

**DIRECT SOLUTIONS INTERNATIONAL LIMITED**

**DIRECTORS' REPORT AND GROUP ACCOUNTS**

**FOR THE YEAR ENDED 31 JULY 2000**



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# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## COMPANY INFORMATION

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**Directors**

A Young  
I W Driscoll  
M Felstead  
S A Felstead  
D Owen

**Secretary**

A Young

**Company number**

2788181

**Registered office**

International House, Thamesview Business Centre,  
Barlow Way, Rainham  
Essex  
RM13 8EU

**Business address**

International House, Thamesview Business Centre,  
Barlow Way, Rainham  
Essex  
RM13 8EU

**Auditors**

H. W. Fisher & Company  
Acre House  
11-15 William Road  
London  
NW1 3ER

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# DIRECT SOLUTIONS INTERNATIONAL LIMITED

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# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2000

The directors present their report and group accounts for the year ended 31 July 2000.

### Principal activities

The principal activity of the group is the provision of direct mail house mailing, delivery services and related activities.

### Review of business

Both the level of business and the year end financial position were as expected in the light of current trading conditions and the directors do not anticipate any material changes in the present level of activity.

Direct Solutions International Limited acquired holdings in The Internet Fulfilment Group Limited (formerly Internet Fulfilment Services Limited), IFS New Media Design Limited and Talislake Limited.

### Results and dividends

The group profit for the year after taxation and minority interests amounted to £293,285.

Both the level of business and the year end financial position were as expected in the light of current trading conditions and the directors do not anticipate any material changes in the present level of activity.

### Year 2000 compliance

The company's operations have not been significantly affected by malfunctions in computer or other equipment arising from errors in processing dates in the year 2000. The directors have considered whether there remains a risk that such problems may still arise. We are in the process of assessing the risks to the business in detail. We are considering not only our own systems but also those of our major suppliers and customers. Once our assessment is complete we will develop detailed plans to deal with any such risks as are identified.

### Post balance sheet events

Subsequent to the year end, the trades of DSI Business Support Limited and DSI Data Services were transferred to Direct Solutions International Limited.

### Directors and their interests

The directors at 31 July 2000 and their beneficial interests in the shares of the company were:

	Ordinary shares of £1 each	
	31 July 2000	1 August 1999
A Young	7,500	1
I W Driscoll	7,500	-
M Felstead	7,500	1
S A Felstead	7,500	-

	Non-Voting Ordinary Shares of £1 each	
	31 July 2000	1 August 1999
A Young	-	-
I W Driscoll	-	-
M Felstead	-	-
S A Felstead	-	-

D. Owen was appointed Non Executive Director on 1 November 2000.

During the year the group made charitable donations of £2,640 (1999 : £1,987)

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT

*FOR THE YEAR ENDED 31 JULY 2000*

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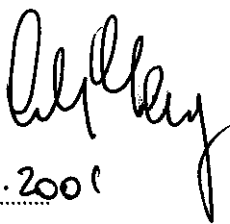
### Auditors

A resolution proposing the reappointment of H.W. Fisher & Company as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board

A Young  
Director

Dated: 13.3.2001



# **DIRECT SOLUTIONS INTERNATIONAL LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS

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We have audited the accounts on pages 5 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

### Respective responsibilities of directors and auditors

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

### Basis of opinion

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

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

### Opinion

In our opinion the accounts give a true and fair view of the state of the company's and the group's affairs as at 31 July 2000 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*H.W. Fisher & Company*  
H.W. Fisher & Company

Chartered Accountants  
Registered Auditor  
Acre House  
11-15 William Road  
London  
NW1 3ER

Dated: 30.3.01

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2000

		Year ended 31 July 2000 £	Period ended 31 July 1999 £
	Notes		
Turnover	2	23,622,958	30,897,241
Cost of sales		(17,399,754)	(23,886,254)
Gross profit		6,223,204	7,010,987
Distribution costs		-	(208,685)
Administrative expenses			
Depreciation and amortisation		(520,948)	(619,779)
Other administrative expenses		(5,124,082)	(6,114,139)
		(5,645,030)	(6,733,918)
Other operating income	6	8,150	28,928
Operating profit	3	586,324	97,312
Other income	7	90,793	99,840
Interest payable and similar charges	8	(404,768)	(589,161)
Profit/(loss) on ordinary activities before taxation		272,349	(392,009)
Tax on profit/(loss) on ordinary activities	9	(11,490)	(5,135)
Profit/(loss) on ordinary activities after taxation		260,859	(397,144)
Minority interests		32,426	(41,490)
Profit/(loss) for the financial year	10	293,285	(438,634)
Dividends		(62,500)	-
Retained profit/(loss) for the year		230,785	(438,634)
(Accumulated loss)/retained profit brought forward		(34,898)	403,736
Retained profit/(accumulated loss) carried forward		195,887	(34,898)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.



# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## BALANCE SHEETS AS AT 31 JULY 2000

	Notes	Group 2000 £	1999 £	Company 2000 £	1999 £
<b>Fixed assets</b>					
Intangible assets	12	1,851,017	1,965,858	2,290,176	-
Tangible assets	13	3,502,777	2,552,808	3,202,538	2,397,913
Investments	14	381,140	8,526	472,334	2,390,396
		<u>5,734,934</u>	<u>4,527,192</u>	<u>5,965,048</u>	<u>4,788,309</u>
<b>Current assets</b>					
Stocks	15	28,415	241,970	23,636	219,856
Debtors	16	5,070,367	3,668,456	4,464,374	3,413,915
Cash at bank and in hand		230,377	267,213	147,850	83,665
		<u>5,329,159</u>	<u>4,177,639</u>	<u>4,635,860</u>	<u>3,717,436</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(8,006,670)</u>	<u>(6,252,877)</u>	<u>(7,152,457)</u>	<u>(6,117,560)</u>
<b>Net current liabilities</b>		<u>(2,677,511)</u>	<u>(2,075,238)</u>	<u>(2,516,597)</u>	<u>(2,400,124)</u>
<b>Total assets less current liabilities</b>		<u>3,057,423</u>	<u>2,451,954</u>	<u>3,448,451</u>	<u>2,388,185</u>
<b>Creditors: amounts falling due after more than one year</b>	18	1,790,215	2,088,442	1,783,291	2,073,991
<b>Accruals and deferred income</b>	19	1,030,098	293,333	1,030,098	293,333
<b>Capital and reserves</b>					
Called up share capital	21	31,580	2	31,580	2
Profit and loss account		<u>195,887</u>	<u>(34,898)</u>	<u>603,482</u>	<u>20,859</u>
	23	227,467	(34,896)	635,062	20,861
<b>Minority interests</b>	22	9,643	105,075	-	-
		<u>237,110</u>	<u>70,179</u>	<u>635,062</u>	<u>20,861</u>
		<u>3,057,423</u>	<u>2,451,954</u>	<u>3,448,451</u>	<u>2,388,185</u>

The accounts were approved by the board on 13.3.2001

A Young  
Director

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2000

	Notes	Year ended 31 July 2000 £	Period ended 31 July 1999 £
Net cash inflow from operating activities	24	1,188,241	1,270,056
<b>Returns on investments and servicing of finance</b>			
Interest received		1,211	2,840
Interest paid		(364,238)	(497,931)
Interest element of hire purchase and finance lease rentals		(40,530)	(91,230)
Other income (cash basis)		89,582	97,000
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(313,975)</b>	<b>(489,321)</b>
<b>Corporation tax</b>		<b>29,540</b>	<b>4,159</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(836,183)	(473,843)
Payments to acquire investments		(372,114)	-
Receipts from sales of tangible fixed assets		14,256	431,240
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(1,194,041)</b>	<b>(42,603)</b>
<b>Equity dividends paid</b>		<b>(62,500)</b>	<b>-</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(352,735)</b>	<b>742,291</b>
<b>Financing</b>			
Repurchase of debenture loan		(270,851)	(247,694)
Repayment of long term bank loan		(235,935)	(277,207)
Capital element of hire purchase and finance lease rentals		(468,531)	(537,106)
<b>Net cash outflow from financing</b>		<b>(975,317)</b>	<b>(1,062,007)</b>
<b>Decrease in cash</b>	25	<b>(1,328,052)</b>	<b>(319,716)</b>

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

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### 1 Accounting policies

#### 1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

#### 1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 31 July 2000. The results of subsidiaries acquired are included in the profit and loss account from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### 1.3 Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited accounts of the undertakings concerned.

#### 1.4 Turnover

Turnover represents the invoiced value of goods sold and services provided net of VAT.

