

REGISTERED IN THE UNITED KINGDOM Company Registration No. 2788181 (England and Wales)

DIRECT SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT AND GROUP ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1998



DIRECT SOLUTIONS INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors

A Young
I W Driscoll
M Felstead
S A Felstead

Secretary

A Young

Registered office

Unit B4 Thamesview Business Centre
Barlow Way
Rainham
Essex RM13 8BT

Business address

Unit B4 Thamesview Business Centre
Barlow Way
Rainham
Essex RM13 8BT

Auditors

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

DIRECT SOLUTIONS INTERNATIONAL LIMITED

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DIRECT SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT *REGISTERED OFFICE: Please return to H. W. Fisher & Co.*
FOR THE YEAR ENDED 31 JANUARY 1998

The directors present their report and group accounts for the year ended 31 January 1998.

Principal activities

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

Review of business

The year ended 31 January 1998 was a period of rapid expansion. During the year, the company acquired Driscoll Direct Mail Limited, a company specialising in direct mail activities. Activities were also expanded into mailing room contingency planning and international freight courier services. Continued substantial growth is expected for 1998/99.

Results and dividends

The group profit for the year after taxation and minority interests amounted to £111,020.

The directors do not recommend payment of an ordinary dividend.

Directors and their interests

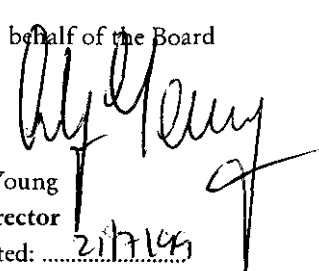
The directors at 31 January 1998 and their beneficial interests in the shares of the company were:

	Ordinary shares of £1 each	
	31 January 1998	1 February 1997
A Young	7,500	7,500
I W Driscoll	7,500	7,500
M Felstead	7,500	7,500
S A Felstead	7,500	7,500

Auditors

Gary Sargeant & Company resigned as auditors on 15 January 1998 and H W Fisher & Company were appointed in their place. 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: 21/1/98

DIRECT SOLUTIONS INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

We have audited the accounts on pages 4 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 2 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 January 1998 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: *23 July 1999*

DIRECT SOLUTIONS INTERNATIONAL LIMITED

REGISTERED OFFICE: Please return to H. W. Fisher & Co.

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1998

	Notes	1998 £	1997 £
Turnover	2		
Continuing operations		9,482,800	7,261,961
Acquisitions		7,634,400	-
		<u>17,117,200</u>	<u>7,261,961</u>
Cost of sales		(12,665,447)	(5,445,827)
Gross profit		<u>4,451,753</u>	<u>1,816,134</u>
Distribution costs		(153,907)	-
Administrative expenses		(3,909,432)	(1,448,297)
Other operating income	7	<u>10,032</u>	<u>-</u>
Operating profit	4		
Continuing operations		434,660	367,837
Acquisitions		(36,214)	-
		<u>398,446</u>	<u>367,837</u>
Other income	8	13,056	-
Interest payable and similar charges	9	<u>(219,336)</u>	<u>(43,061)</u>
Profit on ordinary activities before taxation		<u>192,166</u>	<u>324,776</u>
Tax on profit on ordinary activities	10	<u>(59,614)</u>	<u>(63,071)</u>
Profit on ordinary activities after taxation		<u>132,552</u>	<u>261,705</u>
Minority interests		<u>(21,532)</u>	<u>-</u>
Profit for the financial year	11	<u>111,020</u>	<u>261,705</u>
Dividends		<u>(42,774)</u>	<u>(128,000)</u>
Retained profit for the year		<u>68,246</u>	<u>133,705</u>
Retained profit brought forward		<u>335,490</u>	<u>201,785</u>
Retained profit carried forward		<u><u>403,736</u></u>	<u><u>335,490</u></u>

