the headings "MANAGEMENT - Directors and Executive Officers" in the Company's definitive Proxy Statement to be used in connection with the Company's 1996 Annual Meeting of Shareholders, which has been filed with the Commission.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information under the headings "MANAGEMENT - Compensation of Executive Officers and Directors" in the Company's definitive Proxy Statement to be used in connection with the Company's 1996 Annual Meeting of Shareholders, which has been filed with the Commission.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the information under the heading "MANAGEMENT - Security Ownership of Management and Others" in the Company's definitive Proxy Statement to be used in connection with the Company's 1996 Annual Meeting of Shareholders, which has been filed with the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the information under the heading "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" in the Company's definitive Proxy Statement to be used in connection with the Company's 1996 Annual Meeting of Shareholders, which has been filed with the Commission.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. The following Financial Statements of the Registrant included in Part II, Item 8, of this Report are incorporated herein by reference as described in Item 8:

Consolidated Statements of Earnings - Years ended March 31, 1996, 1995 and 1994
Consolidated Balance Sheets - March 31, 1996 and 1995
Consolidated Statements of Cash Flows - Years ended March 31, 1996, 1995 and 1994
Consolidated Statements of Shareholders' Equity - Years ended March 31, 1996, 1995 and 1994
Notes to the Consolidated Financial Statements - Years ended March 31, 1996, 1995 and 1994
Independent Auditors' Report

2. The following Financial Statement Schedules of the Registrant are included in Item 14(d):

Independent Auditors' Report

II - Valuation and Qualifying Accounts

All other schedules are omitted because the required information is not present in amounts sufficient to require submission of the schedule, the information required is included in the financial statements and notes thereto or the schedule is not required or inapplicable under the related instructions.

3. Exhibit index:

Exhibit Number	Description of Document
3.1*	Memorandum of Association of the Company. (Exhibit 3.1 of Company's Registration Statement on Form 20-F, No. 0-20828, filed on November 10, 1992 [the "1992 Registration Statement"].)
3.2*	Articles of Association of the Company. (Exhibit 3.2 to the 1992 Registration Statement.)
4.1*	Memorandum of Association of the Company, including paragraphs 5 and 6. (Exhibit 2.1 to the 1992 Registration Statement.)
4.2*	Articles of Association of the Company, including sections relating to Shares, Variation of Rights and Votes of Members. (Exhibit 2.2 to the 1992 Registration Statement.)
4.3*	Form of Ordinary share certificate. (Exhibit 4.3 of Company's Registration Statement on Form S-1, No. 33-68278, filed on October 8, 1993 [the "1993 Registration Statement"]).

4.4* Form of American Depositary Receipt. (Exhibit 4.4 to the 1993 Registration Statement.)

4.5* Deposit Agreement dated June 25, 1992, Amendment No. 1 dated February 26, 1993 and Amendment No. 2 dated July 2, 1993 (Exhibit 4.9 to the 1993 Registration Statement.) and Amendment No. 3 dated August 16, 1994 between The Bank of New York, Company and Owners and Holders of American Depositary Receipts.

4.6* Indenture dated March 13, 1995 between the Company and The Bank of New York, as Trustee. (Exhibit 2 to the Company's Form 8-K dated March 21, 1995).

4.7* Deposit and Custody Agreement dated March 13, 1995, between The Bank of New York as Depositary and the Company. (Exhibit 3 to the Company's Form 8-K dated March 21, 1995).

4.8* Registration Rights Agreement dated as of March 13, 1995 relating to $175,000,000 in Aggregate Principal Amount of 6.75% Convertible Subordinated Notes Due 2002 by and among the Company and Prudential Securities Incorporated and Smith Barney, Inc. and Robert W. Baird & Co. and Raymond James & Associates, Inc. (Exhibit 4.12 to the Company's 1995 Form 10-K).

4.9* Resolution No. 7 adopted by shareholders at the 1995 general meeting waiving pre-emptive rights of shareholders under certain circumstances. (Exhibit 4.10 to the Company's Form 10-Q dated August 8, 1995).

4.10* Credit Agreement dated March 19, 1996 among Danka Business Systems PLC, Danka Holding Company, the several financial institutions from time to time a party to this Agreement, Bank of America National Trust and Savings Association, Bank of America International Limited, Nationsbank, N.A., and Southtrust National Bank of Alabama, N.A., in an amount up to $400.0 million. (Exhibit 1 to the Company's Form 8-K dated March 19, 1996).

No other instruments defining the rights of holders of long-term debt of the Company and its subsidiary have been included as exhibits because the total amount of obligation authorized under any such agreement does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish supplementally a copy of any omitted long-term debt instrument to the Commission upon request.

10.1* Office Building Lease dated February 4, 1986 between Daniel M. Doyle and Francis J. McPeak, Jr., and Copies, Inc. (Exhibit 3.4 to the 1993 Form 20-F).

10.2* Office Building Lease dated May 1, 1992 between Daniel M. Doyle and Francis J. McPeak, Jr., and Gulf Coast Business Machines. (Exhibit 3.5 to the 1993 Form 20-F).

10.3* Office Building Lease dated April 1, 1990 between Daniel M. Doyle and Francis J. McPeak, Jr., and Danka. (Exhibit 3.6 to the 1993 Form 20-F).

10.4* Lease Agreement dated December 22, 1986, and Addendum Lease Agreement dated March 1, 1987, between Daniel M. Doyle and Francis J. McPeak and Danka. (Exhibit 3.7 to the 1993 Form 20-F).

10.5* U.K. Executive Share Option Scheme. (Exhibit 3.11 to the 1993 Form 20-F).

10.6* U.S. Executive Incentive Stock Option Plan. (Exhibit 3.12 to the 1993 Form 20-F).

10.7*	Form of Stock Option Agreement. (Exhibit 3.13 to the 1993 Form 20-F).
10.8*	Addendum to Lease Agreement dated September 1, 1992, between Mid-County Investments, Inc. and Danka. (Exhibit 3.38 to the 1993 Form 20-F).
10.9*	Lease Agreement dated November 12, 1992 and Lease Commencement Agreement dated April 7, 1993 between PARD, Inc. and Danka. (Exhibit 10.41 to the 1993 Form 20-F).
10.10*	Deposit Agreement dated June 25, 1992, Amendment No. 1 dated February 26, 1993 and Amendment No. 2 dated July 2, 1993, between The Bank of New York, Company and Owners and Holders of American Depositary Receipts, filed as Exhibit 4.5 and incorporated as reference.
10.11*	Employment Agreement dated April 1, 1994 among the Company, Danka Industries, Inc. and Daniel M. Doyle. (Exhibit 10.49 to the 1994 Form 10-K).
10.12*	Employment Agreement dated April 1, 1994 among the Company, Danka Industries, Inc. and David C. Snell. (Exhibit 10.50 to the 1994 Form 10-K).
10.13*	Employment Agreement dated April 1, 1994 among the Company, Danka Industries, Inc. and Mark A. Vaughan-Lee. (Exhibit 10.51 to the 1994 Form 10-K).
10.14*	Danka Business Systems PLC 1994 Executive Performance Plan. (Exhibit 10.52 to the 1994 Form 10-K).
10.15*	Indenture dated March 13, 1995 between the Company and The Bank of New York, as Trustee. (Exhibit 2 to the Company's Form 8-K dated March 21, 1995).
10.16*	Deposit and Custody Agreement dated March 13, 1995, between The Bank of New York as Depositary and the Company. (Exhibit 3 to the Company's Form 8-K dated March 21, 1995).
10.17*	Registration Rights Agreement dated as of March 13, 1995 relating to $175,000,000 in Aggregate Principal Amount of 6.75% Convertible Subordinated Notes Due 2002 by and among the Company and Prudential Securities Incorporated and Smith Barney, Inc. and Robert W. Baird & Co. and Raymond James & Associates, Inc. (Exhibit 10.24 to the Company's 1995 Form 10-K).
10.18*	Purchase Agreement dated October 25, 1995 between ABN AMRO Bank N.V. and Credit Lyonnais Bank Nederland N.V. and Danka Europe B.V. (Exhibit 2 to the Company's Form 8-K dated November 3, 1995).
10.19*	Credit Agreement dated March 19, 1996 among Danka Business Systems PLC, Danka Holding Company, the several financial institutions from time to time a party to this Agreement, Bank of America National Trust and Savings Association, Bank of America International Limited, Nationsbank, N.A., and Southtrust National Bank of Alabama, N.A., in an amount up to $400.0 million. (Exhibit 1 to the Company's Form 8-K dated March 19, 1996).
13	Annual Report to Shareholders of the Company for the year ended March 31, 1996. Except for those portions of such Annual Report to Shareholders that may be expressly incorporated by reference into this Report, such Annual Report to shareholders is furnished solely for the information of the Securities and Exchange Commission and shall not be deemed a "filed" document.

21 List of Current Subsidiaries of the Company.

23 Independent Auditors Consent.

27 Financial Data Schedule

* Document has heretofore been filed with the Commission and is incorporated by reference and made a part hereof.

(b) Reports on Form 8-K

On April 1, 1996, the Company filed a report on Form 8-K announcing that it had entered into a loan agreement providing a $400 million multicurrency credit facility with a consortium of banks replacing its previous principal credit facility.

On June 26, 1996, the Company filed a report on Form 8-K announcing expected results of operations for the first quarter of fiscal 1997 and the effects to the Company resulting from its change to a market based management approach, expansion of its sales division, and its increased commitment to the sale of color and higher segment products.

