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**Consolidated financial statements for  
the year ended 31 July 2001**

**Direct Solutions  
International Limited**

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# **Direct Solutions International Limited**

## **Company information**

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<b>Directors</b>	M Felstead A Young S A Felstead I W Driscoll T J Drake D G Owen
<b>Secretary</b>	A Young
<b>Company number</b>	2788181
<b>Registered office</b>	International House, Thamesview Business Centre, Barlow Way Rainham Essex RM13 8EW
<b>Registered auditors</b>	Mazars Neville Russell City House 9 Cranbrook Road Ilford Essex IG1 4EA
<b>Business address</b>	International House, Thamesview Business Centre, Barlow Way Rainham Essex RM13 8EW

# **Direct Solutions International Limited**

## **Chairman's report for the year ended 31 July 2001**

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### **Chairman's Statement**

I am delighted to be able to deliver my first statement as Chairman of the dsi Group.

For the Financial Year ended 31st July 2001 I am pleased to be able to provide the following highlights.

Group operating profit, including share from joint ventures and associated companies, increased to £1,566,441, an increase of 132% over the previous year. The core business based at Rainham and Jarrow was a significant contributor to the group results, with worthwhile contributions coming from joint ventures and associated companies. This overall strong performance has delivered a group earnings before interest, tax, depreciation and amortisation figure of £2,239,835.

The year has been focused on the consolidation of our trading and financial positions and ensuring a strong base for the continued organic growth of the business.

*"The key focus of our efforts has been to develop and maintain the balance of our core activity."*

In outline, we have continued to win major new contracts with both existing and new customers. These contracts play a key part in the organic growth of the Group as our core activities move closer to its customers and seek to provide increasingly sophisticated solutions for them.

Our expectation is that customers will continue to demand an ever wider range of integrated services. Our strong management, advanced technology and sound operations base mean that we are well placed to deliver the right solutions.

### **Group management and staff**

Since the formation of the company in 1993, the growth has been at a pace beyond anything we could have anticipated in those early days.

We believe that the group's success derives in large part from our ability to react quickly and effectively to our customers' needs and from our willingness to embrace the latest IT developments. Our success can only be maintained by continuing to employ managers and staff of the highest calibre and ensuring that we develop our people to meet the ever-changing business requirements.

*"Our success can only be maintained by continuing to employ managers and staff of the highest calibre."*

We have continued to strengthen the management below Board level and we have been careful to develop strong management in each business unit of the Group. The management and their teams have risen to the challenge of our customers' increasing demands; we are committed to maintaining a leading position in the provision of business services in the UK and recognise the importance of our people in meeting that challenge. We thank all of them for their hard work.

## **Direct Solutions International Limited**

### **Chairman's report (continued) for the year ended 31 July 2001**

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#### **Prospects**

We look forward to the new financial year and are confident of increased profitability and improving cash flow. There are a number of major new contracts starting in the year for the company, with significant growth and new opportunities identified for dsi AMIC limited, Talislake Limited and dsi Billing Services Limited. A range of new and innovative products and services has been developed for introduction in the year that will continue to add value to the Group.

David Owen  
December 2001

# Direct Solutions International Limited

## Directors' report For the year ended 31 July 2001

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The directors present their report and financial statements for the year ended 31 July 2001.

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 company and the group and to enable the directors to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Directors

The following directors have held office since 1 August 2000:

M Felstead	
A Young	
S A Felstead	
I W Driscoll	
T J Drake	(Appointed 1 February 2001)
D G Owen	(Appointed 6 December 2000)

### Directors' interests

The directors' beneficial interests in the shares of the company are as stated below:

	Ordinary shares of £1 each	
	31 July 2001	1 August 2000
M Felstead	7,500	7,500
A Young	7,500	7,500
S A Felstead	7,500	7,500
I W Driscoll	7,500	7,500
T J Drake	1,580	1,580
D G Owen	-	-

None of the directors have any beneficial interests in any other group company.