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 JANUARY 1998

	Notes	Group 1998 £	1997 £	Company 1998 £	1997 £
Fixed assets					
Intangible assets	13	2,137,008	-	-	-
Tangible assets	14	1,958,608	804,752	1,059,569	804,752
Investments	15	8,526	-	2,390,316	-
		<u>4,104,142</u>	<u>804,752</u>	<u>3,449,885</u>	<u>804,752</u>
Current assets					
Stocks	16	177,088	-	35,926	-
Debtors	17	4,096,508	1,665,202	2,366,703	1,665,202
Cash at bank and in hand		3,734	50	-	50
		<u>4,277,330</u>	<u>1,665,252</u>	<u>2,402,629</u>	<u>1,665,252</u>
Creditors: amounts falling due within one year	18	<u>(5,529,117)</u>	<u>(1,968,170)</u>	<u>(3,148,928)</u>	<u>(1,968,170)</u>
Net current assets		<u>(1,251,787)</u>	<u>(302,918)</u>	<u>(746,299)</u>	<u>(302,918)</u>
Total assets less current liabilities		<u>2,852,355</u>	<u>501,834</u>	<u>2,703,586</u>	<u>501,834</u>
Creditors: amounts falling due after more than one year	19	<u>(2,385,032)</u>	<u>(166,342)</u>	<u>(2,242,609)</u>	<u>(166,342)</u>
		<u>467,323</u>	<u>335,492</u>	<u>460,977</u>	<u>335,492</u>
Capital and reserves					
Called up share capital	21	2	2	2	2
Profit and loss account		<u>403,736</u>	<u>335,490</u>	<u>460,975</u>	<u>335,490</u>
	23	<u>403,738</u>	<u>335,492</u>	<u>460,977</u>	<u>335,492</u>
Minority interests	22	<u>63,585</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>467,323</u>	<u>335,492</u>	<u>460,977</u>	<u>335,492</u>

The accounts were approved by the board on 21/7/99.

A Young
Director

DIRECT SOLUTIONS INTERNATIONAL LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 1998

	Notes	1998 £	1997 £
Net cash inflow from operating activities	24	728,688	225,295
Returns on investments and servicing of finance			
Interest received	103	-	-
Interest paid	(182,738)	(22,802)	-
Interest element of hire purchase and finance lease rentals	(36,598)	(20,259)	-
Other income (cash basis)	12,953	-	-
Net cash outflow from returns on investments and servicing of finance		(206,280)	(43,061)
Corporation tax		(100,673)	(29,335)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(500,540)	(553,540)	-
Receipts from sales of tangible fixed assets	53,924	350	-
Net cash outflow from capital expenditure and financial investment		(446,616)	(553,190)
Acquisitions and disposals			
Purchase of subsidiary undertakings	(2,899,591)	-	-
Net cash outflow on acquisitions and disposals		(2,899,591)	-
Equity dividends paid		(42,774)	(128,000)
Net cash outflow before financing		(2,967,246)	(687,094)
Financing			
New debenture loan	1,879,996	-	-
New long term bank loan	375,000	-	-
Capital element of hire purchase and finance lease rentals	(120,367)	278,198	-
Net cash inflow from financing		2,134,931	278,198
Decrease in cash	25	(832,315)	(408,896)

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1998

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 January 1998. 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, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land is not depreciated

Freehold buildings	2% straight line
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 permanent diminution in value.

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1998

1.9 Stock

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.

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.

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 Cost of sales and net operating expenses

The total figures for continuing operations in 1998 include the following amounts relating to acquisitions: cost of sales £5,764,231, distribution costs £44,867, administrative expenses £1,861,516 and other operating income £-

4 Operating profit	1998	1997
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	100,000	-
Depreciation of owned tangible assets	128,249	50,823
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	105,379	57,991
Operating lease rentals		
- Plant and machinery	98,890	6,798
- Other assets	159,154	112,851
Auditors' remuneration (company £17,160; 1997 : £20,000)	46,795	20,000
Remuneration of auditors for non-audit work	22,309	2,462

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1998

to H. W. Fisher & Co.

5	Directors' emoluments	1998 £	1997 £
	Aggregate emoluments	958,399	642,365
	Company contributions to defined contribution pension schemes	67,393	34,590
		<u>1,025,792</u>	<u>676,955</u>

Retirement benefits are accruing to 3 (1997 - 3) directors under defined contribution schemes.

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

Aggregate emoluments	240,972	160,345
Company contributions to defined contribution pension schemes	11,333	-
	<u>252,305</u>	<u>160,345</u>

6 Employees

Number of employees

The average weekly number of employees during the year was:

	1998 Number	1997 Number
Production	167	28
Transport	10	10
Sales	9	8
Administration	47	12
	<u>233</u>	<u>58</u>

Employment costs

	£	£
Wages and salaries	1,986,698	1,080,802
Social security costs	413,451	62,887
Other pension costs	105,088	40,064
	<u>2,505,237</u>	<u>1,183,753</u>

7	Other operating income	1998 £	1997 £
	Income from interest in associated undertakings	10,032	-
		<u>10,032</u>	<u>-</u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS. Please return to H. W. Fisher & CO.
FOR THE YEAR ENDED 31 JANUARY 1998