(c) Exhibits:

The exhibits listed in Item 14(a)(3) to this Report are filed with this Report.

(d) Financial Statement Schedules

Report of Independent Auditors

II - Valuation and Qualifying Accounts

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules.

INDEPENDENT AUDITORS' REPORT

To the Members of Danka Business Systems PLC:

Under date of June 3, 1996, we reported on the consolidated balance sheets of Danka Business Systems PLC and subsidiaries as of March 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 1996, as contained in the 1996 annual report to shareholders. These financial statements are incorporated by reference in the annual report on Form 10-K for the year 1996. In connection with our audits of the aforementioned financial statements, we also have audited the related financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Chartered Accountants
Registered Auditors
London England

June 3, 1996

DANKA BUSINESS SYSTEMS PLC

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (1)	Deductions (2)	Balance at End of Period
Allowance for doubtful accounts:					
Year ended March 31, 1994	$1,547	$1,354	$3,496	$(1,107)	$5,290
Year ended March 31, 1995	$5,290	$2,016	$1,213	$(2,485)	$6,034
Year ended March 31, 1996	$6,034	$3,717	$8,009	$(8,956)	$8,804

(1) Represents beginning balances of acquired companies.

(2) Represents accounts written off during the year, net of recoveries.

Note: Certain prior year amounts have been reclassified to conform to the current year presentation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 24, 1996

DANKA BUSINESS SYSTEMS PLC
(Registrant)

By: /s/ DANIEL M. DOYLE
Daniel M. Doyle, Chief Executive
(Chief Executive Officer)

By: /s/ DAVID C. SNELL
David C. Snell, Finance Director
(Chief Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Company and in the capacities indicated on June 24, 1996.

SIGNATURE	TITLE
/s/ MARK A. VAUGHAN-LEE Mark A. Vaughan-Lee	Chairman and Director
/s/ DANIEL M. DOYLE Daniel M. Doyle	Chief Executive and Director
/s/ DAVID C. SNELL David C. Snell	Finance Director, Chief Financial Officer and Principal Accounting Officer
/s/ DAVID S. HOOKER David S. Hooker	Director
/s/ DAVID W. KENDALL David W. Kendall	Director
/s/ JAMES F. WHITE, JR. James F. White, Jr.	Director
/s/ PIERSON M. GRIEVE Pierson M. Grieve	Director

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EXHIBIT 4.5

==

DANKA BUSINESS SYSTEMS PLC

AND

THE BANK OF NEW YORK

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY RECEIPTS

Amendment No. 3 dated as of August 16, 1994

to

Deposit Agreement dated as of June 25, 1992

as previously amended by

Amendment No. 1 dated as of February 26, 1993 and

Amendment No. 2 dated as of July 2, 1993

==

DEPOSIT AGREEMENT
AMENDMENT NO. 3

Amendment No. 3 dated as of August 16, 1994 to that certain Deposit Agreement dated as of June 25, 1992 as previously amended by Amendment No. 1 dated as of February 26, 1993 and Amendment No. 2 dated as of July 2, 1993 (the "Deposit Agreement") among DANKA BUSINESS SYSTEMS PLC, incorporated under the laws of the United Kingdom (the "Company"), THE BANK OF NEW YORK, a New York banking corporation (the "Depositary") and all Owners (as defined in Article I of the Deposit Agreement) and holders from time to time of American Depositary Receipts (the "Receipt" or "Receipts") issued thereunder.

W I T N E S S E T H:

WHEREAS the Company wishes to change the ratio of American Depositary Shares to Shares; and

WHEREAS the Company and the Depositary wish to amend the Deposit Agreement and the Receipts in order to reflect such change of American Depositary Share to Share ratio; and

WHEREAS the Company and the Depositary may, pursuant to Section 6.1 of the Deposit Agreement, amend the Deposit Agreement and the Form of Receipt appearing as Exhibit A to the Deposit Agreement at any time and from time to time by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable; and

WHEREAS under Section 6.1 of the Deposit Agreement every Owner of a Receipt at the time the amendment becomes effective shall be deemed, by continuing to hold each Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby;

NOW, THEREFORE in consideration of the premises, it is agreed by and between the parties hereto that:

1. The Deposit Agreement be and it is hereby amended as follows:

a. Section 1.1 of the Deposit Agreement shall read in its entirety as follows:

The term "American Depositary Shares" shall mean the securities representing the interests in the Deposited Securities and evidenced by the Receipts issued hereunder. Each American Depositary Share shall, effective as of August 16, 1994 represent four (4) Shares, until there shall occur a distribution upon Deposited Securities covered by Section 4.3 or a change in Deposited Securities covered by Section 4.8 with respect to which additional Receipts are not executed and delivered, and thereafter American Depositary Shares shall evidence the amount of Shares or Deposited Securities specified in such Sections.

2. In furtherance of paragraph 1 above, all references in the Deposit Agreement and Exhibit A thereto (including, without limitation, in the second sentence of Exhibit A) to eight (8) Shares shall, effective as of August 16, 1994 at 9:00 a.m. (N.Y. time) be deemed to be references to four (4) Shares.

3. Except as expressly amended or modified by this Amendment No. 3, the Deposit Agreement shall continue to be and shall remain in full force and effect.

4. Terms defined in the Deposit Agreement shall have the same respective meanings when used herein.

5. This Amendment No. 3 may be executed in separate counterparts and both of said counterparts taken together shall be deemed to constitute one of the same instrument.

IN WITNESS WHEREOF, DANKA BUSINESS SYSTEMS PLC and THE BANK OF NEW YORK, as Depositary, have duly executed this Amendment No. 3 as of August 16, 1994.

DANKA BUSINESS SYSTEMS PLC

By: /S/ David C. Snell

Name: David C. Snell
Title: Finance Director and Chief Financial Officer

THE BANK OF NEW YORK

By: /S/ Thomas D. Sanford

Name: Thomas D. Sanford
Title: Vice President

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EXHIBIT 13

PORTIONS OF THE REGISTRANT'S
1996 ANNUAL REPORT THAT ARE
INCORPORATED BY REFERENCE.

CONTENTS

Note
The financial information in this section has been prepared under United States Generally Accepted Accounting Principles in U.S. dollars. Financial information prepared under United Kingdom Generally Accepted Accounting Principles in pounds sterling may be obtained by contacting the Company's offices at the addresses shown on page 40.

SELECTED CONSOLIDATED FINANCIAL DATA

For the years ended March 31

	1996 $000	1995 $000	1994 $000 (Except Per ADS Data)	1993 $000	1992 $000
STATEMENTS OF EARNINGS DATA:					
REVENUE:					
Retail	1,069,593	702,740	453,218	292,538	194,481
Wholesale	170,711	99,456	78,190	60,157	41,541
	1,240,304	802,196	531,408	352,695	236,022
GROSS PROFIT:					
Retail	466,533	306,202	199,080	129,683	87,023
Wholesale	30,116	17,691	14,688	10,164	6,095
	496,649	323,893	213,768	139,847	93,118
Selling, general and administrative expenses	378,407	245,525	162,119	107,668	73,383
Amortization of intangible assets	13,587	6,818	3,765	1,821	10,111
Restructuring charges	8,500	--	--	--	--
EARNINGS FROM OPERATIONS	96,155	71,550	47,884	30,358	9,624
Interest expense and other, net	21,566	7,742	3,667	2,751	3,338
EARNINGS BEFORE INCOME TAXES	74,589	63,808	44,217	27,607	6,286
Provision for income taxes	28,241	24,761	17,751	6,395	1,721
EARNINGS BEFORE EXTRAORDINARY ITEM	46,348	39,047	26,466	21,212	4,565
Extraordinary item*	1,133	--	--	--	--
NET EARNINGS	45,215	39,047	26,466	21,212	4,565
PER ADS DATA:					
Earnings before extraordinary item	$ 0.90	$ 0.80	$ 0.59	$ 0.51	$ 0.11
Extraordinary item*	(0.02)	--	--	--	--
Net earnings per ADS	$ 0.88	$ 0.80	$ 0.59	$ 0.51	$ 0.11
Dividends per ADS	$ 0.13	$ 0.11	$ 0.09	$ 0.07	$ 0.06
BALANCE SHEET DATA:					
Total assets	1,091,556	635,314	356,804	164,504	125,070
Long-term debt, less current maturities	318,262	233,681	67,520	19,954	20,595
Shareholders' equity	441,843	206,408	169,925	62,154	43,540

*Extraordinary item in 1996 represents the loss on early extinguishment of debt, net of the related income tax benefit.

THE COMPANY

Danka Business Systems PLC and its subsidiaries (the "Company") is one of the largest independent suppliers in North America and Europe of photocopiers, facsimiles and related service, parts and supplies. The Company principally distributes the products of Canon, Konica, Minolta, Mita, Ricoh, Sharp, and Toshiba and recently signed a marketing agreement with Eastman Kodak's Office Imaging division ("Kodak"), granting it the non-exclusive right to sell and service Kodak high-volume copiers in the United States and Canada. The addition of the Kodak high-volume products enhances the Company's product line.

Effective November 1, 1995, the Company acquired all of the issued and outstanding shares of Infotec Europe B.V. and its operating subsidiaries ("Infotec"), one of Europe's largest independent suppliers of photocopiers, facsimile equipment and related service, parts and supplies. Infotec markets a full range of Ricoh products under the Infotec brand name, through its offices in Germany, the United Kingdom, France, Italy, Denmark, Belgium and The Netherlands, as well as through its wholesale distribution network of independent dealers in these and other European countries. For calendar 1994, Infotec had total revenue of approximately $256 million and income from operations of approximately $17 million.