# **Direct Solutions International Limited**

## **Directors' report (continued) For the year ended 31 July 2001**

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### **Principal activities and review of the business**

The principal activity of the group continued to be that of the provision of direct mail house mailing, delivery services and related activities.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

### **Results and dividends**

The results for the year are set out on page 6.

The group profit for the year after taxation and minority interests amounted to £449,785 (2000: £293,285).

### **Disabled persons**

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

### **Employee involvement**

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

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

### **Auditors**

Mazars Neville Russell were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Approved by the board on ..... *29 January 2002* .....  
and signed on its behalf by

.....  
A Young  
Director

# **Direct Solutions International Limited**

## **Auditors' report**

### **To the shareholders of Direct Solutions International Limited**

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We have audited the financial statements on pages 6 to 30. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

#### **Respective responsibilities of 13 and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 July 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Mazars Neville Russell*

**MAZARS NEVILLE RUSSELL**

**CHARTERED ACCOUNTANTS**

and Registered Auditors

City House, 9 Cranbrook Road, Ilford, Essex, IG1 4EA

*29 January 2002*

# Direct Solutions International Limited

## Consolidated profit and loss account For the year ended 31 July 2001

	Notes	2001 £	2000 £
Turnover: group and share of joint ventures		30,872,007	23,622,958
Less: share of joint ventures' turnover		(4,215,675)	-
<b>Group turnover</b>	<b>2</b>	<b>26,656,332</b>	<b>23,622,958</b>
Cost of sales		(19,482,699)	(17,399,754)
<b>Gross profit</b>		<b>7,173,633</b>	<b>6,223,204</b>
<b>Operating costs before depreciation and amortisation</b>		<b>(5,701,473)</b>	<b>(5,124,082)</b>
Other operating income		157,350	89,582
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>1,629,510</b>	<b>1,188,704</b>
Depreciation		(498,516)	(406,848)
Amortisation		(118,600)	(114,100)
<b>Group operating profit</b>	<b>3</b>	<b>1,012,394</b>	<b>667,756</b>
Share of operating profit in			
Joint ventures		425,934	-
Associates		128,113	8,150
		1,566,441	675,906
Exceptional loss	<b>4</b>	(110,899)	-
Other interest receivable and similar income	<b>5</b>	3,864	1,211
Interest payable and similar charges	<b>6</b>	(456,573)	(404,768)
<b>Profit on ordinary activities before taxation</b>		<b>1,002,833</b>	<b>272,349</b>
Tax on profit on ordinary activities	<b>9</b>	(541,767)	(11,490)
<b>Profit on ordinary activities after taxation</b>		<b>461,066</b>	<b>260,859</b>
Minority interests		(11,281)	32,426
<b>Profit on ordinary activities attributable to the members of Direct Solutions International Limited</b>	<b>10</b>	<b>449,785</b>	<b>293,285</b>
<b>Dividends</b>	<b>11</b>	-	(62,500)
<b>Retained profit for the year</b>	<b>22</b>	<b>449,785</b>	<b>230,785</b>

