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Company Registration No. 2788181 (England and Wales)

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DIRECT SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT AND GROUP ACCOUNTS

FOR THE PERIOD ENDED 31 JULY 1999



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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

FOR THE PERIOD ENDED 31 JULY 1999

The directors present their report and group accounts for the period ended 31 July 1999.

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 period ended 31 July 1999 was a period of rapid expansion. During the year, the company established DSI Bulk Mailing Centre Limited, a company specialising in mail activities. Activities were also expanded in mailing room contingency planning and international freight courier services. Continued substantial growth is expected for 1999/2000

Results and dividends

The group loss for the period after taxation and minority interests amounted to £438,634.

The directors recommend payment of an ordinary dividend of £

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.

Directors and their interests

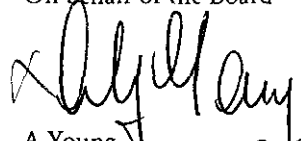
The directors at 31 July 1999 and their beneficial interests in the shares of the company were:

	Ordinary shares of £1 each	
	31 July 1999	1 February 1998
A Young	1	1
I W Driscoll	-	-
M Felstead	1	1
S A Felstead	-	-

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: 21.03.2000

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 19 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 July 1999 and of the group's loss for the period 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: 28/3/00

DIRECT SOLUTIONS INTERNATIONAL LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 JULY 1999

		Period ended 31 July 1999 £	31 January 1998 £
	Notes		
Turnover		30,897,241	17,117,200
Cost of sales		(23,886,254)	(12,665,447)
Gross profit		7,010,987	4,451,753
Distribution costs		(208,685)	(153,907)
Administrative expenses		(6,733,918)	(3,909,432)
Other operating income	7	28,928	10,032
Operating profit	4	97,312	398,446
Other income	8	99,840	13,056
Interest payable and similar charges	9	(589,161)	(219,336)
(Loss)/profit on ordinary activities before taxation		(392,009)	192,166
Tax on (loss)/profit on ordinary activities	10	(5,135)	(59,614)
(Loss)/profit on ordinary activities after taxation		(397,144)	132,552
Minority interests		(41,490)	(21,532)
(Loss)/profit for the financial period	11	(438,634)	111,020
Dividends		-	(42,774)
Retained (loss)/profit for the period		(438,634)	68,246
Retained profit brought forward		403,736	335,490
(Accumulated loss)/retained profit carried forward		(34,898)	403,736

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 1999

		Group		Company	
	Notes	1999	1998	1999	1998
		£	£	£	£
Fixed assets					
Intangible assets	12	1,965,858	2,137,008	-	-
Tangible assets	13	2,552,808	1,958,608	2,397,913	1,059,569
Investments	14	8,526	8,526	2,390,396	2,390,316
		<u>4,527,192</u>	<u>4,104,142</u>	<u>4,788,309</u>	<u>3,449,885</u>
Current assets					
Stocks	15	241,970	177,088	219,856	35,926
Debtors	16	3,668,456	4,096,508	3,323,915	2,366,703
Cash at bank and in hand		267,213	3,734	83,665	-
		<u>4,177,639</u>	<u>4,277,330</u>	<u>3,627,436</u>	<u>2,402,629</u>
Creditors: amounts falling due within one year	17	<u>(6,546,210)</u>	<u>(5,529,117)</u>	<u>(6,410,893)</u>	<u>(3,148,928)</u>
Net current assets		<u>(2,368,571)</u>	<u>(1,251,787)</u>	<u>(2,783,457)</u>	<u>(746,299)</u>
Total assets less current liabilities		<u>2,158,621</u>	<u>2,852,355</u>	<u>2,004,852</u>	<u>2,703,586</u>
Creditors: amounts falling due after more than one year	18	<u>(2,088,442)</u>	<u>(2,385,032)</u>	<u>(2,073,991)</u>	<u>(2,242,609)</u>
		<u>70,179</u>	<u>467,323</u>	<u>(69,139)</u>	<u>460,977</u>
Capital and reserves					
Called up share capital	20	2	2	2	2
Profit and loss account		<u>(34,898)</u>	<u>403,736</u>	<u>(69,141)</u>	<u>460,975</u>
	22	<u>(34,896)</u>	<u>403,738</u>	<u>(69,139)</u>	<u>460,977</u>
Minority interests	21	<u>105,075</u>	<u>63,585</u>	<u>-</u>	<u>-</u>
		<u>70,179</u>	<u>467,323</u>	<u>(69,139)</u>	<u>460,977</u>