The Company recorded an $8.5 million pre-tax restructuring charge in the third quarter of fiscal 1996, principally related to the restructuring of its international operations. The restructuring charge included, among other things, severance and other employee termination benefits, lease settlement costs associated with the consolidation of duplicate facilities, and the write-off of certain leasehold improvements and other fixed assets. In connection with the acquisition of Infotec, the Company is making investments in training, advertising, the establishment of a European headquarters and a European management information system which were dilutive to earnings in the third and fourth quarters of fiscal 1996. The Company believes these investments are necessary to help assist in the long-term integration of Infotec. These costs were not included in the restructuring charge and accordingly are being charged to operations as incurred. The Company is in the process of integrating existing European operations with Infotec and believes that such integrated operations will provide a substantial core operation from which to pursue its growth strategy in Europe.

Over the last three years, the Company has completed over 100 acquisitions and believes that significant acquisition opportunities continue to exist in the highly fragmented North American and European automated office equipment industry. The Company seeks to improve the profitability of the businesses it acquires by integrating them into its sales and service network.

RESULTS OF OPERATIONS
The following table sets forth for the periods indicated the percentage of total revenue represented by certain items in the Company's Consolidated Statements of Earnings:

	Year Ended March 31		
	1996	1995	1994
REVENUE:			
Retail equipment sales	38.2%	40.5%	38.1%
Retail service, supplies and rentals	48.0	47.1	47.2
Wholesale	13.8	12.4	14.7
TOTAL REVENUE	100.0	100.0	100.0
Cost of revenue	60.0	59.6	59.8
GROSS PROFIT	40.0	40.4	40.2
Selling, general and administrative expenses	30.5	30.6	30.5
Amortization of intangible assets	1.1	0.9	0.7
Restructuring charges	0.7	--	--
EARNINGS FROM OPERATIONS	7.7	8.9	9.0
Interest expense and other, net	1.7	0.9	0.7
EARNINGS BEFORE INCOME TAXES	6.0	8.0	8.3
Provision for income taxes	2.3	3.1	3.3
NET EARNINGS BEFORE EXTRAORDINARY ITEM	3.7	4.9	5.0
Extraordinary item	0.1	--	--
NET EARNINGS	3.6%	4.9%	5.0%

The following table sets forth for the periods indicated the gross profit margin percentage for each of the Company's revenue classifications:

	Year Ended March 31		
	1996	1995	1994
Retail equipment sales	39.3%	39.4%	39.2%
Retail service, supplies and rentals	47.1	47.2	47.7
Wholesale	17.6	17.8	18.8

REVENUE
In fiscal 1996, the Company achieved record revenue of $1.240 billion compared with revenue of $802.2 million in fiscal 1995 and $531.4 million in fiscal 1994. Revenue increased by 55% in fiscal 1996 and 51% in fiscal 1995. The increase resulted from growth in core operations as well as significant contributions from acquisitions. Internal growth, excluding the impact of acquisitions, was 11% in fiscal 1996, and 14% in fiscal 1995 and 1994. Internal growth for fiscal 1996 was below fiscal 1995 and 1994 levels due to two events. First, because of the rapid pace of acquisitions, the Company promoted and transferred a significant number of its sales managers and representatives from its core operations to fill various positions at newly acquired companies. In the second quarter of fiscal 1996, the Company began hiring and training new sales representatives to fill vacated positions at its core operations. The second event impacting internal growth has been the Company's recent agreement to market Kodak high-volume copiers. To effectively market these products, the Company began semi-monthly

two-week training sessions of its top sales producers, along with six-week training programs for the technicians who will service the Kodak products. These programs, which began in August 1995, will continue through the first quarter of fiscal 1997. In fiscal 1996, wholesale revenue as a percentage of total revenue increased from fiscal 1995, primarily due to the acquisition of Infotec which has substantial wholesale operations throughout Europe. Wholesale revenue as a percentage of total revenue decreased in fiscal 1995 from fiscal 1994, as substantially all fiscal 1995 acquisitions made by the Company were retail dealers. Revenue increases related to vendor pricing were not material.

GROSS PROFIT

[GRAPH]

Gross profit increased 53% to $496.6 million in fiscal 1996 from $323.9 million in fiscal 1995, and 52% in fiscal 1995 from $213.8 million in fiscal 1994. Gross profit as a percentage of total revenue decreased to 40.0% in fiscal 1996 from 40.4% in fiscal 1995, due to a higher mix of the Company's revenue being generated from wholesale revenue. This margin increased to 40.4% in fiscal 1995 from 40.2% in fiscal 1994, primarily due to a higher portion of fiscal 1995 revenue being generated by retail operations. Gross profit as a percentage of retail equipment sales remained relatively constant in fiscal 1996, 1995 and 1994, at 39.3%, 39.4% and 39.2% respectively. As a percentage of total revenue, gross profit on retail service, supplies and rentals remained relatively constant in fiscal 1996 and 1995 at 47.1% and 47.2%, respectively. In fiscal 1995, this margin decreased to 47.2% from 47.7% in fiscal 1994 due to the Company's acquisition of Omnifax in September 1993. Omnifax's gross profit on service, supplies and rentals is lower than the Company's other retail operations. Gross profit as a percentage of wholesale revenue was 17.6% in fiscal 1996, 17.8% in fiscal 1995 and 18.8% in fiscal 1994. In fiscal 1994, the Company benefited from forward purchases of inventory prior to vendor price increases.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
Selling, general and administrative expenses increased 54% to $378.4 million in fiscal 1996 and 51% in fiscal 1995. The increases primarily related to acquisitions. As a percentage of total revenue, selling, general and administrative expenses remained relatively constant in all years.

AMORTIZATION OF INTANGIBLE ASSETS
Amortization of intangible assets increased to $13.6 million in fiscal 1996 from $6.8 million in fiscal 1995 and $3.8 million in fiscal 1994. These increases related to acquisitions for which additional intangible assets are being amortized.

RESTRUCTURING CHARGES
The Company recorded an $8.5 million pre-tax restructuring charge during the third quarter of fiscal 1996, principally related to the restructuring of its international operations. The restructuring charge included, among other things, severance and other employee termination benefits, lease settlement costs associated with the consolidation of duplicate facilities, and the write-off of certain leasehold improvements and other fixed assets.

EARNINGS FROM OPERATIONS
Earnings from operations rose to $96.2 million in fiscal 1996, a 34% increase over fiscal 1995 earnings from operations of $71.6 million. Fiscal 1995 earnings from operations were 49% higher than fiscal 1994 earnings from operations of $47.9 million. The increases primarily related to increased total revenue. As a percentage of total revenue, earnings from operations were 7.7% in fiscal 1996, 8.9% in fiscal 1995 and 9.0% in fiscal 1994. The decrease in fiscal 1996 from fiscal 1995 was principally due to the restructuring charge and higher levels of amortization of intangible assets.

INTEREST EXPENSE AND OTHER, NET
Interest expense increased to $21.6 million in fiscal 1996 from $7.7 million in fiscal 1995 and $3.7 million in fiscal 1994. Interest expense increased because of the Company's acquisition program which has been financed in part with the net proceeds from the issuance in March 1995 of the Company's 6.75% Convertible Subordinated Notes due 2002, and borrowings under its credit facilities.

INCOME TAXES
Income taxes increased to $28.2 million in fiscal 1996 from $24.8 million in fiscal 1995 and $17.8 million in fiscal 1994. The increases primarily related to higher levels of earnings before tax. The effective tax rate was 37.9% for fiscal 1996, 38.8% for fiscal 1995 and 40.1% for fiscal 1994. These rates have decreased due to higher earnings outside of the U.S. for which the effective tax rates are lower.

SHAREHOLDER
RETURNS (1993-1996)
DANKA VS S&P 500

[GRAPH]

EXTRAORDINARY ITEM
In the fourth quarter of fiscal 1996, the Company recorded an extraordinary loss of $1.1 million related to the early extinguishment of debt, net of the income tax benefit of $0.7 million. The extraordinary charge consisted primarily of premiums paid in connection with the early redemption of $27.0 million of Senior Notes, and the write-off of unamortized deferred finance costs.

NET EARNINGS
As a result of the above factors, net earnings increased 16% to $45.2 million in fiscal 1996 and 48% to $39.0 million in fiscal 1995. As a percentage of total revenue, net earnings decreased to 3.6% in fiscal 1996 primarily due to the restructuring charge and higher levels of interest expense. In fiscal 1995 and 1994, net earnings as a percentage of total revenue remained relatively constant at 4.9% and 5.0%, respectively.

TAXATION
As part of many of its acquisitions, the Company enters into non-compete and protection of trade secret agreements with certain key management personnel of the businesses acquired. The amounts paid pursuant to these agreements are amortized for financial reporting purposes over the term of the agreement, normally three to seven years. For U.S. federal and state income tax purposes, agreements entered into prior to the enactment of the Omnibus Budget Reconciliation Act of 1993 (the "Act"), are deductible over the term of the agreement. Agreements entered into subsequent to the enactment of the Act are generally deductible over fifteen years. Further, goodwill, trademarks and other intangible assets purchased in asset acquisitions are deductible over fifteen years for U.S. federal and state income tax purposes. Prior to the enactment of the Act, goodwill on asset acquisitions was not deductible and amounts paid for the other intangible assets were deductible only to the extent that such assets had identifiable useful lives. Goodwill, trademarks, and other intangible assets acquired in stock acquisitions are not deductible for income tax purposes.