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 2001

		Group		Company	
	Notes	2001 £	2000 £	2001 £	2000 £
<b>Fixed assets</b>					
Intangible assets	12	1,670,325	1,788,925	2,172,670	2,290,176
Tangible assets	13	3,851,781	3,502,777	3,803,415	3,202,538
Investments	14	655,597	381,140	375,530	472,334
		<u>6,177,703</u>	<u>5,672,842</u>	<u>6,351,615</u>	<u>5,965,048</u>
<b>Current assets</b>					
Stocks	15	68,329	28,415	68,329	23,636
Debtors	16	6,642,101	5,070,367	6,276,021	4,464,374
Cash at bank and in hand		85,527	230,377	57,055	147,850
		<u>6,795,957</u>	<u>5,329,159</u>	<u>6,401,405</u>	<u>4,635,860</u>
<b>Creditors: amounts falling due within one year</b>	17	(9,125,415)	(7,944,578)	(8,925,241)	(7,152,457)
<b>Net current liabilities</b>		<u>(2,329,458)</u>	<u>(2,615,419)</u>	<u>(2,523,836)</u>	<u>(2,516,597)</u>
<b>Total assets less current liabilities</b>		3,848,245	3,057,423	3,827,779	3,448,451
<b>Creditors: amounts falling due after more than one year</b>	18	(1,219,985)	(1,790,215)	(1,044,985)	(1,783,291)
<b>Provisions for liabilities and charges</b>	19	(442,959)	-	(442,959)	-
<b>Deferred income</b>	20	(1,487,383)	(1,030,098)	(1,487,383)	(1,030,098)
		<u>697,918</u>	<u>237,110</u>	<u>852,452</u>	<u>635,062</u>
<b>Capital and reserves</b>					
Called up share capital	21	31,580	31,580	31,580	31,580
Profit and loss account	22	645,672	195,887	820,872	603,482
<b>Shareholders' funds - equity interests</b>	24	677,252	227,467	852,452	635,062
<b>Minority interests</b>	23	20,666	9,643	-	-
		<u>697,918</u>	<u>237,110</u>	<u>852,452</u>	<u>635,062</u>

The financial statements were approved by the Board on 29 January 2002

A Young  
Director

M Felstead  
Director

# Direct Solutions International Limited

## Consolidated cash flow statement For the year ended 31 July 2001

	Notes	£	2001 £	£	2000 £
<b>Net cash inflow from operating activities</b>	<b>25</b>		912,463		1,277,823
<b>Returns on investments and servicing of finance</b>					
Interest received		3,187		1,211	
Interest paid		(283,524)		(364,238)	
Interest element of hire purchase and finance lease rentals		(94,004)		(40,530)	
<b>Net cash outflow for returns on investments and servicing of finance</b>			(374,341)		(403,557)
<b>Taxation</b>			-		29,540
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(363,810)		(836,183)	
Payments to acquire investments		(449)		(372,114)	
Receipts from sales of tangible assets		30,665		14,256	
<b>Net cash outflow for capital expenditure</b>			(333,594)		(1,194,041)
<b>Equity dividends paid</b>			-		(62,500)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>			204,528		(352,735)
<b>Financing</b>					
Other new long term loans		175,000		-	
Repurchase of debenture loan		(594,814)		(270,851)	
Repayment of long term bank loan		-		(235,935)	
Capital element of finance lease contracts		(537,236)		(468,531)	
<b>Net cash outflow from financing</b>			(957,050)		(975,317)
<b>Decrease in cash in the year</b>	<b>26</b>		<u>(752,522)</u>		<u>(1,328,052)</u>

# **Direct Solutions International Limited**

## **Notes to the consolidated financial statements For the year ended 31 July 2001**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **1.2 Compliance with accounting standards**

The accounts have been prepared in accordance with applicable accounting standards.

#### **1.3 Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 July 2001 and its share of the results and post-acquisition reserves of associated undertakings and joint ventures.

The profits and losses of subsidiary undertakings, associated undertakings and joint ventures are consolidated from the date of acquisition to the date of disposal. When the company's shares are issued in respect of an acquisition, the share premium is computed on the basis of the market value of the shares at the date of acquisition. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is amortised through the profit and loss account in equal instalments over its estimated useful life.

#### **1.4 Turnover**

Turnover represents amounts receivable for goods and services net of VAT.

#### **1.5 Goodwill**

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of businesses acquired and is amortised through the profit and loss account in equal instalments over its estimated useful life.

#### **1.6 Tangible fixed assets and depreciation**

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

Leasehold land and buildings	Over the life of the lease
Plant and machinery	10% Straight line
Fixtures, fittings & equipment	10% Straight line
Motor vehicles	25% Reducing balance

#### **1.7 Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 1 Accounting policies (continued)

#### 1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.9 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

#### 1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year to the personal pension plans of certain employees in accordance with SSAP 24.