The accounts were approved by the board on 12.10.2000


A Young
Director

DIRECT SOLUTIONS INTERNATIONAL LIMITED

GROUP CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 JULY 1999

	Notes	Period ended 31 July 1999 £	31 January 1998 £
Net cash inflow from operating activities	23	1,270,056	728,688
Returns on investments and servicing of finance			
Interest received		2,840	103
Interest paid		(497,931)	(182,738)
Interest element of hire purchase and finance lease rentals		(91,230)	(36,598)
Other income (cash basis)		97,000	12,953
Net cash outflow from returns on investments and servicing of finance		(489,321)	(206,280)
Corporation tax		4,159	(100,673)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(473,843)	(500,540)
Receipts from sales of tangible fixed assets		431,240	53,924
Net cash (outflow)/inflow from capital expenditure and financial investment		(42,603)	(446,616)
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)
Net cash inflow/(outflow) before financing		742,291	(2,967,246)
Financing			
New debenture loan		-	1,879,996
New long term bank loan		-	375,000
Repurchase of debenture loan		(247,694)	-
Repayment of long term bank loan		(277,207)	-
Capital element of hire purchase and finance lease rentals		(537,106)	(120,065)
Net cash (outflow)/inflow from financing		(1,062,007)	2,134,931
Decrease in cash	24	(319,716)	(832,315)

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

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 1999. 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:

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.

The cost of work in progress includes an appropriate proportion of manufacturing overheads. 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 PERIOD ENDED 31 JULY 1999

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 period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Cost of sales and net operating expenses

4 Operating profit	1999	1998
	£	£
Operating profit is stated after charging:		
Amortisation of intangible assets	171,150	100,000
Depreciation of owned tangible assets	174,584	128,249
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	274,045	105,379
Operating lease rentals		
- Plant and machinery	342,736	98,890
- Other assets	596,647	159,154
Auditors' remuneration (company £19,000; 1998 : £17,160)	26,600	46,795
Remuneration of auditors for non-audit work	53,939	22,309
	<u> </u>	<u> </u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

5	Directors' emoluments	1999	1998
		£	£
	Aggregate emoluments	1,653,433	1,009,581
	Company contributions to defined contribution pension schemes	29,345	67,393
		<u>1,682,778</u>	<u>1,076,974</u>

Retirement benefits are accruing to 3 (1998 - 3) directors under defined contribution schemes.

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

Aggregate emoluments	376,123	240,972
Company contributions to defined contribution pension schemes	-	11,333
	<u>376,123</u>	<u>252,305</u>

6 Employees

Number of employees

The average weekly number of employees during the period was:

	1999	1998
	Number	Number
Production	149	167
Transport	7	10
Sales	22	9
Administration	32	47
	<u>210</u>	<u>233</u>

Employment costs

	£	£
Wages and salaries	7,199,545	1,986,698
Social security costs	623,052	413,451
Other pension costs	174,747	105,088
	<u>7,997,344</u>	<u>2,505,237</u>

7	Other operating income	1999	1998
		£	£
	Income from interest in associated undertakings	28,928	10,032
		<u>28,928</u>	<u>10,032</u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

8	Other income	1999	1998
		£	£
	Interest receivable and similar income	99,840	13,056
9	Interest payable and similar charges	1999	1998
		£	£
	Interest payable on:		
	Bank loans and overdrafts	186,507	125,198
	Other loans	311,424	57,496
	Finance lease and hire purchase contracts	91,230	36,598
	Late payment of tax	-	44
		589,161	219,336
10	Taxation	1999	1998
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 20% (1998 - 31%)	-	35,292
	Share of taxation of associates	5,130	1,556
		5,130	36,848
	Prior years		
	U.K. Corporation tax	5	22,766
		5,135	59,614
11	(Loss)/profit for the financial period		
	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 (loss)/profit for the financial period is made up as follows:		
		1999	1998
		£	£
	Holding company's (loss)/profit for the financial period	(530,116)	125,485

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

12 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 February 1998 and at 31 July 1999	2,237,008
Amortisation	
At 1 February 1998	100,000
Charge for period	171,150
At 31 July 1999	271,150
Net book value	
At 31 July 1999	1,965,858
At 31 January 1998	2,137,008