A significant portion of the Company's retail operation's photocopier and facsimile machine sales are effected through the use of leases. These transactions are recorded as sales for financial reporting purposes. However, for income tax purposes, the leases are accounted for as operating leases and the profit is recognized over the life of the lease.

EXCHANGE RATES
Fluctuations in the exchange rate between the pound sterling and the U.S. dollar affect the dollar equivalent of the pound sterling price of the Ordinary Shares on the London Stock Exchange and, as a result, may affect the market price of the ADSs. Additionally, the Company declares its dividends in pounds sterling. Fluctuations in exchange rates will affect dividend income measured in U.S. dollars because the depositary is required to convert pounds sterling into U.S. dollars at the prevailing exchange rates at the time of making any dividend payments or other distributions. The Company has significant operations in the United States, Western Europe and Canada. Fluctuations in the exchange rates between the U.S. dollar and the currencies of such other countries will affect the results of the Company's international operations reported in U.S. dollars and the value of such operations' net assets reported in U.S. dollars. Infotec substantially increases the Company's sales in foreign countries. The results of operations, financial condition and competitive position of Infotec may be affected by the relative strength of the currencies in countries where its products are sold. The Company's operating results and financial condition may be adversely affected by fluctuations in foreign currencies and by translation of the financial statements of the Company's foreign subsidiaries from local currencies into U.S. dollars.

The Company purchases most of its automated office equipment, related parts and supplies from Japanese manufacturers. The purchase price for most of these products is denominated in local currencies and therefore, short term fluctuations in the local currencies relative to the Japanese yen do not impact the Company's purchase price. However, the yen significantly strengthened against the dollar during the fourth quarter of the Company's fiscal 1995. This impacted the yen amounts received by the Company's Japanese manufacturers as they converted the U.S. dollars received from the Company and other dealers into yen. As a result, during the first half of fiscal 1996, some of these manufacturers raised prices. As prices were raised by these manufacturers the Company was able to pass these increases on to its customers. The Company has historically been successful in passing price increases on to its customers. However, there can be no assurances that it can continue to do so in the future. Also, most of the Company's service contracts are for one year periods and accordingly, pricing for parts and supplies cannot be adjusted until the contract is renewed.

LIQUIDITY AND CAPITAL RESOURCES
The Company's net cash flow provided by operating activities was $57.2 million, $52.0 million and $33.7 million for fiscal 1996, 1995 and 1994, respectively. The Company experiences increases in certain balance sheet accounts which result primarily from acquisitions as well as from normal working capital needs. In fiscal 1996, one of the larger uses of working capital was accounts receivable. The increase in accounts receivable partially resulted from the Company's internal growth and from strong sales in the month of March 1996. The increase in inventory in fiscal 1996 was partially attributable to the Company's decision to begin marketing Kodak high-volume equipment. The increase was also due to the Company's introduction of Ricoh color photocopiers into a large number of major markets where the Company was previously not authorized to sell these products. The introduction of both Kodak high-volume copiers and Ricoh color copiers required additional investments in inventory. The increase in inventory in fiscal 1995 primarily resulted from the overstocking of certain new products at the Company's dex operations. Cash flow used in investing activities was $306.6 million, $126.6 million and $116.8 million for fiscal 1996, 1995 and 1994, respectively. The increase in fiscal 1996 was primarily due to the Company's acquisition of Infotec. The increase in fiscal 1995 was primarily due to increased capital expenditures, offset by a decrease in cash paid for subsidiaries from fiscal 1994. Net cash provided by financing activities was $198.1 million, $145.9 million, and $93.1 million in fiscal 1996, 1995 and 1994, respectively. The increase in fiscal 1996 resulted mostly the Company's ADS offering which was principally used to finance the acquisition of Infotec.

MARKET
CAPITALIZATION
($M)

[GRAPH]

In February 1996, the Company issued 4,944,500 ADSs (representing 19,778,000 Ordinary Shares) in a public offering ("the Offering"). The net proceeds of the Offering of $196 million were used to repay borrowings oustanding under the Company's credit facilities, including borrowings used to finance the acquisition of Infotec.

In March 1995, the Company issued $200 million of 6.75% Convertible Subordinated Notes due 2002 (the "Notes") at par, in an offering under Rule 144A and Regulation S of the Securities Act of 1933. The Notes are currently convertible into the Company's ADSs at a conversion rate of $29.125 per ADS, or into the Company's Ordinary Shares at a conversion rate of $7.281 per Ordinary Share (equivalent to 34.335 ADSs or 137.339 Ordinary Shares for each $1,000 principal amount of the Notes). Interest is payable semi-annually on April 1 and October 1. The Notes are not subject to sinking fund requirements. The Company has filed a shelf registration statement under the Securities Act of 1933 to register the Notes and the underlying ADSs or Ordinary Shares.

In March 1996, the Company entered into a $400 million multicurrency revolving line of credit ("Credit Facility Loan") with a consortium of banks. The Credit Facility Loan, which replaced the Company's previous $200 million revolving credit facility, is unsecured and guaranteed by certain of the Company's subsidiaries. The Credit Facility Loan, which matures in March 2001, contains negative and affirmative covenants and agreements restricting the Company's disposition of assets, capital expenditures, acquisitions and operations, as well as requiring the maintenance of certain financial ratios. The adjustable rate of interest on the Credit Facility Loan is, at the option of the Company, either (i) the Interbank Offered Rate plus an applicable margin of between .375% to 1%, determined by certain financial ratios, for the periods of one, two, three or six months, or (ii) the lead bank's base rate. As of March 31, 1996 the Credit Facility Loan had an outstanding balance of $109.9 and was incurring interest at a weighted average rate of 4.9% per annum. Therefore, subject to availability under the covenants, $290.1 million was available for future borrowings.

Additionally, in March 1996, the Company entered into various cash management lines of credit (the "Lines") in each of the countries in which it operates. The Lines provide for daily liquidity for each country's local operations. The Lines are unsecured and short-term in nature, and are provided to the local operating company in each country.

In the fourth quarter of fiscal 1996, the Company recorded an extraordinary charge of $1.1 million ($0.02 per ADS) relating to the early extinguishment of debt, primarily in connection with the repayment of $27.0 million of Senior Notes, and the refinancing of the previous $200 million revolving credit facility. The extraordinary charge, which is net of the income tax benefit of $0.7 million, consists primarily of premiums paid in connection with the early redemption of the Senior Notes, and the write-off of unamortized deferred finance costs.

The Company has a number of other loans and credit facility arrangements with banks, financial institutions and certain other individuals which had an aggregate balance of $38.8 million at March 31, 1996. These loans vary widely in terms and conditions and were primarily assumed by the Company in connection with certain acquisitions.

At March 31, 1996, the Company had no material commitments for capital expenditures. The Company's cash flow from operations, together with the borrowing capacity under the Credit Facility Loan should be adequate to finance its operating cash requirements and capital expenditures for the immediate future. It is anticipated that future acquisitions and expansion will be funded primarily with cash flow from operations, borrowings under the Credit Facility Loan, other credit sources, and where desirable, funding from the sale of additional debt or equity securities.

SEASONALITY

The Company experiences some seasonality in its business. The Company's revenue and net earnings during the fourth quarter are generally higher than other quarters of its fiscal year. The Company believes that this is due to year-end sales contests and a focus on the finalization of transactions before year end. However, there can be no assurance that fourth quarter results will continue to be higher in future years. The Company's European operations have historically experienced lower revenues and net earnings for the three month period ended September 30 due to increased vacation time by Europeans during July and August. This has resulted in reduced sales activity and reduced usage of photocopiers, facsimiles and other automated office equipment during such period.

IMPACT OF INFLATION

The Company believes that inflation has not had a significant impact on its operations.

CONSOLIDATED STATEMENTS OF EARNINGS

	Note	1996 $000	1995 $000	1994 $000
		For the years ended March 31 (Except Per ADS Data)		
REVENUE:				
Retail equipment sales		474,116	324,758	202,246
Retail service, supplies and rentals		595,477	377,982	250,972
Wholesale		170,711	99,456	78,190
Total revenue		1,240,304	802,196	531,408
COSTS AND OPERATING EXPENSES:				
Cost of retail equipment sales		288,000	196,953	122,964
Retail service, supplies and rental costs		315,060	199,585	131,174
Wholesale costs of revenue		140,595	81,765	63,502
Selling, general and administrative expenses		378,407	245,525	162,119
Amortization of intangible assets		13,587	6,818	3,765
Restructuring charges	5	8,500	--	--
Total costs and operating expenses		1,144,149	730,646	483,524
EARNINGS FROM OPERATIONS		96,155	71,550	47,884
Interest expense and other, net	4	21,566	7,742	3,667
EARNINGS BEFORE INCOME TAXES		74,589	63,808	44,217
Provision for income taxes	7	28,241	24,761	17,751
EARNINGS BEFORE EXTRAORDINARY ITEM		46,348	39,047	26,466
Extraordinary item - loss on early extinguishment of debt, net of income tax benefit of $691	4	1,133	--	--
NET EARNINGS		45,215	39,047	26,466
EARNINGS PER ADS:				
Earnings before extraordinary item		$ 0.90	$ 0.80	$ 0.59
Extraordinary item		(0.02)	--	--
NET EARNINGS PER ADS		$ 0.88	$ 0.80	$ 0.59
Weighted average ADSs outstanding		51,533	48,735	45,210