#### 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

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

#### 1.13 Reverse lease premiums

Amounts received as an incentive to enter into operating leases, are capitalised and amortised through the profit and loss account on a straight line basis over the shorter of the period up to the date of the first rent review resulting in a market rent or the expiry of the lease itself.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

#### Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2001 £	2000 £
United Kingdom	25,354,746	20,670,037
Europe	336,986	1,231,456
Rest of the World	961,292	1,721,465
	<u>26,653,024</u>	<u>23,622,958</u>

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

<b>3 Operating profit</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Amortisation of intangible assets	118,600	114,100
Depreciation of owned tangible assets	299,352	226,733
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	199,164	180,115
Operating lease rentals		
- Plant and machinery	960,989	438,228
- Other assets	809,795	450,269
Auditors remuneration (company £39,212 2000: £19,000)	56,542	29,174
Remuneration of auditors for non-audit work	26,718	39,114

### 4 Exceptional item

The exceptional loss represents the group share of a joint venture's book loss on the disposal of leased plant and machinery on the early termination of a lease.

<b>5 Other interest receivable and similar income</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Interest	3,864	1,211
	<u>3,864</u>	<u>1,211</u>
Group	2,687	1,211
Joint ventures	596	-
Associates	581	-
	<u>3,864</u>	<u>1,211</u>

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

<b>6 Interest payable</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	299,668	184,165
On other loans wholly repayable within 5 years	62,901	180,073
Hire purchase interest	94,004	40,530
	<u>456,573</u>	<u>404,768</u>
Group	377,528	404,768
Joint ventures	78,747	-
Associates	298	-
	<u>456,573</u>	<u>404,768</u>

## 7 Employees

### Number of employees

The average monthly number of employees (including directors) during the year was:

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
Operations	220	175
Sales	6	6
Administration	59	68
	<u>285</u>	<u>249</u>

### Employment costs

	<b>£</b>	<b>£</b>
Wages and salaries	6,482,724	5,475,751
Social security costs	553,792	284,493
Other pension costs	70,044	105,523
	<u>7,106,560</u>	<u>5,865,767</u>

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

8 Directors' emoluments	2001 £	2000 £
Remuneration	583,586	583,590
Pension contributions	53,000	73,560
	<u>636,586</u>	<u>657,150</u>

Emoluments disclosed above include amounts paid to:

The highest paid director (including pension contributions of £15,400)	<u>143,295</u>	<u>196,217</u>
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The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2000: - 3)

Directors' emoluments include £31,466 payable to a third party for the service of one director.

9 Taxation	2001 £	2000 £
<b>U.K. current year taxation</b>		
Group U.K. corporation tax at 30%	26,787	-
Deferred taxation	252,163	-
Share of taxation of joint ventures	52,865	-
Share of taxation of associates	37,835	1,535
	<u>369,650</u>	<u>1,535</u>
<b>Prior years</b>		
Group U.K. corporation tax	(18,679)	9,955
Deferred taxation	190,796	-
	<u>541,767</u>	<u>11,490</u>

### 10 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The holding company's profit for the financial year before tax is £886,383 (2000: £645,123).

11 Dividends	2001 £	2000 £
Ordinary interim paid	<u>-</u>	<u>62,500</u>

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 12 Intangible fixed assets

#### Group

#### Goodwill £

#### Cost

At 1 August 2000

2,174,175

At 31 July 2001

2,174,175

#### Amortisation

At 1 August 2000

385,250

Charge for year

118,600

At 31 July 2001

503,850

#### Net book value

At 31 July 2001

1,670,325

At 31 July 2000

1,788,925

#### Company

#### Goodwill £

#### Cost

At 1 August 2000

2,290,176

Additions

7,500

At 31 July 2001

2,297,676

#### Amortisation

At 1 August 2000

-

Charge for year

125,006

At 31 July 2001

125,006

#### Net book value

At 31 July 2001

2,172,670

At 31 July 2000

2,290,176



# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 13 Tangible fixed assets

#### Group

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 August 2000	254,473	2,631,751	1,175,572	306,104	4,367,900
Additions	78,368	98,613	530,156	178,536	885,673
Disposals	-	-	-	(110,797)	(110,797)
At 31 July 2001	332,841	2,730,364	1,705,728	373,843	5,142,776
<b>Depreciation</b>					
At 1 August 2000	8,635	417,191	293,917	145,380	865,123
On disposals	-	-	-	(72,644)	(72,644)
Charge for the year	25,209	280,980	147,043	45,284	498,516
At 31 July 2001	33,844	698,171	440,960	118,020	1,290,995
<b>Net book value</b>					
At 31 July 2001	298,997	2,032,193	1,264,768	255,823	3,851,781
At 31 July 2000	245,838	2,214,560	881,655	160,724	3,502,777