#### 1.5 Goodwill

Acquired goodwill is capitalised and amortised over 20 years.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold property	Over the life of the lease
Plant and machinery	15% Reducing balance
Fixtures, fittings & equipment	15% Reducing balance
Motor vehicles	25% reducing balance

#### 1.7 Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are treated as if they had been purchased outright at the present value of the rentals payable, less finance charges, over the primary period of the agreements. The corresponding obligations under these agreements are included in creditors. The finance element of the rentals payable is charged to the profit and loss account so as to produce a constant rate of charge on the outstanding balance in each period.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### 1.8 Investments

Fixed asset investments are stated at cost less any provision for impairment.

#### 1.9 Stock and work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

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### 1.10 Pensions

The group operates a defined contributions pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### 1.11 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

### 1.12 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss account.

### 1.13 Comparative Figures

The comparative figures included in the statutory accounts are for the 18 month period ended 31 July 1999.

## 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3	Operating profit	2000 £	1999 £
	Operating profit is stated after charging:		
	Amortisation of intangible assets	114,100	171,150
	Depreciation of owned tangible assets	226,733	174,584
	Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	180,115	274,045
	Operating lease rentals		
	- Plant and machinery	438,228	342,736
	- Other assets	450,269	596,647
	Auditors' remuneration (company £19,000; 1999 : £19,000)	29,174	25,100
	Remuneration of auditors for non-audit work	39,114	55,439

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

4	Directors' emoluments	2000 £	1999 £
	Aggregate emoluments	583,590	1,653,433
	Company contributions to defined contribution pension schemes	73,560	29,345
		<u>657,150</u>	<u>1,682,778</u>

Retirement benefits are accruing to 3 (1999 - 3) directors under defined contribution schemes.

Emoluments disclosed above include the following amounts paid to the highest paid director:

Aggregate emoluments	169,817	376,123
Company contributions to defined contribution pension schemes	26,400	-
	<u>196,217</u>	<u>376,123</u>

## 5 Employees

### Number of employees

The average weekly number of employees during the year was:

	2000 Number	1999 Number
Production	163	149
Transport	12	7
Sales	6	22
Administration	68	32
	<u>249</u>	<u>210</u>

### Employment costs

	£	£
Wages and salaries	5,475,751	7,231,019
Social security costs	284,493	623,052
Other pension costs	105,523	174,747
	<u>5,865,767</u>	<u>8,028,818</u>

6	Other operating income	2000 £	1999 £
	Income from interest in associated undertakings	8,150	28,928

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

<b>7</b>	<b>Other income</b>	<b>2000</b>	<b>1999</b>
		£	£
	Interest receivable and similar income	90,793	99,840
<b>8</b>	<b>Interest payable and similar charges</b>	<b>2000</b>	<b>1999</b>
		£	£
	Interest payable on:		
	Bank loans and overdrafts	184,165	186,507
	Other loans	180,073	311,424
	Finance lease and hire purchase contracts	40,530	91,230
		404,768	589,161
<b>9</b>	<b>Taxation</b>	<b>2000</b>	<b>1999</b>
		£	£
	U.K. current year taxation		
	Share of taxation of associates	1,535	5,130
	Prior years		
	U.K. Corporation tax	9,955	5
		11,490	5,135
Deferred tax is unprovided due to the availability of corporation tax losses brought forward.			
<b>10</b>	<b>Profit/(loss) for the financial year</b>		
As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts. The profit/(loss) for the financial year is made up as follows:			
		<b>2000</b>	<b>1999</b>
		£	£
	Holding company's profit/(loss) for the financial year	645,123	(440,116)
<b>11</b>	<b>Dividends</b>	<b>2000</b>	<b>1999</b>
		£	£
	Ordinary interim paid	62,500	-

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 12 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 1 August 1999	2,237,008
Additions	(741)
	<hr/>
At 31 July 2000	2,236,267
	<hr/>
<b>Amortisation</b>	
At 1 August 1999	271,150
Charge for year	114,100
	<hr/>
At 31 July 2000	385,250
	<hr/>
<b>Net book value</b>	
At 31 July 2000	1,851,017
	<hr/>
At 31 July 1999	1,965,858
	<hr/>
<b>Company</b>	
	Goodwill £
<b>Cost</b>	
At 1 August 1999	-
Additions	2,290,176
	<hr/>
At 31 July 2000	2,290,176
	<hr/>

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 13 Tangible fixed assets Group