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
AT MARCH 31

	Note	1996 $000	1995 $000
Assets			
CURRENT ASSETS:			
Cash and cash equivalents		38,217	86,848
Accounts receivable, net of allowance for doubtful accounts of $8,804 (1995 - $6,034)		247,479	133,046
Inventories		214,519	132,246
Prepaid expenses and other current assets		9,534	4,267
Investments		--	10,285
TOTAL CURRENT ASSETS		509,749	366,692
Equipment on operating leases, net	2	73,303	43,813
Property and equipment, net	3	42,795	36,533
Intangible assets:			
Goodwill, net of accumulated amortization of $22,391 (1995 - $11,034)	11	427,354	162,215
Noncompete agreements, net of accumulated amortization of $6,944 (1995 - $4,658)	11	8,490	6,248
Other assets		29,865	19,813
TOTAL ASSETS		1,091,556	635,314
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Current maturities of long-term debt and notes payable	4	30,414	23,494
Accounts payable		88,817	60,001
Accrued expenses and other current liabilities		108,621	45,457
Deferred revenue		64,223	44,812
TOTAL CURRENT LIABILITIES		292,075	173,764
Convertible subordinated notes	4	200,000	200,000
Other long-term debt	4	118,262	33,681
Deferred income taxes and other long-term liabilities	7	39,376	21,461
TOTAL LIABILITIES		649,713	428,906
Shareholders' equity:			
Ordinary shares 1.25 pence stated value; 400,000,000 authorized; 219,112,247 issued and outstanding (1995 - 191,351,765)	9	4,585	4,050
Additional paid-in capital		297,378	92,777
Retained earnings		148,501	110,143
Currency translation adjustment		(8,621)	(562)
TOTAL SHAREHOLDERS' EQUITY		441,843	206,408
Commitments and contingencies	10		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,091,556	635,314

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended March 31		
	1996 $000	1995 $000	1994 $000
OPERATING ACTIVITIES			
Net earnings	45,215	39,047	26,466
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	52,136	32,400	19,619
Loss (gain) on sale of property and equipment	3,081	(2,730)	101
Proceeds from sale of rental equipment	9,018	9,459	3,299
Extraordinary item	494	--	--
Changes in assets and liabilities, net of effects from the purchase of subsidiaries:			
Accounts receivable	(32,806)	(17,561)	(13,029)
Inventories	(16,721)	(26,699)	(237)
Prepaid expenses and other current assets	(3,751)	1,789	(2,583)
Income tax refund receivable	--	4,492	(4,856)
Other noncurrent assets	(4,039)	(4,444)	1,252
Accounts payable	3,687	5,841	(7,324)
Accrued expenses	843	4,181	(935)
Deferred revenue	(9,463)	(1,889)	(784)
Deferred income taxes and other long-term liabilities	9,511	8,075	12,728
NET CASH PROVIDED BY OPERATING ACTIVITIES	57,205	51,961	33,717
INVESTING ACTIVITIES			
Capital expenditures	(45,212)	(51,256)	(25,403)
Proceeds from sale of property and equipment	1,961	9,127	2,153
Payment for purchase of subsidiaries, net of cash acquired	(269,860)	(70,752)	(90,842)
Payment for purchase of noncompete agreements	(4,312)	(2,315)	(2,033)
Purchase of investments	--	(11,451)	--
Net proceeds from sale of investments	10,854	--	--
Payment for dissenter's shares	--	--	(750)
Net earnings of pooled company January 1, 1993 to March 31, 1993	--	--	118
NET CASH USED IN INVESTING ACTIVITIES	(306,569)	(126,647)	(116,757)
FINANCING ACTIVITIES			
Net borrowings (payments) under line of credit agreements	74,773	(35,431)	(6,541)
Principal payments on debt	(69,047)	(13,659)	(13,183)
Net proceeds from issuance of Convertible Subordinated Notes	--	195,000	--
Net proceeds from issuance of other long-term debt	1,599	4,132	30,000
Net proceeds from ADS offering	195,985	--	86,239
Proceeds from stock options exercised	935	833	445
Dividends	(6,164)	(4,970)	(3,877)
NET CASH PROVIDED BY FINANCING ACTIVITIES	198,081	145,905	93,083
EFFECT OF EXCHANGE RATES	2,652	9	(178)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,631)	71,228	9,865
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	86,848	15,620	5,755
CASH AND CASH EQUIVALENTS, END OF PERIOD	38,217	86,848	15,620
SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION:			
Cash flow information:			
Interest paid	21,958	7,871	4,124
Income taxes paid	15,008	11,634	8,328
Non-cash flow information:			
Notes payable issued for noncompete agreements	3,030	1,745	591
Notes payable issued for purchase of subsidiaries	21,932	29,205	--

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary shares $000	Additional paid-in capital $000	Retained earnings $000	Currency translation adjustment $000	Total $000
BALANCES AT MARCH 31, 1993	3,523	4,893	54,051	(313)	62,154
Net earnings	--	--	26,466	--	26,466
Dividends	--	--	(3,877)	--	(3,877)
Distributions to former shareholders of pooled companies	--	--	(692)	--	(692)
Currency translation adjustment	--	--	--	(178)	(178)
Shares issued under employee option plans	27	418	--	--	445
Net earnings of pooled company January 1, 1993 to March 31, 1993	--	--	118	--	118
Payment for dissenter's shares	(4)	(746)	--	--	(750)
Shares issued in public offering	428	85,811	--	--	86,239
BALANCES AT MARCH 31, 1994	3,974	90,376	76,066	(491)	169,925
Net earnings	--	--	39,047	--	39,047
Dividends	--	--	(4,970)	--	(4,970)
Currency translation adjustment	--	--	--	(71)	(71)
Shares issued under employee option plans	35	798	--	--	833
Shares issued for acquisitions	41	1,603	--	--	1,644
BALANCES AT MARCH 31, 1995	4,050	92,777	110,143	(562)	206,408
Net earnings	--	--	45,215	--	45,215
Dividends	--	--	(6,164)	--	(6,164)
Distributions to former shareholders of pooled companies	--	--	(693)	--	(693)
Currency translation adjustment	--	--	--	(8,059)	(8,059)
Shares issued under employee option plans	35	900	--	--	935
Shares issued in public offering	380	195,605	--	--	195,985
Shares issued for acquisitions	120	8,096	--	--	8,216
BALANCES AT MARCH 31, 1996	4,585	297,378	148,501	(8,621)	441,843

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles. The principal accounting policies are set forth below.

(b) Basis of consolidation
The consolidated financial statements include the accounts of Danka Business Systems PLC and its subsidiaries (the "Company"). The Company's principal operating subsidiaries are located in the United States, Canada and Europe and are principally engaged in the retail and wholesale distribution and service of photocopiers and facsimile equipment. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year end and the reported amounts of revenues and expenses during the reporting period. Certain significant estimates are disclosed throughout this report. Actual results could differ from these estimates.

(d) Revenue recognition
Equipment sales are recognized at the time of customer acceptance, or in the case of equipment sales financed by third party leasing companies, at the time of acceptance by the leasing company and the customer. Supply sales to customers are recognized at the time of shipment, or in the case of service contracts which include supplies, upon usage by the customer.

Operating lease income is recognized as earned and maintenance contract service revenues are recognized ratably over the term of the underlying maintenance contract. Other service revenues are recognized as earned. Deferred revenue consists of unearned maintenance contract revenue that is recognized using the straight-line method over the life of the related contract, generally twelve months.

(e) Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the assets' estimated economic lives. Expenditures for additions, major renewals or betterments are capitalized and expenditures for repairs and maintenance are charged to earnings as incurred. When property and equipment are retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings.

(f) Inventories
Inventories consist of photocopiers, facsimile equipment, other automated office equipment, and related parts and supplies, and are valued at the lower of cost (specific cost for equipment and first-in, first-out method for supplies and parts) or market value.

(g) Intangibles
Goodwill recognized in business combinations accounted for as purchases is amortized over thirty years on a straight-line basis, and is evaluated for realizability annually based on expectations of undiscounted cash flows and earnings from operations for each subsidiary having a material goodwill balance. Impairments would be recognized if future undiscounted cash flows and earnings from operations were not sufficient to recover the goodwill and the carrying amount of the goodwill would be reduced by the estimated shortfall of the cash flows. Based upon its most recent analysis, the Company believes that no material impairment of goodwill exists at March 31, 1996. Noncompete agreements are amortized over the lives of the agreements, generally three to seven years on a straight-line basis. Deferred financing costs incurred in connection with the issuance of the Convertible Subordinated Notes and other financings are charged as interest expense over the term of the related debt, and are included in other noncurrent assets.

(h) Foreign currencies
Foreign currency transactions are converted at the rate of exchange on the date of the transaction or translated at the year end rate in the case of transactions not then finalized. Assets and liabilities in currencies other than U.S. dollars are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated using the average rate of exchange for the period. Exchange differences arising in consolidation are recorded in shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and commercial paper with original maturities of three months or less.

(j) Income taxes

Income taxes are provided using the liability method in accordance with Statement of Financial Accounting Standards No. 109. Principal temporary differences which give rise to deferred tax assets and liabilities include leases which are treated as sales for financial reporting purposes and as operating leases for tax purposes, additional costs capitalized into inventory for tax purposes, and the nondeductibility for income tax purposes of reserves for bad debts and slow moving inventory.

(k) Earnings per share

Earnings per American Depositary Share ("ADS") are based on net earnings and the weighted average number of ADSs outstanding during the year, as adjusted for shares issuable upon exercise of share options. The computation assumes the proceeds from the exercise of share options are used to repurchase the Company's ADSs at the average market price of the ADSs during the year. Earnings per ADS are based on the current ratio of four Ordinary Shares to one ADS.