The net book value of tangible fixed assets includes an amount of £1,763,184 (2000: £1,534,541) in respect of assets held under finance leases or hire purchase contracts.

Transfers represents the cost and accumulated depreciation of assets transferred from other group companies.

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 13 Tangible fixed assets (continued)

#### Company

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 August 2000	227,853	2,336,109	1,107,760	287,933	3,959,655
Additions	78,368	262,418	570,975	188,844	1,100,605
Transfers	26,620	-	-	-	26,620
Disposals	-	-	-	(110,797)	(110,797)
At 31 July 2001	<u>332,841</u>	<u>2,598,527</u>	<u>1,678,735</u>	<u>365,980</u>	<u>4,976,083</u>
<b>Depreciation</b>					
At 1 August 2000	7,304	344,216	260,700	144,897	757,117
Transfers	1,331	-	-	-	1,331
On disposals	-	-	-	(72,644)	(72,644)
Charge for the year	<u>25,209</u>	<u>272,790</u>	<u>144,253</u>	<u>44,612</u>	<u>486,864</u>
At 31 July 2001	<u>33,844</u>	<u>617,006</u>	<u>404,953</u>	<u>116,865</u>	<u>1,172,668</u>
<b>Net book value</b>					
At 31 July 2001	<u>298,997</u>	<u>1,981,521</u>	<u>1,273,782</u>	<u>249,115</u>	<u>3,803,415</u>
At 31 July 2000	<u>220,549</u>	<u>1,991,893</u>	<u>847,060</u>	<u>143,036</u>	<u>3,202,538</u>

The net book value of tangible fixed assets includes an amount of £1,763,184 (2000: £1,534,541) in respect of assets held under finance leases or hire purchase contracts.

Transfers represents the cost and accumulated depreciation of assets transferred from other group companies.

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 14 Fixed asset investments Group

Cost	Shares in participating interests £
At 1 August 2000	381,140
Additions	274,457
At 31 July 2001	655,597
<b>Net book value</b>	
At 31 July 2001	655,597
At 31 July 2000	381,140

### Interests in associated undertakings and joint ventures

	£	£
Cost		373,163
Groups shares of post-acquisition reserves:		
At 1 August 2000	8,476	
Share of retained profits for the year	273,958	
		282,434
At 31 July 2001		655,597

### Investment in joint ventures:

Share of assets		
Fixed assets	1,525,855	
Current assets	1,173,701	
		2,699,556
Share of liabilities		
Due within one year or less	1,392,886	
Due after more than one year	741,635	
		(2,134,521)
Share of net assets		565,035
<b>Investments in associates</b>		90,562
At 31 July 2001		655,597

### 14 Fixed asset investments (continued)

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

The group's share of the joint venture, dsi Print Services Limited, is as follows:

	£	£
Share of turnover		3,071,253
Share of profit before tax	95,761	
Taxation	(27,005)	
		68,756
Share of assets		
Fixed assets	1,365,739	
Current assets	735,578	
		2,101,317
Share of liabilities		
Due within one year or less	960,821	
Due after more than one year	708,482	
		(1,669,303)
Share of net assets		432,014

### Company

	Shares in participating interests	Shares in subsidiary undertakings	Total
	£	£	£
<b>Cost</b>			
At 1 August 2000	372,164	100,170	472,334
Additions	449	2,747	3,196
At 31 July 2001	372,613	102,917	475,530
<b>Provisions for diminution in value</b>			
At 1 August 2000	-	-	-
Charge for the year	-	100,000	100,000
At 31 July 2001	-	100,000	100,000
<b>Net book value</b>			
At 31 July 2001	372,613	2,917	375,530
At 31 July 2000	372,164	100,170	472,334