8 Other income	1998	1997
	£	£
Interest receivable and similar income	13,056	-
9 Interest payable and similar charges	1998	1997
	£	£
Interest payable on:		
Bank loans and overdrafts	125,198	22,802
Other loans	57,496	-
Finance lease and hire purchase contracts	36,598	20,259
Late payment of tax	44	-
	219,336	43,061
10 Taxation	1998	1997
	£	£
U.K. current year taxation		
U.K. corporation tax at 31% (1997 - 33%)	35,292	63,071
Share of taxation of associates	1,556	-
	36,848	63,071
Prior years		
U.K. Corporation tax	22,766	-
	59,614	63,071
11 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 accounts. The profit for the financial year is made up as follows:		
	1998	1997
	£	£
Holding company's profit for the financial year	125,485	261,705
12 Dividends	1998	1997
	£	£
Ordinary final proposed	-	128,000

DIRECT SOLUTIONS INTERNATIONAL LIMITED

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NOTES TO THE GROUP ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1998

13 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 February 1997	-
Additions	2,237,008
At 31 January 1998	2,237,008
Amortisation	
At 1 February 1997	-
Charge for year	100,000
At 31 January 1998	100,000
Net book value	
At 31 January 1998	2,137,008

14 Tangible fixed assets

Group	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 February 1997	7,130	591,023	206,336	232,722	1,037,211
Transfers in on acquisition	300,000	317,964	86,901	7,624	712,489
Additions	183	246,370	322,276	163,431	732,260
Disposals	-	(38,788)	-	(57,328)	(96,116)
At 31 January 1998	307,313	1,116,569	615,513	346,449	2,385,844
Depreciation					
At 1 February 1997	-	166,594	22,558	43,307	232,459
On disposals	-	(7,764)	-	(31,087)	(38,851)
Charge for the year	-	111,141	68,932	53,555	233,628
At 31 January 1998	-	269,971	91,490	65,775	427,236
Net book value					
At 31 January 1998	307,313	846,598	524,023	280,674	1,958,608
At 31 January 1997	7,130	424,429	183,778	189,415	804,752

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1998

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £520,795 (1997 - £319,579) in respect of assets held under finance leases or hire purchase contracts.

Company

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 February 1997	7,130	591,023	206,336	232,722	1,037,211
Additions	183	114,612	237,488	111,736	464,019
Disposals	-	(4,500)	-	(40,424)	(44,924)
At 31 January 1998	7,313	701,135	443,824	304,034	1,456,306
Depreciation					
At 1 February 1997	-	166,594	22,558	43,307	232,459
On disposals	-	(1,764)	-	(15,287)	(17,051)
Charge for the year	-	82,297	46,857	52,175	181,329
At 31 January 1998	-	247,127	69,415	80,195	396,737
Net book value					
At 31 January 1998	7,313	454,008	374,409	223,839	1,059,569
At 31 January 1997	7,130	424,429	183,778	189,415	804,752

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £432,036 (1997 - £319,579) 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 JANUARY 1998

15 Fixed asset investments Group

	1998 £	1997 £
Associated undertakings	8,526	-
Associated undertakings		
		Share of net tangible assets
Cost at 1 February 1997		-
Additions		50
Share of net profit of associated undertakings		8,476
At 31 January 1998		8,526

Company

	Shares in participating interests £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 February 1997	-	-	-
Additions	50	2,390,266	2,390,316
At 31 January 1998	50	2,390,266	2,390,316

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	80
Driscoll Direct Mail Limited	England	Ordinary	100
Participating interests			
DSI Worldwide Limited	England	Ordinary	50

Driscoll Direct Mail Limited is a wholly-owned subsidiary of Driscoll Direct Mail Limited (Holdings) Limited. The other subsidiary undertakings are owned directly by Direct Solutions International Limited.

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1998

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

	Principal activity
DSI Business Support Limited	Contingency planning
DSI Data Services Limited	Data processing and laser printing bureau
Driscoll Direct Mail (Holdings) Limited	Mailing and delivery services
Driscoll Direct Mail Limited	Mailing and delivery services
DSI Worldwide Limited	International freight courier

On 1 February 1997, DSI Business Support Limited became operational as a 100%-owned subsidiary and on 1 March 1997 90% of the ordinary share capital of DSI Data Services Limited was acquired for a cash consideration of £90. This company had not traded prior to acquisition.

On 25 September 1997, Direct Solutions International Limited acquired 80% of the ordinary shares of Driscoll Direct Mail (Holdings) Limited and its wholly-owned subsidiary undertaking, for a consideration of £410,810 in cash and debenture loans totalling £1,879,996.