(l) Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. The Company's cash and cash equivalents are placed with high credit quality financial institutions, and are invested in short-term maturity, highly rated corporate and government debt securities. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different industries and geographical areas. As of March 31, 1996, the Company had no significant concentrations of credit risk.

(m) Financial instruments

The Company enters into foreign exchange forward and option contracts to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses that hedge specific currency commitments are deferred and recognized in net earnings in the period in which the transaction is consummated. Premiums paid on option contracts that hedge specific currency commitments are amortized over the term of the option. At March 31, 1996, the Company had no outstanding forward exchange contracts or option contracts.

(n) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(o) Advertising costs

The Company expenses advertising costs as incurred, except production costs which are expensed the first time the advertising takes place.

(p) Pending accounting changes

In March 1995, the Financial Accounting Standards Board issued Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Statement No. 121 requires the recognition of impairment losses on long-lived assets used in operations, when indicators of impairment are present, and the estimated undiscounted cash flows to be generated by those assets are less than the assets' carrying value. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement No. 121 during the first quarter of fiscal 1997, but does not believe it will have a material effect on the Company's earnings or financial position when adopted.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123 "Accounting for Stock-Based Compensation", which requires adoption in fiscal 1997. Statement No. 123 defines a new "fair value" method of accounting for stock-based compensation, and requires certain additional disclosures for these plans. Pursuant to the new standard, companies are encouraged, but not required to adopt the "fair value" method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", but would be required to disclose pro forma net earnings and earnings per share, as if the company had applied the new method of accounting. The Company intends to continue applying the provisions of Opinion No. 25, and therefore, the new standard will have no effect on the Company's earnings or financial position. The impact will however be disclosed in accordance with Statement No. 123.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. EQUIPMENT ON OPERATING LEASES, NET

Substantially all of the Company's operating leases are cancelable. Equipment on operating leases is depreciated over three years assuming a ten percent salvage value and consists of the following at March 31, 1996 and 1995:

	1996 $000	1995 $000
Equipment on operating leases	109,589	72,278
Less accumulated depreciation	(36,286)	(28,465)
Equipment on operating leases, net	73,303	43,813

Depreciation expense for the years ended March 31, 1996, 1995 and 1994 approximated $28,691,000, $18,457,000, and $11,429,000, respectively.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, along with their useful lives, consist of the following at March 31, 1996 and 1995:

	1996 $000	1995 $000	Average useful life in years
Buildings	5,201	3,178	31
Office furniture, equipment and leasehold improvements	51,723	40,752	3-10
Transportation equipment	6,803	5,600	5-15
Land	2,309	3,379	--
Total cost	66,036	52,909	
Less accumulated depreciation and amortization	(23,241)	(16,376)	
Property and equipment, net	42,795	36,533	

Depreciation expense for the years ended March 31, 1996, 1995 and 1994 approximated $9,858,000, $7,125,000, and $4,425,000, respectively.

4. DEBT

Debt consists of the following at March 31, 1996 and 1995:

	1996 $000	1995 $000
6.75% Convertible Subordinated Notes due April 2002	200,000	200,000
Senior Notes, interest at 7.6%	--	30,000
Revolving line of credit (limited to $400 million) interest at IBOR plus an applicable margin or the agent bank's reference rate (currently averaging 4.9%), matures March 2001	109,887	--
Amounts payable to previous owners of acquired businesses	8,292	16,659
Noncompete agreements, principal payable in varying amounts	2,340	1,846
Various notes payable bearing interest from prime to 15.2%, maturing principally over the next 5 years	28,157	8,670
Total long-term debt and notes payable	348,676	257,175
Less current maturities of long-term debt and notes payable	(30,414)	(23,494)
Long-term debt, less current maturities	318,262	233,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. DEBT (CONTINUED)

In March 1995, the Company issued $200 million of 6.75% Convertible Subordinated Notes (the "Notes") at par, in a private placement offering, due April 2002. The Notes are currently convertible into the Company's ADSs at a conversion rate of $29.125 per ADS, or into the Company's Ordinary Shares at a conversion rate of $7.281 per Ordinary Share (equivalent to approximately 34.335 ADSs or 137.339 Ordinary Shares for each $1,000 principal amount of Notes). Interest is payable semi-annually on April 1 and October 1. The Notes are not subject to sinking fund provisions.

In March 1996 the Company entered into a $400 million multicurrency revolving line of credit ("Credit Facility Loan") with a group of banks. The Credit Facility Loan, which is unsecured, requires scheduled payments of interest throughout the term of the loan, and the maintenance of certain financial ratios. The Company was in compliance with all terms of the Credit Facility Loan at March 31, 1996.

In February 1996, the Company used a portion of the net proceeds from its ADS offering to repay certain debt obligations. As a result, the Company recorded an extraordinary loss of approximately $1,133,000 ($0.02 per ADS) relating to the early extinguishment of debt, net of the income tax benefit of $691,000. The extraordinary loss consists principally of premiums paid in connection with the early redemption of $27 million of Senior Notes, and the write-off of unamortized deferred finance costs.

Aggregate annual maturities of long-term debt and notes payable at March 31, 1996, are as follows:

Year ending March 31	$000
1997	30,414
1998	2,482
1999	1,112
2000	754
2001	112,888
Thereafter	201,026
	348,676

5. RESTRUCTURING CHARGES

In the third quarter of fiscal 1996, the Company finalized a plan to restructure its international operations. The restructuring consisted of a series of planned actions, including a reduction in the number of employees, consolidation of offices and facilities, and the write-off of certain leasehold improvements and other fixed assets. In connection with these actions, the Company recorded a restructuring charge of $8,500,000 in the third quarter of fiscal 1996. These charges reduced net earnings by approximately $5,278,000, or $0.10 per ADS.

The restructuring charge reflects $2,647,000 for severance and other termination benefits, $3,411,000 for lease settlement costs associated with the consolidation of duplicate facilities, and $2,442,000 for the write-off of leasehold improvements and other fixed assets.

Of the initial restructuring charges, at March 31, 1996, $2,770,000 remained in accrued liabilities, comprised of $523,000 for the remaining reduction of the workforce, $1,071,000 for the closing of duplicate facilities, and $1,176,000 for the write-off of leasehold improvements. Management anticipates that the remaining restructuring actions will be completed by the third quarter of fiscal 1997.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FOREIGN OPERATIONS

The following table indicates the relative amounts of revenue, earnings from operations and identifiable assets of the Company by geographic area, during the three years ended March 31, 1996:

	1996 $000	1995 $000	1994 $000
REVENUE:			
United States	938,622	702,565	500,771
United Kingdom	99,551	65,917	28,050
The Netherlands	67,306	--	--
Other international	134,825	33,714	2,587
Consolidated revenue	1,240,304	802,196	531,408
EARNINGS FROM OPERATIONS:			
United States	73,821	67,629	44,993
United Kingdom	8,812	2,837	2,822
The Netherlands	7,352	--	--
Other international	6,170	1,084	69
Consolidated earnings from operations	96,155	71,550	47,884
IDENTIFIABLE ASSETS:			
United States	612,428	535,104	309,043
United Kingdom	129,142	61,682	34,646
The Netherlands	127,121	--	--
Other international	222,230	27,748	8,912
	1,090,921	624,534	352,601
Corporate assets	635	10,780	4,203
Consolidated assets	1,091,556	635,314	356,804

Corporate assets are those assets maintained for general purposes, principally cash and cash equivalents and short-term investments.

7. INCOME TAXES

Earnings before income taxes for U.S. based and non-U.S. based operations for the three years ended March 31, 1996 was as follows:

	1996 $000	1995 $000	1994 $000
U.S. based	43,501	50,386	36,435
Non U.S. based	31,088	13,422	7,782
Total	74,589	63,808	44,217

The provision for income taxes for the three years ended March 31, 1996 was allocated as follows:

	1996 $000	1995 $000	1994 $000

Provision for income taxes before extraordinary item	28,241	24,761	17,751
Tax benefit from extraordinary loss on early extinguishment of debt	(691)	--	--
Total provision for income taxes	27,550	24,761	17,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Income Taxes (continued)

The provision for income taxes before the extraordinary item for the three years ended March 31, 1996 was as follows:

	1996 $000	1995 $000	1994 $000
U.S. INCOME TAX			
Current	13,345	10,841	2,500
Deferred	7,142	9,260	13,000
Total U.S. tax provision	20,487	20,101	15,500
U.K. INCOME TAX			
Current	4,846	4,600	2,748
Deferred	485	(180)	(248)
(Recoverable)/Irrecoverable advance corporation tax	--	--	(276)
Total U.K. tax provision	5,331	4,420	2,224
NETHERLANDS INCOME TAX			
Current	1,620	--	--
Deferred	--	--	--
Total Netherlands tax provision	1,620	--	--
OTHER INTERNATIONAL INCOME TAX			
Current	803	560	51
Deferred	--	(320)	(24)
Total other international tax provision	803	240	27
TOTAL PROVISION FOR INCOME TAXES BEFORE EXTRAORDINARY ITEM	28,241	24,761	17,751

A reconciliation of the U.K. statutory corporate rate to the effective rate is as follows:

	1996 $000	1995 $000	1994 $000
Tax charge at standard U.K. rate 33%	24,614	21,057	14,592
Profits taxed at other than standard U.K. rate	3,142	2,645	2,553
(Recoverable)/Irrecoverable advance corporation tax	--	--	(276)
Goodwill amortization and other permanent differences	485	1,059	748
Adjustment to deferred taxes for change in tax rates	--	--	134
Provision for income taxes before extraordinary item	28,241	24,761	17,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of temporary differences that comprise the elements of deferred tax at March 31, 1996 and 1995 are as follows:

	1996 $000	1995 $000
DEFERRED TAX ASSETS:		
Accrued expenses not deducted for tax purposes	2,678	2,969
Reserves for inventory and accounts receivable not deducted for tax purposes ...	5,760	5,540
Additional inventory costs capitalized for tax purposes under the uniform cost capitalization rules	3,110	2,539
Net operating loss carryforwards	11,965	--
Total gross deferred tax assets	23,513	11,048
Valuation allowance	(11,965)	--
Net deferred tax assets	11,548	11,048
DEFERRED TAX LIABILITIES:		
Leases treated as operating leases for tax purposes and sales-type leases for financial reporting purposes	(37,487)	(31,939)
Differences in depreciation methods and other	(3,718)	(570)
Total gross deferred tax liabilities	(41,205)	(32,509)
NET DEFERRED TAX LIABILITY	(29,657)	(21,461)

There was no valuation allowance for deferred tax assets at March 31, 1995, and 1994. The net change in the total valuation allowance for the year ended March 31, 1996 was approximately $11,965,000.