## Direct Solutions International Limited

### Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies, all of which are incorporated in England and Wales:

Company	Principal activity	Ordinary shares held %
<b>Subsidiary undertakings</b>		
dsi Business Support Limited	Dormant	100
dsi Data Services Limited	Dormant and owns 50% of dsi AMIC Limited	90
Driscoll Direct Mail (Holdings) Limited	Dormant	100
Driscoll Direct Mail Limited	Dormant	100
dsi Bulk Mailing Centre Limited	Dormant	100
dsi Sameday Express Limited	Courier services specialising in urgent deliveries	100
The Fulfilment Group Limited	Provision of fulfilment services	95
IFS New Media Limited	Media and web design services	51
UK Pre-Sort Limited	Dormant	100
Mail Pre-Sort Limited	Dormant	100
dsi Mailcode Limited	Dormant	100
<b>Participating interests</b>		
European Direct Mail Services Limited	Mailing and delivery services	50
The Database Centre Limited	Database management	33
Response Handling Centre Limited	Administration support for fund-raising companies	33
<b>Other significant interests</b>		
dsi AMIC Limited	Programming and systems development services	45
Talislake Limited	Printing services	45
dsi Print Services Limited	Dormant holding company of Talislake Limited	50
dsi Billing Services Limited	Billing and service providers	50
dsi International Distribution Limited	International freight courier	50

The results of IFS New Media Limited are based on the unaudited accounts for the year to 30 September 2001. The directors are considering changing the year end to be coterminous with the holding company.

The results of the participating interests are based upon the unaudited management accounts of each entity for the seven months to 31 July 2001 and five months time apportioned results of the audited accounts for the year ended 31 December 2000.

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 15 Stocks and work in progress

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Work in progress	64,339	17,126	64,339	17,126
Finished goods and goods for resale	3,990	11,289	3,990	6,510
	<u>68,329</u>	<u>28,415</u>	<u>68,329</u>	<u>23,636</u>

### 16 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Trade debtors	4,698,933	4,294,516	4,305,237	3,606,589
Amounts owed by group undertakings	-	-	81,186	101,660
Amounts owed by participating interests	480,278	265,985	453,631	388,439
Other debtors	1,108,074	238,832	1,094,926	200,818
Prepayments	354,816	271,034	341,041	166,868
	<u>6,642,101</u>	<u>5,070,367</u>	<u>6,276,021</u>	<u>4,464,374</u>

Amounts falling due after more than one year and included in the debtors above are:

Other debtors	<u>962,384</u>	<u>-</u>	<u>962,384</u>	<u>-</u>
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Group trade debts amounting to £4,526,330 (2000: £4,150,235) have been sold under a debt purchase agreement with Lloyds TSB. This includes all of the company trade debts.

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

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

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Debenture loans	353,682	296,177	353,682	296,177
Bank loans and overdrafts	3,727,028	3,119,356	3,517,764	2,985,214
Net obligations under finance lease and hire purchase contracts	463,866	386,328	463,866	371,855
Trade creditors	2,633,885	2,066,582	2,581,130	1,784,080
Amounts owed to group undertakings	-	-	256,426	295,323
Amounts owed to participating interests	168,122	51,524	163,116	4,639
Corporation tax	26,787	18,679	-	18,679
Other taxes and social security costs	545,953	475,748	473,139	345,593
Other creditors	283,230	434,954	243,404	190,240
Accruals and deferred income	922,862	1,095,230	872,714	860,657
	<u>9,125,415</u>	<u>7,944,578</u>	<u>8,925,241</u>	<u>7,152,457</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 consolidated financial statements (continued) For the year ended 31 July 2001