13 Tangible fixed assets

Group	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 February 1998	307,313	1,116,569	615,513	346,449	2,385,844
Additions	-	1,235,456	104,474	139,843	1,479,773
Disposals	(300,000)	-	-	(185,688)	(485,688)
At 31 July 1999	7,313	2,352,025	719,987	300,604	3,379,929
Depreciation					
At 1 February 1998	-	269,971	91,490	65,775	427,236
On disposals	-	-	-	(48,744)	(48,744)
Charge for the period	-	268,725	96,281	83,623	448,629
At 31 July 1999	-	538,696	187,771	100,654	827,121
Net book value					
At 31 July 1999	7,313	1,813,329	532,216	199,950	2,552,808
At 31 January 1998	307,313	846,598	524,023	280,674	1,958,608

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £1,221,617 (1998 - £520,795) 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 1998	7,313	701,135	443,824	304,034	1,456,306
Additions	-	1,464,258	254,088	164,087	1,882,433
Disposals	-	-	-	(185,688)	(185,688)
At 31 July 1999	7,313	2,165,393	697,912	282,433	3,153,051
Depreciation					
At 1 February 1998	-	247,127	69,415	80,195	396,737
On disposals	-	-	-	(48,744)	(48,744)
Charge for the period	-	236,847	96,281	74,017	407,145
At 31 July 1999	-	483,974	165,696	105,468	755,138
Net book value					
At 31 July 1999	7,313	1,681,419	532,216	176,965	2,397,913
At 31 January 1998	7,313	454,008	374,409	223,839	1,059,569

Finance leases and hire purchase contracts

The net book value of tangible fixed assets includes an amount of £1,183,022 (1998 - £432,036) in respect of assets held under finance leases or hire purchase contracts.

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

14 Fixed asset investments Group

Associated undertakings

Shares in
subsidiary
undertakings
£

At 1 February 1998 and at 31 July 1999

8,526

Company

	Shares in participating interests £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 February 1998	50	2,390,266	2,390,316
Additions	-	80	80
At 31 July 1999	50	2,390,346	2,390,396
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
DSI Bulk Mailing Centre Limited	England	Ordinary	80
DSI Sameday Express 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 PERIOD ENDED 31 JULY 1999

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	Became dormant in the period
Driscoll Direct Mail Limited	Became dormant in the period
DSI Bulk Mailing Centre Limited	Mailing and delivery services
DSI Sameday Express Limited	Courier services specialising in urgent deliveries
DSI Worldwide Limited	International freight courier

15 Stocks and work in progress

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Raw materials and consumables	-	49,899	-	-
Work in progress	206,674	127,189	187,358	35,926
Finished goods and goods for resale	35,296	-	32,498	-
	<u>241,970</u>	<u>177,088</u>	<u>219,856</u>	<u>35,926</u>

16 Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	3,134,048	3,579,833	2,535,596	2,083,437
Amounts owed by group undertakings	-	-	395,532	209,655
Amounts owed by participating interests	81,551	-	-	-
Corporation tax	34,056	119,456	34,056	-
ACT recoverable	6,974	-	6,974	-
Other debtors	220,392	32,974	189,338	14,671
Prepayments and accrued income	191,435	364,245	162,419	58,940
	<u>3,668,456</u>	<u>4,096,508</u>	<u>3,323,915</u>	<u>2,366,703</u>

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

17 Creditors : amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Debenture loans	270,852	97,694	270,852	97,694
Bank loans	196,248	251,736	196,248	225,000
Bank overdrafts	1,828,140	1,244,945	1,622,857	440,320
Net obligations under finance lease and hire purchase contracts	370,315	247,472	354,808	204,290
Trade creditors	2,251,260	1,935,540	1,992,150	1,132,162
Amounts owed to group undertakings	-	-	543,079	46,303
Amounts owed to participating interests	3,079	909	-	-
Corporation tax	18,679	87,811	18,679	27,000
Taxes and social security costs	375,204	405,676	249,607	243,510
Directors current accounts	145,605	276,867	145,605	202,984
Other creditors	85,786	4,885	69,973	3,254
Accruals and deferred income	1,001,042	975,582	947,035	526,411
	<u>6,546,210</u>	<u>5,529,117</u>	<u>6,410,893</u>	<u>3,148,928</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 PERIOD ENDED 31 JULY 1999