8. Employee Benefits

Substantially all of the U.S. employees of Danka Industries, Inc. ("Danka Industries") are entitled to participate in the Profit Sharing Plan (the "Plan") established under Section 401(k) of the U.S. Internal Revenue Code. Employees are eligible to contribute voluntarily to the Plan after one year of continued service and attaining age 21. At its discretion, Danka Industries may contribute an additional 50% of the employee contribution up to specified limits. Employees are always vested in their contributed balance and become fully vested in Danka Industries' contributions after seven years of service. The expenses related to Danka Industries' contributions to the Plan for the years ended March 31, 1996, 1995 and 1994 were approximately $2,362,000, $2,035,000, and $996,000, respectively.

Danka U.K. plc operates a defined contribution pension scheme (the "scheme") for certain of its employees. Employees are eligible to contribute voluntarily to the scheme after two years of continuous service and attaining age 21. Danka U.K. plc contributes 5% of the employee's salary to the scheme. Employees are always vested in their contributed balance and become fully vested in Danka U.K. plc's contributions after two years of service. The expenses related to Danka U.K. plc's contributions to the scheme for the years ended March 31, 1996, 1995 and 1994 were approximately $254,000, $171,000, and $123,000, respectively.

Some of the other European companies are covered by various pension plans as well as statutory pension requirements. Contributions made under these plans were not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. SHARE OPTION PLANS

The Company has a U.K. Share Option Scheme and a U.S. Stock Option Plan for directors, officers and selected employees. Generally, the options may only be exercised during an employee's employment, and may be exercised three to ten years after the date granted. The options are issued with an exercise price equal to the average market value on the three days prior to the grant date. Options issued are nontransferable except for options issued under the U.K. scheme which may be transferred to a trust, company, or pension fund whose sole beneficiary or owner is the option holder or their spouse or child.

Transactions during the three years ended March 31, 1996 were as follows:

	Number of Ordinary Shares	Exercise price in pence
Balance outstanding at March 31, 1993	8,844,000	12.50 - 74.25
Granted	810,331	215.66 - 335.00
Exercised	(1,442,000)	12.50 - 41.25
Canceled	--	--
Balance outstanding at March 31, 1994	8,212,331	12.50 - 335.00
Granted	834,500	271.66 - 377.66
Exercised	(1,738,332)	12.50 - 46.17
Canceled	(249,000)	217.92 - 299.66
Balance outstanding at March 31, 1995	7,059,499	12.50 - 377.66
Granted	1,479,373	378.67 - 699.00
Exercised	(1,850,268)	12.50 - 74.25
Canceled	(90,500)	307.00 - 351.33
Balance outstanding at March 31, 1996	6,598,104	12.50 - 699.00

Share options generally become vested after a period of three years subsequent to the date of the grant. At March 31, 1996, a total of approximately 3,853,400 options were vested.

10. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

LEASES

The Company is obligated under various noncancelable operating leases for its office facilities, office equipment and vehicles. Future noncancelable lease commitments as of March 31, 1996, are as follows:

Year ending March 31	$000
1997	29,716
1998	22,964
1999	16,508
2000	11,565
2001	8,041
Thereafter	18,107

Rental expense for fiscal years ended March 31, 1996, 1995 and 1994 was approximately $22,993,000, $14,237,000, and $10,052,000, respectively.

LEASE COMMITMENTS

In November 1995, Danka Holding Company ("DHC"), a U.S. subsidiary of the Company, entered into a five-year operating lease agreement (the "Agreement"), which provides for DHC to lease certain real property in the U.S. The Agreement generally provides for DHC to pay property taxes, maintenance, insurance, and certain other operating costs of the leased properties. The leases covered by the Agreement provide for a residual guarantee by DHC at the end of the initial lease term, which has not been included in the table of future noncancelable lease commitments above. The Agreement also includes purchase and renewal options at fair market values. DHC has the right to exercise a purchase option on the properties at the end of the lease term, or the properties can be sold to third parties. DHC expects the fair market value of the properties, subject to the purchase option or sale to third parties, to substantially reduce or eliminate DHC's payment under the residual value guarantee. DHC is obligated to pay the difference between the maximum amount of the residual guarantee and the fair market value at the termination of each lease under the Agreement. The maximum residual guarantee relative to the properties covered by the Agreement is equal to the total cost of the properties leased under the Agreement, which was approximately $16.5 million at March 31, 1996.

RELATED PARTY TRANSACTIONS

The Company remains contingently liable for the repayment of $1,125,000 of Industrial Revenue Bonds used to finance the construction of its corporate office in St. Petersburg, Florida. The obligation was assumed by a company controlled by the Chief Executive when it acquired the corporate office building. The Company leases its corporate office and three other offices owned by companies in which the Chief Executive has a significant interest. The above arrangements were entered into prior to the acquisition agreement dated December 1986 whereby Danka Business Systems PLC purchased Danka Industries, Inc. For the years ended March 31, 1996, 1995 and 1994, Danka Industries, Inc. was charged $689,000, $768,000 and $799,000, respectively, for rent due under these leases. The leases expire at various dates, with the last lease expiring in December 2003.

LITIGATION

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Management believes that the resolution of such matters will not have a material effect upon the Company's financial position or future results of operations.

11. ACQUISITIONS

In November 1995, the Company acquired all of the issued and outstanding shares of Infotec Europe B.V. and its operating subsidiaries ("Infotec") for consideration of 270 million Dutch florins ($167 million). In addition to the purchase price, approximately $14.6 million of liabilities were accrued for certain costs to integrate Infotec's operations. Of the costs accrued, at March 31, 1996, $7.4 million remained in accrued liabilities, comprised of $5.0 million for the remaining reduction of the workforce and $2.4 million for the closing of duplicate facilities and fixed asset adjustments. It is not anticipated that significant additional liabilities will be incurred that would result in an adjustment of the allocation of the purchase price. After consideration of these costs, all of the purchase price was allocated to goodwill. Management anticipates that the integration will be complete by the second quarter of fiscal 1997.

In addition to the purchase of Infotec, during the year ended March 31, 1996, the Company acquired the outstanding stock or assets of 27 other unrelated businesses. These acquisitions were accounted for as purchases with consideration totaling approximately $87.0 million, of which approximately $6.9 million represented identifiable tangible assets, and the balance of approximately $80.1 million represented goodwill. In addition, the Company paid approximately $3.9 million for noncompete agreements with certain key owners and key employees of these businesses. The results of the acquired companies are included in the accompanying Consolidated Statement of Earnings since the effective date of each acquisition. Under the terms of certain of the above purchase agreements, the Company may be required to make additional payments of up to $3.2 million, contingent upon these acquired businesses achieving certain profit levels. Any future amounts paid under the terms of these agreements will be recorded as goodwill. The Company also issued 5,700,835 Ordinary Shares (1,425,209 ADS equivalents), for five separate acquisitions which were accounted for as poolings of interest. The accompanying consolidated financial statements have not been restated because the effect of these acquisitions was not material. The issuance of the Ordinary Shares has been treated as an addition in the Consolidated Statement of Shareholders' Equity, and the results of the acquired companies are included in the Consolidated Statement of Earnings since the effective date of each acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ACQUISITIONS (CONTINUED)
The following unaudited pro forma summary presents the consolidated results of operations as if the acquisitions had occurred at the beginning of the years ended March 31, 1996 and 1995, after giving effect to certain adjustments, including amortization of goodwill, interest expense on the debt incurred to fund the acquisition and the related income tax effects:

	1996 $000	1995 $000
	(Except per ADS Data)	
Total revenue	1,442,294	1,414,390
Net earnings	43,832	38,095
Net earnings per ADS	$ 0.85	$ 0.78

These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of those dates or of results which may occur in the future.

12. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS
At March 31, 1996, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other notes payable approximated fair value due to the short-term maturities of these assets and liabilities. The estimated fair value of the Company's $200 million 6.75% Convertible Subordinated Notes at March 31, 1996 was approximately $320 million, based on the quoted market price of the Notes. The estimated fair market value at March 31, 1996 of the Company's Credit Facility Loan approximated the carrying amount of the debt, due to the short-term maturities of the individual components of the debt. At March 31, 1995 investments represented the cost of shares purchased in connection with a proposed acquisition, and had a cost and market value of $10.3 million and $12.2 million, respectively. A higher competing offer was made for this proposed acquisition, and in June 1995, the Company tendered its shares to the maker of the higher competing offer.