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

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Debenture loans	412,955	1,065,274	412,955	1,065,274
Other loans	175,000	-	-	-
Net obligations under finance leases and hire purchase agreements	632,030	724,941	632,030	718,017
	<u>1,219,985</u>	<u>1,790,215</u>	<u>1,044,985</u>	<u>1,783,291</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	941,637	1,361,451	766,637	1,361,451
Included in current liabilities	(353,682)	(296,177)	(353,682)	(296,177)
	<u>587,955</u>	<u>1,065,274</u>	<u>412,955</u>	<u>1,065,274</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	353,682	323,867	353,682	323,867
In more than two years but not more than five years	234,273	741,407	59,273	741,407
	<u>587,955</u>	<u>1,065,274</u>	<u>412,955</u>	<u>1,065,274</u>
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	463,866	386,328	463,866	371,855
Repayable between one and five years	632,030	724,941	632,030	718,017
	<u>1,095,896</u>	<u>1,111,269</u>	<u>1,095,896</u>	<u>1,089,872</u>
Included in liabilities falling due within one year	(463,866)	(386,328)	(463,866)	(371,855)
	<u>632,030</u>	<u>724,941</u>	<u>632,030</u>	<u>718,017</u>



# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 19 Provisions for liabilities and charges

#### Group

	Deferred taxation £
Profit and loss account	442,959
Balance at 31 July 2001	<u>442,959</u>

#### Company

Profit and loss account	442,959
Balance at 31 July 2001	<u>442,959</u>

Deferred taxation provided in the financial statements is as follows:

#### Group

	Fully provided 2001 £	2000 £
Accelerated capital allowances	<u>885,918</u>	<u>-</u>

#### Company

	Fully provided 2001 £	2000 £
Accelerated capital allowances	<u>442,959</u>	<u>-</u>

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 20 Deferred income

Group and company	Reverse premium £
Balance at 1 August 2000	1,030,098
Amortisation in the year	(264,135)
Amounts received during the year	962,384
	<u>1,728,347</u>
Included within accruals and deferred income due within one year	(240,964)
	<u>1,487,383</u>

### 21 Share capital

	2001 £	2000 £
<b>Authorised</b>		
40,000 Ordinary shares of £ 1 each	40,000	40,000
60,000 Non - Voting Ordinary shares of £ 1 each	60,000	60,000
	<u>100,000</u>	<u>100,000</u>
 <b>Allotted, called up and fully paid</b>		
31,580 Ordinary shares of £ 1 each	<u>31,580</u>	<u>31,580</u>

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 22 Statement of movements on profit and loss account

#### Group

#### Profit and loss account £

Balance at 1 August 2000	195,887
Retained profit for the year	449,785
	<hr/>
Balance at 31 July 2001	645,672
	<hr/>

#### Company

#### Profit and loss account £

Balance at 1 August 2000	603,482
Retained profit for the year	217,390
	<hr/>
Balance at 31 July 2001	820,872
	<hr/>

### 23 Minority interests

2001

2000

£

£

Minority interests' share of net assets and liabilities in subsidiary undertakings

20,666

9,643

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

<b>24 Reconciliation of movements in shareholders' funds</b>	<b>2001</b>	<b>2000</b>
<b>Group</b>	<b>£</b>	<b>£</b>
Profit for the financial year	449,785	293,285
Dividends	-	(62,500)
Proceeds from issue of shares	-	31,578
Net addition to shareholders' funds	449,785	262,363
Opening shareholders' funds	227,467	(34,896)
Closing shareholders' funds	677,252	227,467
<b>Company</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	217,390	645,123
Dividends	-	(62,500)
Net addition to shareholders' funds	217,390	582,623
Opening shareholders' funds	635,062	52,439
Closing shareholders' funds	852,452	635,062
<b>25 Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Operating profit	1,012,394	667,756
Depreciation of tangible assets	498,516	407,848
Amortisation of intangible assets	118,600	114,100
Loss/(profit) on disposal of tangible assets	7,488	(13,710)
(Increase)/decrease in stocks	(39,914)	213,555
(Increase) in debtors	(1,571,734)	(1,442,941)
Increase in creditors	887,113	1,331,215
Net cash inflow from operating activities	912,463	1,277,823