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 August 1999	7,313	2,352,025	719,987	300,604	3,379,929
Additions	247,160	650,118	455,585	5,500	1,358,363
Disposals	-	(370,392)	-	-	(370,392)
<b>At 31 July 2000</b>	<b>254,473</b>	<b>2,631,751</b>	<b>1,175,572</b>	<b>306,104</b>	<b>4,367,900</b>
<b>Depreciation</b>					
At 1 August 1999	-	538,696	187,771	100,654	827,121
On disposals	-	(369,846)	-	-	(369,846)
Charge for the year	8,635	248,341	106,146	44,726	407,848
<b>At 31 July 2000</b>	<b>8,635</b>	<b>417,191</b>	<b>293,917</b>	<b>145,380</b>	<b>865,123</b>
<b>Net book value</b>					
<b>At 31 July 2000</b>	<b>245,838</b>	<b>2,214,560</b>	<b>881,655</b>	<b>160,724</b>	<b>3,502,777</b>
At 31 July 1999	7,313	1,813,329	532,216	199,950	2,552,808

#### Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £1,534,541 (1999 - £1,221,617) in respect of assets held under finance leases or hire purchase contracts.



# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### Company

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 August 1999	7,313	2,165,393	697,912	282,433	3,153,051
Additions	220,540	540,562	409,848	5,500	1,176,450
Disposals	-	(369,846)	-	-	(369,846)
<b>At 31 July 2000</b>	<b>227,853</b>	<b>2,336,109</b>	<b>1,107,760</b>	<b>287,933</b>	<b>3,959,655</b>
<b>Depreciation</b>					
At 1 August 1999	-	483,974	165,696	105,468	755,138
On disposals	-	(369,846)	-	-	(369,846)
Charge for the year	7,304	230,088	95,004	39,429	371,825
<b>At 31 July 2000</b>	<b>7,304</b>	<b>344,216</b>	<b>260,700</b>	<b>144,897</b>	<b>757,117</b>
<b>Net book value</b>					
<b>At 31 July 2000</b>	<b>220,549</b>	<b>1,991,893</b>	<b>847,060</b>	<b>143,036</b>	<b>3,202,538</b>
<b>At 31 July 1999</b>	<b>7,313</b>	<b>1,681,419</b>	<b>532,216</b>	<b>176,965</b>	<b>2,397,913</b>

### Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £1,494,704 (1999 - £1,183,022) in respect of assets held under finance leases or hire purchase contracts.

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 14 Fixed asset investments Group

	Shares in participating interests £
Cost at 1 August 1999	8,526
Additions	372,614
	<hr/>
At 31 July 2000	<b>381,140</b>
	<hr/>

### Company

	Shares in participating interests £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 August 1999	50	2,390,346	2,390,396
Additions	372,114	-	372,114
Disposals	-	(2,290,176)	(2,290,176)
	<hr/>	<hr/>	<hr/>
At 31 July 2000	<b>372,164</b>	<b>100,170</b>	<b>472,334</b>
	<hr/>	<hr/>	<hr/>
At 31 July 1999	50	2,390,346	2,390,396
	<hr/>	<hr/>	<hr/>

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
DSI Business Support Limited	England	Ordinary	100
DSI Data Services Limited	England	Ordinary	90
Driscoll Direct Mail (Holdings) Limited	England	Ordinary	100
Driscoll Direct Mail Limited	England	Ordinary	100
DSI Bulk Mailing Centre Limited	England	Ordinary	80
DSI Sameday Express Limited	England	Ordinary	100
The Fulfilment Group Limited	England	Ordinary	69
IFS New Media Limited	England	Ordinary	51
Participating interests			
DSI Worldwide Limited	England	Ordinary	50
DSI Amic Limited	England	Ordinary	50
Talislake Limited	England	Ordinary	45
DSI Billing Services	England	Ordinary	50
EDMS Limited	England	Ordinary	50
TDBC Limited	England	Ordinary	33

The principal activity of these undertakings for the last relevant financial year was as follows:

### Principal activity

DSI Business Support Limited	Mail-enclosing disaster recovery services
DSI Data Services Limited	Data processing and laser personalisation
Driscoll Direct Mail (Holdings) Limited	Dormant
Driscoll Direct Mail Limited	Dormant
DSI Bulk Mailing Centre Limited	Mailing and delivery services
DSI Sameday Express Limited	Courier services specialising in urgent deliveries
The Fulfilment Group Limited	Provision of fulfilment services
IFS New Media Limited	Media and Web design Services
DSI Worldwide Limited	International freight courier
DSI Amic Limited	Programming and systems development services
Talislake Limited	Printing services
DSI Billing Services	Billing service providers
EDMS Limited	Mailing and delivery services
TDBC Limited	Database management