The fair values on acquisition and the goodwill arising are as follows:

	Driscoll Direct Mail Limited	Driscoll Direct Mail (Holdings) Limited	DSI Business Support Limited	DSI Data Services Limited	Total
	£	£	£	£	£
Fair value of net assets:					
Tangible fixed assets	412,489	300,000	-	-	712,489
Stocks	96,472	-	-	-	96,472
Debtors	2,123,145	33,956	-	100	2,157,201
Cash /(overdrafts)	(510,470)	1,145	-	-	(509,325)
Creditors due within one year	(1,859,736)	(384,791)	-	-	(2,244,527)
Minority interests	(52,380)	8,338	-	(10)	(44,052)
Net assets	209,520	(41,352)	-	90	168,258
Goodwill	-	2,122,008	100,000	-	2,222,008
Cost	209,520	2,080,656	100,000	90	2,390,266
Discharged by:					
Cash	209,520	200,660	100,000	90	510,270
Debenture loans issued	-	1,879,996	-	-	1,879,996
	209,520	2,080,656	100,000	90	2,390,266

Driscoll Direct Mail (Holdings) Limited and Driscoll Direct Mail Limited contributed £85,434 to the group's net operating cash flows, paid £56,576 in respect of net returns on investments and servicing of finance, paid £66,519 in respect of taxation and utilised £874,224 for capital expenditure and financial investment.

DIRECT SOLUTIONS INTERNATIONAL LIMITED

Please return to Mr. W. Fisher & Co.

NOTES TO THE GROUP ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1998

These companies made losses of £121,714 in the period from 1 November 1996 to 31 January 1998 (year to 31 October 1996 - profits of £404,893), of which £98,982 arose in the period from 1 November 1996 to 25 September 1997. The summarised profit and loss account for these companies for the period from 1 November 1996 to the effective date of acquisition is as follows:

	£
Turnover	3,100,183
Operating loss	(51,450)
Loss before tax	(72,019)
Taxation and minority interest	(26,963)
Loss for the period to 25 September 1997	(98,982)

There were no recognised gains or losses in the period ended 25 September 1997 other than the loss of £98,982 above.

16 Stocks and work in progress

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Raw materials and consumables	49,899	-	-	-
Work in progress	127,189	-	35,926	-
	<u>177,088</u>	<u>-</u>	<u>35,926</u>	<u>-</u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1998

17 Debtors

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	3,579,833	1,453,080	2,083,437	1,453,080
Amounts owed by group undertakings	-	-	209,655	-
Amounts owed by companies under common control	-	131,655	-	131,655
Corporation tax	119,456	-	-	-
Other debtors	32,974	19,908	14,671	19,908
Prepayments and accrued income	364,245	60,559	58,940	60,559
	<u>4,096,508</u>	<u>1,665,202</u>	<u>2,366,703</u>	<u>1,665,202</u>

18 Creditors : amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Debenture loans	97,694	-	97,694	-
Bank loans	251,736	-	225,000	-
Bank overdrafts	1,244,945	408,946	440,320	408,946
Net obligations under finance lease and hire purchase contracts	247,472	111,856	204,290	111,856
Trade creditors	1,935,540	814,012	1,132,162	814,012
Amounts owed to group undertakings	-	-	46,303	-
Amounts owed to participating interests	909	-	-	-
Corporation tax	87,811	33,736	27,000	33,736
Other taxes and social security costs	405,676	37,572	243,510	37,572
Directors current accounts	276,867	23,327	202,984	23,327
Other creditors	4,885	-	3,254	-
Accruals and deferred income	975,582	538,721	526,411	538,721
	<u>5,529,117</u>	<u>1,968,170</u>	<u>3,148,928</u>	<u>1,968,170</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 JANUARY 1998

19 Creditors : amounts falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Debenture loans	1,782,302	-	1,782,302	-
Bank loans	261,406	-	150,000	-
Net obligations under finance leases and hire purchase agreements	341,324	166,342	310,307	166,342
	<u>2,385,032</u>	<u>166,342</u>	<u>2,242,609</u>	<u>166,342</u>
Analysis of loans				
Wholly repayable within five years	2,393,138	-	2,254,996	-
Included in current liabilities	(349,430)	-	(322,694)	-
	<u>2,043,708</u>	<u>-</u>	<u>1,932,302</u>	<u>-</u>
Loan maturity analysis				
Between one and two years	176,737	-	150,000	-
Between two and five years	80,213	-	-	-
In five years or more	4,456	-	-	-
	<u>261,406</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	247,472	111,856	247,472	111,856
Repayable between one and five years	341,324	166,342	341,324	166,342
	<u>588,796</u>	<u>278,198</u>	<u>588,796</u>	<u>278,198</u>
Included in liabilities falling due within one year	(247,472)	(111,856)	(204,290)	(111,856)
	<u>341,324</u>	<u>166,342</u>	<u>384,506</u>	<u>166,342</u>