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

26 Analysis of net debt	1 August 2000	Cash flow	Other non- cash changes	31 July 2001
	£	£	£	£
Net cash:				
Cash at bank and in hand	230,377	(144,850)	-	85,527
Bank overdrafts	(3,119,356)	(607,672)	-	(3,727,028)
		<u>(752,522)</u>		
Debt:				
Finance leases	(1,111,269)	537,236	(521,863)	(1,095,896)
Debts falling due within one year	(296,177)	296,177	(353,682)	(353,682)
Debts falling due after one year	(1,065,274)	123,637	353,682	(587,955)
		<u>957,050</u>		
Net debt	<u>(5,361,699)</u>	<u>204,528</u>	<u>(521,863)</u>	<u>(5,679,034)</u>

27 Reconciliation of net cash flow to movement in net debt	2001 £	2000 £
(Decrease) in cash in the year	(752,522)	(1,328,052)
Cash outflow from decrease in debt and lease financing	<u>957,050</u>	<u>975,317</u>
Change in net cash/(debt) resulting from cash flows	204,528	(352,735)
New finance lease	<u>(521,863)</u>	<u>(522,180)</u>
Movement in net debt in the year	(317,335)	(874,915)
Opening net debt	<u>(5,361,699)</u>	<u>(4,486,784)</u>
Closing net debt	<u>(5,679,034)</u>	<u>(5,361,699)</u>

### 28 Major non-cash transactions

During the year the group entered into hire purchase and finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £521,863 (2000: £522,180).

### 29 Pension costs

The company contributes to the personal pension schemes of certain employees. The pension cost charge represents such contributions and amounted to £70,044 (2000 - £105,523).

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

### 30 Financial commitments

At 31 July 2001 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Expiry date:				
Within one year	-	117,686	109,170	6,672
Between two and five years	170,214	195,573	391,945	360,769
In over five years	1,162,822	72,450	-	369,131
	<u>1,333,036</u>	<u>385,709</u>	<u>501,115</u>	<u>736,572</u>

### 31 Contingent liabilities

The group and company have provided an unlimited guarantee to National Westminster Bank PLC as part of group finance facilities.

## Direct Solutions International Limited

### Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

#### 32 Related party transactions

The company has taken advantage of the exception conferred by FRS 8 not to disclose transactions with subsidiaries where 90% or more of the voting rights are controlled within the group.

Related party transactions during the year were as follows:

		2001 £	2000 £
European Direct Mail Specialists Limited	Sales	658,537	-
	Costs recharged	30,545	-
Talislake Limited	Sales	412,880	130,426
	Purchases	848,888	1,083,914
dsi Billing Services Limited	Sales	464,167	-
	Management charges	24,000	-
	Purchases	-	45,793
dsi AMIC Limited	Management charges	82,414	202,737
	Purchases	488,000	-
	Costs recharged	130,372	-

The following balances were outstanding at the year end:

		2001 £	2000 £
European Direct Mail Specialists Limited	Debtor	383,050	-
IFS New Media Limited	Debtor	81,186	97,369
dsi Billing Services Limited	Debtor	74,831	49,430
Talislake Limited	Creditor	121,276	132,252
dsi AMIC Limited	Creditor	55,563	32,501
dsi International Distribution Limited	Creditor	10,190	-

# Direct Solutions International Limited

## Notes to the consolidated financial statements (continued) For the year ended 31 July 2001

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### 33 Transactions with directors

The debenture loan was made by I W Driscoll, a director of the company and is repayable in instalments by 2003. Interest is charged at a variable rate which was 5% at the balance sheet date.

At the balance sheet date the following directors had interest free loans remaining due to the company:

	2001	2000
	£	£
A Young	9,294	-
S A Felstead	7,139	-
I W Driscoll	8,201	-
M Felstead	-	25,069

All of the above loans have been subsequently repaid to the company since the balance sheet date.

### 33 Control

The entire share capital of the company is controlled by the company's directors.