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 15 Stocks and work in progress

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Work in progress	17,126	206,674	17,126	187,358
Finished goods and goods for resale	11,289	35,296	6,510	32,498
	<u>28,415</u>	<u>241,970</u>	<u>23,636</u>	<u>219,856</u>

### 16 Debtors

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	4,294,516	3,134,048	3,606,589	2,535,596
Amounts owed by group undertakings	-	-	101,660	485,532
Amounts owed by participating interests	265,985	81,551	388,439	-
Corporation tax	-	34,056	-	34,056
ACT recoverable	-	6,974	-	6,974
Other debtors	238,832	220,392	200,818	189,338
Prepayments and accrued income	271,034	191,435	166,868	162,419
	<u>5,070,367</u>	<u>3,668,456</u>	<u>4,464,374</u>	<u>3,413,915</u>

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 17 Creditors : amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Debenture loans	296,177	270,852	296,177	270,852
Bank loans	-	196,248	-	196,248
Bank overdrafts	3,119,356	1,828,140	2,985,214	1,622,857
Net obligations under finance lease and hire purchase contracts	386,328	370,315	371,855	354,808
Trade creditors	2,066,582	2,251,260	1,784,080	1,992,150
Amounts owed to group undertakings	-	-	295,323	543,079
Amounts owed to participating interests	51,524	3,079	4,639	-
Corporation tax	18,679	18,679	18,679	18,679
Taxes and social security costs	475,748	375,204	345,593	249,607
Directors current accounts	-	145,605	-	145,605
Other creditors	497,046	85,786	190,240	69,973
Accruals and deferred income	1,095,230	707,709	860,657	653,702
	<u>8,006,670</u>	<u>6,252,877</u>	<u>7,152,457</u>	<u>6,117,560</u>

The bank overdraft is secured by a mortgage debenture dated 16 February 1994, incorporating a fixed and floating charge over all current and future assets of the group.

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 18 Creditors : amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Debenture loans	1,065,274	1,361,450	1,065,274	1,361,450
Bank loans	-	39,687	-	39,687
Net obligations under finance leases and hire purchase agreements	724,941	687,305	718,017	672,854
	<u>1,790,215</u>	<u>2,088,442</u>	<u>1,783,291</u>	<u>2,073,991</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	1,361,451	1,868,237	1,361,451	1,868,237
Included in current liabilities	(296,177)	(467,100)	(296,177)	(467,100)
	<u>1,065,274</u>	<u>1,401,137</u>	<u>1,065,274</u>	<u>1,401,137</u>
Between one and two years	323,867	335,864	323,867	335,864
Between two and five years	741,407	1,065,273	741,407	1,065,273
	<u>1,065,274</u>	<u>1,401,137</u>	<u>1,065,274</u>	<u>1,401,137</u>
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	386,328	370,315	371,855	354,808
Repayable between one and five years	724,941	687,305	718,017	672,854
	<u>1,111,269</u>	<u>1,057,620</u>	<u>1,089,872</u>	<u>1,027,662</u>
Included in liabilities falling due within one year	(386,328)	(370,315)	(371,855)	(354,808)
	<u>724,941</u>	<u>687,305</u>	<u>718,017</u>	<u>672,854</u>

The shares held in Driscoll Direct Mail (Holdings) Limited are held as security for the debenture loan.

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 19 Accruals and deferred income

Group	Reverse Premium £
Balance at 1 August 1999	293,333
Amortisation in the period	(26,672)
Premium received during the period	763,437
Balance at 31 July 2000	<u>1,030,098</u>
 Company	 £
Balance at 1 August 1999	293,333
Amortisation in the period	(26,672)
Premium received during the period	763,437
	<u>1,030,098</u>

### 20 Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £105,523 (1999 - £174,747).

21 Share capital	2000 £	1999 £
<b>Authorised</b>		
40,000 Ordinary shares of £1 each	40,000	30,000
60,000 Non-Voting Ordinary Shares of £1 each	60,000	-
	<u>100,000</u>	<u>30,000</u>
 <b>Allotted and unpaid</b>		
31,580 Ordinary shares of £1 each	<u>31,580</u>	<u>2</u>

During the year, the authorised Ordinary Share Capital was increased to 100,000, comprising 40,000 Ordinary shares and 60,000 Non-Voting Ordinary Shares of £1 each.