18 Creditors : amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Debenture loans	1,361,450	1,782,302	1,361,450	1,782,302
Bank loans	39,687	261,406	39,687	150,000
Net obligations under finance leases and hire purchase agreements	687,305	341,324	672,854	310,307
	<u>2,088,442</u>	<u>2,385,032</u>	<u>2,073,991</u>	<u>2,242,609</u>
Analysis of loans				
Wholly repayable within five years	1,868,237	2,393,138	1,868,237	2,254,996
Included in current liabilities	(467,100)	(349,430)	(467,100)	(322,694)
	<u>1,401,137</u>	<u>2,043,708</u>	<u>1,401,137</u>	<u>1,932,302</u>
Between one and two years	39,687	176,737	39,687	150,000
Between two and five years	-	80,213	-	-
In five years or more	-	4,456	-	-
	<u>39,687</u>	<u>261,406</u>	<u>39,687</u>	<u>150,000</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	370,315	247,472	354,808	204,290
Repayable between one and five years	687,305	341,324	672,854	310,307
	<u>1,057,620</u>	<u>588,796</u>	<u>1,027,662</u>	<u>514,597</u>
Included in liabilities falling due within one year	(370,315)	(247,472)	(354,808)	(204,290)
	<u>687,305</u>	<u>341,324</u>	<u>672,854</u>	<u>310,307</u>

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

19 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 (1998 - £40,064).

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

20	Share capital	1999	1998
		£	£
	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
21	Minority interests	1999	1998
		£	£
	Minority interests' share of net assets and liabilities in subsidiary undertakings	105,075	63,585
22	Reconciliation of movements in shareholders' funds	1999	1998
	Group	£	£
	(Loss)/profit for the financial period	(438,634)	111,020
	Dividends	-	(42,774)
	Net (depletion in)/addition to shareholders' funds	(438,634)	68,246
	Opening shareholders' funds	403,738	335,492
	Closing shareholders' funds	(34,896)	403,738
23	Net cash inflow from operating activities	1999	1998
		£	£
	Reconciliation to operating profit:		
	Operating profit	97,312	398,446
	Depreciation of tangible fixed assets	448,629	233,628
	Amortisation of intangible fixed assets	171,150	100,000
	Profit on disposal of tangible fixed assets	5,704	3,341
	Currency translation differences	-	-
	Increase in stocks	(64,882)	(80,616)
	Decrease/(increase) in debtors	349,626	(16,621)
	Increase in creditors	262,517	90,510
		1,270,056	728,688

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

24 Reconciliation of net cash flow to movement in net debt	1999 £	1998 £
Decrease in cash	(319,716)	(832,315)
New debenture loan	-	(1,879,996)
New long term bank loan	-	(375,000)
Loans and finance leases acquired with subsidiaries	-	(337,387)
Repurchase of debenture loan	247,694	-
Repayment of long term bank loan	277,207	-
Capital element of hire purchase and finance lease rentals	537,106	120,367
Change in net debt resulting from cash flows	742,291	(3,304,331)
New finance leases	(1,005,930)	(231,720)
Movement in net debt	(263,639)	(3,536,051)
Net debt at 1 February 1998	(4,223,145)	(687,094)
Net debt at 31 July 1999	(4,486,784)	(4,223,145)

25 Analysis of net debt	At 1 February 1998 £	Cash flow £	Non-cash changes £	At 31 July 1999 £
Cash at bank and in hand	3,734	263,479	-	267,213
Bank overdrafts	(1,244,945)	(583,195)	-	(1,828,140)
		(319,716)		
Debt due within one year	(349,430)	524,901	(642,571)	(467,100)
Debt due after one year	(2,043,708)	-	642,571	(1,401,137)
Hire purchase and finance leases	(588,796)	537,106	(1,005,930)	(1,057,620)
		1,062,007		
	(4,223,145)	742,291	(1,005,930)	(4,486,784)

DIRECT SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 JULY 1999

26 Financial commitments

At 31 July 1999 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Expiry date:				
Within one year	-	102,705	-	14,292
Between two and five years	302,066	86,902	480,566	75,469
In over five years	75,000	-	-	-
	<u>377,066</u>	<u>189,607</u>	<u>480,566</u>	<u>89,761</u>

At 31 July 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Expiry date:				
Within one year	-	-	-	14,292
Between two and five years	302,066	71,302	96,019	41,634
In over five years	75,000	-	-	-
	<u>377,066</u>	<u>71,302</u>	<u>96,019</u>	<u>55,926</u>

27 Related party transactions

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

	Amount outstanding		Maximum
	1999	1998	in year
	£	£	£
T. Drake	<u>1,722</u>	<u>3,338</u>	<u>3,106</u>

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

	£
Sales	144,647
Purchases	69,556
Balance outstanding at year end	<u>(2,247)</u>