FOREIGN CURRENCY INSTRUMENTS
From time to time, the Company enters into foreign exchange forward and option contracts to manage its exposure to fluctuations in foreign currency exchange rates on specific transactions. Foreign exchange forward contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date. The fair value of foreign exchange forward contracts is estimated by obtaining quotes for futures contracts with similar terms, adjusted where necessary for maturity differences. To hedge its foreign currency exposure, the Company also purchases foreign exchange options which permit, but do not require, the Company to exchange foreign currencies at a future date with another party at a contracted exchange rate. The fair value of foreign exchange options is estimated using active exchange quotations. At March 31, 1996, there were no outstanding forward contracts or option contracts to buy or sell foreign currency. For the year ended March 31, 1996, gains and losses realized on forward contracts and option contracts were not material.

The Company's financial instruments involve, to varying degrees, elements of exchange risk in excess of the amounts which would be recognized in the Consolidated Balance Sheet. Exposure to foreign currency contracts results from fluctuations in currency rates during the periods in which the contracts are outstanding. Additionally, these contracts contain an element of credit risk to the extent of nonperformance by the counterparties. The Company minimizes such risk by limiting the counterparties to a group of major international banks, and does not expect to record any losses as a result of nonperformance by these counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. QUARTERLY FINANCIAL DATA (UNAUDITED)
The following table presents selected quarterly financial data for the periods indicated:

	June 30 $000	September 30 $000	December 31 $000	March 31 $000
		(Except per ADS Data)		
Fiscal 1996				
Revenue	249,014	273,813	333,841	383,636
Gross profit	99,818	112,198	132,829	151,804
Net earnings	10,857	12,447	7,949(a)	13,962(b)
Net earnings per ADS	$ 0.22	$ 0.25	$ 0.16(a)	$ 0.26(b)
Fiscal 1995				
Revenue	174,388	185,947	203,543	238,318
Gross profit	70,262	75,348	82,985	95,298
Net earnings	8,570	9,224	10,036	11,217
Net earnings per ADS	$ 0.18	$ 0.19	$ 0.21	$ 0.23

(a) Includes the effect of a restructuring charge of $8.5 million or $0.10 per ADS.
(b) Includes the effect of an extraordinary loss of $1.1 million or $0.02 per ADS due to the early extinguishment of debt.

INDEPENDENT AUDITORS' REPORT

To the Members of Danka Business Systems PLC

We have audited the consolidated balance sheets of Danka Business Systems PLC and subsidiaries as of March 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 1996. These consolidated financial statements are the responsibility of the group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom and the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements present fairly in all material respects the financial position of Danka Business Systems PLC and subsidiaries as of March 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 1996 in conformity with generally accepted accounting principles in the United States.

KPMG
Chartered Accountants
Registered Auditors
London, England June 3, 1996

MARKET PRICES OF ADSs AND ORDINARY SHARES

The Company's American Depositary Shares ("ADSs") are included in the Nasdaq National Market under the Company's sponsored ADS facility with The Bank of New York under the symbol "DANKY." Each ADS represents four Ordinary Shares. The principal public trading market for the Ordinary Shares is the London Stock Exchange Limited. The Ordinary Shares are listed under the symbol "DNK.L."

The following table sets forth the high and low sale price per ADS as reported by the Nasdaq National Market and the high and low middle market quotations (which represent an average of bid and offered prices in pence) for the Ordinary Shares as reported on the London Stock Exchange Limited Daily Official List:

	US Dollars per ADS		Pence per Ordinary Share	
	High	Low	High	Low
Fiscal Year 1995:				
Quarter ended June 30, 1994	$23.38	$17.38	365p	319p
Quarter ended September 30, 1994	22.38	17.13	352	283
Quarter ended December 31, 1994	22.13	17.13	344	269
Quarter ended March 31, 1995	28.13	21.38	434	341
Fiscal Year 1996:				
Quarter ended June 30, 1995	$27.75	$22.50	420p	356p
Quarter ended September 30, 1995	37.38	24.13	590	384
Quarter ended December 31, 1995	38.50	29.75	595	489
Quarter ended March 31, 1996	44.50	34.63	714	560

As of March 31, 1996, 42,443,613 ADSs were held of record by 2,751 registered holders and 49,337,795 Ordinary Shares were held of record by 1,354 registered holders. Since some of the ADSs and Ordinary Shares are held by nominees, the number of holders may not be representative of the number of beneficial owners.

The Company currently expects to continue its policy of paying semi-annual cash dividends, although there can be no assurance as to future dividends because they are dependent upon future operating results, capital requirements and the Company's financial condition.

BOARD OF DIRECTORS

[PHOTO]	[PHOTO]	[PHOTO]
MARK A. VAUGHAN-LEE	DAN M. DOYLE	DAVID C. SNELL
Chairman	Chief Executive	Finance Director

DANKA
World-class products. World-clas service.

NON-EXECUTIVE DIRECTORS

[PHOTO]
DAVID S. HOOKER(1)(2)
David Hooker was appointed a non-executive director in 1985. He is the chairman of Gammell Kershaw and Company Ltd. and is also a non-executive director of Oceaneering International, Inc. He was managing director of Aberdeen Petroleum PLC until June 1993, and chairman of Bakyrchik Gold PLC until December 1995.

[PHOTO]
PIERSON M. GRIEVE(2)
Pierson Grieve was appointed a non-executive director in 1996. He previously served as chairman and chief executive officer of Ecolab Inc. until December 1995. He also serves as a director of U S WEST, Inc., Norwest Corporation, St. Paul Companies, Inc., and Meredith Corporation.

[PHOTO]
JAMES F. WHITE, JR. (1)
James White was appointed a non-executive director in 1994. He serves as counsel in the law firm of Shumaker, Loop & Kendrick, Toledo, Ohio. He was previously an executive director of Checkers Drive-in Restaurants Inc.

[PHOTO]
DAVID W. KENDALL(1)(2)
David Kendall was appointed a non-executive director in 1993. He is chairman of Whitecroft PLC, Ruberoid PLC, Blagden Industries PLC, and Celtic Energy Ltd., and a non-executive director of Gowrings PLC.

(1) Member of the audit committee
(2) Member of the remuneration committee

CORPORATE INFORMATION

UNITED STATES HEADQUARTERS
Danka Holding Company
11201 Danka Circle North
St Petersburg, Florida 33716
(813)-576-6003

REGISTERED OFFICE
Masters House
107 Hammersmith Road
London W14 0QH United Kingdom
0171-603-1515
SECRETARY
Paul G. Dumond A.C.A.
COMPANY NO: 1101386

CANADIAN HEADQUARTERS
Danka Business Systems Ltd.
5580 Explorer Drive
Mississauga, Ontario L4W 4Y1
Canada
(905)-629-4488

ADS DEPOSITARY
Bank of New York
ADS Division
101 Barclay Street, 22nd Floor
New York, New York 10286

ADSs are traded on the Nasdaq National Market under the symbol "DANKY".

EUROPEAN HEADQUARTERS
Danka Europe Ltd.
Danka House, London Road
Reading RG6, United Kingdom
0118-928-4909

REGISTRARS
Royal Bank of Scotland plc
PO Box 82 Caxton House
Redcliffe Way
Bristol BS99 7YA United Kingdom

Ordinary shares are traded on the London Stock Exchange under the symbol "DNK.L".

AUDITORS
KPMG
8 Salisbury Square
London EC4Y 8BB United Kingdom

OTHER PUBLISHED INFORMATION
Quarterly reports on Form 10-Q and the Form 10-K Annual Report filed with the US Securities and Exchange Commission, are available upon written request to Danka's Investor Relations departments in St. Petersburg, Florida and London, United Kingdom.

INTERNET HOME PAGE
For more information about Danka and its products, please visit our World Wide Web site at: http://www.danka.com

"Danka", "dex", "Omnifax" and "Infotec" are registered trademarks of Danka Business Systems PLC

DANKA
World-class products. World-class service.

[LOGO] Printed on Recycled Paper
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EXHIBIT 21

DANKA BUSINESS SYSTEMS PLC
LIST OF CURRENT SUBSIDIARIES OF THE COMPANY

SUBSIDIARY NAME	STATE/COUNTRY OF INCORPORATION
Newcourt Natural Resources Oil and Gas Company	England
Dankalux SARL	Luxembourg
Danka Business Finance Ltd.	Canada
Danka Holding Company	Nevada
Danka Business Systems, Inc.	Florida
Danka Corporation	Nevada
Omnidex, Inc.	Nevada
Danka Wholesale Inc.	Florida
Danka Europe B.V.	Holland
Danka SPA	Italy
Danka France Holdings SARL	France
Danka Benelux NV/SA	Belgium
Danka Deutschland Holding Gmbh	Germany
Danka Denmark A/S	Denmark
Danka Europe Ltd.	England
Danka U.K. Holdings Ltd.	England

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EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Members of Danka Business Systems PLC:

We consent to incorporation by reference in the registration statements (Nos. 33-75468 and 33-75474 on Form S-8, and (Nos. 33-95898 and 33-94596) on Form S-3 of Danka Business Systems PLC of our report dated June 3, 1996, relating to the consolidated balance sheets of Danka Business Systems PLC and subsidiaries as of March 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 1996, and related schedules, which report appears in the March 31, 1996 annual report on Form 10-K of Danka Business Systems PLC.

KPMG
Chartered Accountants
Registered Auditors
London England

June 24, 1996

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