During the year, the group borrowed £450,000 to assist in the purchase of 80% shareholding in Driscoll Direct Mail (Holdings) Limited Group. The loan is repayable over 2 years at £18,750 per month and interest is charged at base rate plus 2.5%, to be repaid as it falls due.

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 JANUARY 1998**

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 £112,695 (1997 - £40,064).

21 Share capital	1998	1997
	£	£
Authorised		
30,000 Ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

As at 31 January 1998, 29,998 shares were uncalled and unpaid. Subsequent to the year end, these shares were called up and were paid in full.

22 Minority interests	1998	1997
	£	£
Minority interests' share of net assets and liabilities in subsidiary undertakings	63,585	-

23 Reconciliation of movements in shareholders' funds	1998	1997
Group	£	£
Profit for the financial year	111,020	261,705
Dividends	(42,774)	(128,000)
Net addition to shareholders' funds	68,246	133,705
Opening shareholders' funds	335,492	201,787
Closing shareholders' funds	403,738	335,492

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1998

24 Net cash inflow from operating activities	1998	1997
	£	£
Reconciliation to operating profit:		
Operating profit	398,446	367,837
Depreciation of tangible fixed assets	233,628	108,814
Amortisation of intangible fixed assets	100,000	-
Profit on disposal of tangible fixed assets	3,341	214
Increase in stocks	(80,616)	-
Increase in debtors	(26,653)	(1,688,405)
(Decrease)/increase in creditors	(256,601)	1,436,835
Share of profits of associated undertakings	10,032	-
	<u>728,688</u>	<u>225,295</u>
25 Reconciliation of net cash flow to movement in net debt	1998	1997
	£	£
Decrease in cash	(832,315)	(408,896)
New debenture loan	(1,879,996)	-
New long term bank loan	(375,000)	-
Loans and finance leases acquired with subsidiaries	(337,387)	-
Capital element of hire purchase and finance lease rentals	120,367	(278,198)
Change in net debt resulting from cash flows	<u>(3,304,331)</u>	<u>(687,094)</u>
New finance leases	(231,720)	-
Movement in net debt	<u>(3,536,051)</u>	<u>(687,094)</u>
Net debt at 1 February 1997	<u>(687,094)</u>	-
Net debt at 31 January 1998	<u><u>(4,223,145)</u></u>	<u><u>(687,094)</u></u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1998

26 Analysis of net debt

	At 1 February 1997 £	Cash flow £	Non-cash changes £	At 31 January 1998 £
Cash at bank and in hand	469,545	(465,811)	-	3,734
Bank overdrafts	(878,441)	(366,504)	-	(1,244,945)
		(832,315)		
Debt due within one year	-	(2,393,138)	2,043,708	(349,430)
Debt due after one year	-	-	(2,043,708)	(2,043,708)
Hire purchase and finance leases	(278,198)	(78,878)	(231,720)	(588,796)
		(2,472,016)		
	<u>(687,094)</u>	<u>(3,304,331)</u>	<u>(231,720)</u>	<u>(4,223,145)</u>

27 Financial commitments

At 31 January 1998 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1998 £	1997 £	1998 £	1997 £
Expiry date:				
Within one year	102,705	-	14,292	-
Between two and five years	86,902	64,859	75,469	-
In over five years	-	-	-	23,683
	<u>189,607</u>	<u>64,859</u>	<u>89,761</u>	<u>23,683</u>

At 31 January 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1998 £	1997 £	1998 £	1997 £
Expiry date:				
Within one year	-	-	14,292	-
Between two and five years	71,302	64,859	41,634	23,683
	<u>71,302</u>	<u>64,859</u>	<u>55,926</u>	<u>23,683</u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 1998

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 in year
	1998	1997	
	£	£	£
T Drake	6,791	-	-

The balance due at the year end from T Drake represents personal expenses paid by the group on his behalf.

During the year, the following trading transactions and balances arose with DSI International Limited (trading as DSI Worldwide Limited):

	£
Sales	36,488
Purchases	85,273
Balance outstanding at year end	7,849