In addition, 1,580 shares were issued to T. Drake, as consideration for his 20% holding of Driscoll Direct Mail Holdings Limited.

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

<b>22</b>	<b>Minority interests</b>	<b>2000</b>	<b>1999</b>
		£	£
	Minority interests' share of net assets and liabilities in subsidiary undertakings	<u>9,643</u>	<u>105,075</u>
<b>23</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2000</b>	<b>1999</b>
	<b>Group</b>	£	£
	Profit/(loss) for the financial year	293,285	(438,634)
	Dividends	(62,500)	-
		<u>230,785</u>	<u>(438,634)</u>
	Issue of shares	31,578	-
		<u>262,363</u>	<u>(438,634)</u>
	Net addition to/(depletion in) shareholders' funds	(34,896)	403,738
	Opening shareholders' funds	<u>227,467</u>	<u>(34,896)</u>
	Closing shareholders' funds	<u>227,467</u>	<u>(34,896)</u>
<b>24</b>	<b>Net cash inflow from operating activities</b>	<b>2000</b>	<b>1999</b>
		£	£
	Reconciliation to operating profit:		
	Operating profit	586,324	97,312
	Depreciation of tangible fixed assets	406,848	448,629
	Amortisation of intangible fixed assets	114,100	171,150
	Loss/(profit) on disposal of tangible fixed assets	(12,710)	5,704
	Decrease/(increase) in stocks	213,555	(64,882)
	(Increase)/decrease in debtors	(381,665)	349,626
	Increase/(decrease) in creditors	617,487	262,517
		<u>1,188,241</u>	<u>1,270,056</u>



# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

25 Reconciliation of net cash flow to movement in net debt	2000 £	1999 £
Decrease in cash	(1,328,052)	(319,716)
Loans and finance leases acquired with subsidiaries	-	-
Repurchase of debenture loan	270,851	247,694
Repayment of long term bank loan	235,935	277,207
Capital element of hire purchase and finance lease rentals	468,531	537,106
Change in net debt resulting from cash flows	(352,735)	742,291
New finance leases	(522,180)	(1,005,930)
Movement in net debt	(874,915)	(263,639)
Net debt at 1 August 1999	(4,486,784)	(4,223,145)
Net debt at 31 July 2000	(5,361,699)	(4,486,784)

26 Analysis of net debt	At 1 August 1999 £	Cash flow £	Non-cash changes £	At 31 July 2000 £
Cash at bank and in hand	267,213	(36,836)	-	230,377
Bank overdrafts	(1,828,140)	(1,291,216)	-	(3,119,356)
		(1,328,052)		
Debt due within one year	(467,100)	506,786	(335,863)	(296,177)
Debt due after one year	(1,401,137)	-	335,863	(1,065,274)
Hire purchase and finance leases	(1,057,620)	468,531	(522,180)	(1,111,269)
		975,317		
	(4,486,784)	(352,735)	(522,180)	(5,361,699)

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 27 Financial commitments

At 31 July 2000 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	117,686	-	6,672	-
Between two and five years	195,573	302,066	360,769	480,566
In over five years	72,450	75,000	369,131	-
	<u>385,709</u>	<u>377,066</u>	<u>736,572</u>	<u>480,566</u>

At 31 July 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	117,686	-	6,672	-
Between two and five years	195,573	302,066	200,760	96,019
In over five years	72,450	75,000	-	-
	<u>385,709</u>	<u>377,066</u>	<u>207,432</u>	<u>96,019</u>

# DIRECT SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JULY 2000

### 28 Related party transactions

The following director had an interest free loan during the year. The movement on this loan is as follows:

	Amount outstanding		Maximum
	2000	1999	in year
	£	£	£
M. Felstead	46,058	-	46,058

During the year, the following trading transactions and balances arose with the following associated companies:

	DSI Billing Services Limited	DSI Worldwide	DSI Amic Limited
	£	£	£
Sales	-	-	-
Purchases	45,793	15,360	202,737
Balance due to Group at year end	49,430	5,053	32,501

During the year, Direct Solutions International Limited made purchases on behalf of The Internet Fulfilment Group and IFS New Media Design Limited. As at 31 July 2000, the company was owed £71,400 from The Internet Fulfilment Group Limited and £97,639 from IFS New Media Design Limited. Both companies are subsidiaries of Direct Solutions International Limited.