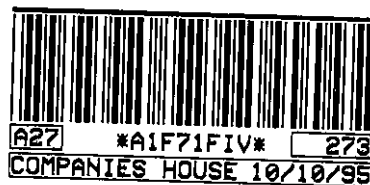


**PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)**

Report and Financial Statements

Six month period ended 31 December 1994

**Touche Ross & Co.
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR**



COMPANIES HOUSE 22/09/95

REPORT AND FINANCIAL STATEMENTS 1994

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**PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)**

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the six month period ended 31 December 1994, following a change in the company's accounting reference date from 30 June to 31 December.

RESULTS AND DIVIDENDS

The results for the period and transfers to reserves are set out in detail on page 5. An interim dividend of £200,000 was paid on 1 December 1994. The directors recommend the payment of a final dividend of £237,716 (year ended 30 June 1994 - £350,000).

PRINCIPAL ACTIVITY

The principal activity of the company during the period was that of acting as an investment company. The group includes subsidiary undertakings whose principal activities include the provision of corporate finance advice and investment management services and acting as general partners in limited partnerships formed to invest venture capital.

REVIEW OF THE BUSINESS

The company changed its name to Phoenix Group Limited on 13 February 1995. The directors consider the results for the period to be satisfactory. Phoenix Securities Limited continued to provide corporate finance advice on a wide number of mergers, acquisitions, disposals and joint ventures both in the United Kingdom and overseas, its fee income increasing as a result. The company is successfully seeking to expand its client base and expertise in new areas of the financial services industry. During the year the Phoenix Development Capital Fund continued its investment programme under the management of Phoenix Fund Managers Limited.

FIXED ASSETS

The movements in fixed assets are detailed in notes 8 and 9 to the accounts.

DIRECTORS

The directors who served on the Board during the period and their beneficial interests in the capital shares of the company were as follows:

	Interest in capital shares	
	At 31 December 1994	At 30 June 1994
P A G Seers	1,750	1,799
M G Smith	1,750	1,799
D A C Reid Scott	1,750	1,799
Y Kuroi (resigned 4 December 1994)	-	-

All of the issued ordinary shares of Phoenix Group Limited are beneficially owned by The Phoenix Partnership, a partnership carrying on the business of providing corporate finance and administrative services to Phoenix Securities Limited and other subsidiary undertakings of Phoenix Group Limited. The Phoenix Partnership charges management fees to the group for these services. Messrs Seers, Smith and Reid Scott are all partners in The Phoenix Partnership. Mr. Kuroi was a director of MCFS Capital Limited during the period. Until 4 December 1994 MCFS Capital Limited was a partner in The Phoenix Partnership and held one special share in Phoenix Group Limited.

The group has maintained insurance cover for its directors and officers against liabilities in relation to the group.

DIRECTORS' REPORT

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Thomas Van Oss

24 April 1995

One Laurence Pountney Hill
London EC4R 0EU

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period 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;
- prepare the financial statements on a 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, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS OF
PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)**

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 December 1994 and of the profit of the group for the six month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Touche Ross & Co.

Chartered Accountants and Registered Auditors

24 April 1995

PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Six month period ended 31 December 1994

	Note	Six month period ended 31 December 1994 £	Year ended 30 June 1994 as restated (see note 7) £
TURNOVER	1	4,508,184	7,072,015
Administrative expenses		(4,153,436)	(6,446,258)
OPERATING PROFIT		354,748	625,757
Dividends received		48,875	97,774
Interest receivable		152,945	292,448
Loss on sale of investments		-	(1,542)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	556,568	1,014,437
Tax on profit on ordinary activities	5	(196,559)	(177,415)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		360,009	837,022
Dividends paid and proposed	6	(437,716)	(350,000)
Retained (loss)/profit for the period		(77,707)	487,022
<u>STATEMENT OF RESERVES</u>			
Retained profit/(loss) brought forward as previously stated		220,207	(17,125)
PRIOR YEAR ADJUSTMENTS	7	(563,943)	(813,633)
Retained loss brought forward as restated		(343,736)	(830,758)
Retained (loss)/profit for the period		(77,707)	487,022
Retained loss carried forward		(421,443)	(343,736)

The company has taken advantage of S230 of the Companies Act 1985 and consequently a profit and loss account for the company alone is not presented. The profit on ordinary activities after taxation dealt with in the accounts of the parent company was £437,716 (year ended 30 June 1994 - £605,316).

All activities derive from continuing operations.

**PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Six month period ended 31 December 1994

	Note	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Profit attributable to members of the company		360,009	837,022
Unrealised surplus on revaluation of fixed asset investment		65,000	-
Total recognised gains and losses relating to the period		425,009	837,022
Prior period adjustments	7	(563,943)	(813,633)
Total recognised gains and losses since the last financial statements		(138,934)	23,389

PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)

CONSOLIDATED BALANCE SHEET
31 December 1994

	Note	31 December 1994 £	30 June 1994 as restated (see note 7) £
FIXED ASSETS			
Intangible assets	8	402,000	444,500
Investments	9	86,000	133,500
		<u>488,000</u>	<u>578,000</u>
CURRENT ASSETS			
Investments	10	112,500	-
Debtors	11	2,523,120	2,806,547
Cash at bank and in hand		5,509,018	6,067,231
		<u>8,144,638</u>	<u>8,873,778</u>
CREDITORS: amounts falling due within one year	12	<u>(8,587,118)</u>	<u>(7,268,340)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(442,480)</u>	<u>1,605,438</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		45,520	2,183,438
CREDITORS: amounts falling due after more than one year	13	-	(2,023,495)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	(101,716)
		<u>45,520</u>	<u>58,227</u>
CAPITAL AND RESERVES			
Called up share capital	15	380,001	380,001
Revaluation reserve		86,962	21,962
Profit and loss account		(421,443)	(343,736)
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>45,520</u>	<u>58,227</u>

These financial statements were approved by the Board of Directors on 24 April 1995.

Signed on behalf of the Board of Directors


P. A. G. Seers)


M. G. Smith) Directors

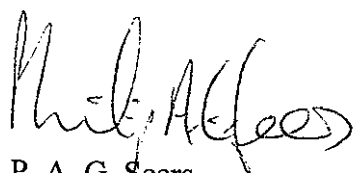
PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)

BALANCE SHEET
31 December 1994

	Note	31 December 1994 £	30 June 1994 £
FIXED ASSETS			
Investments	9	2,432,065	2,432,063
CURRENT ASSETS			
Debtors	11	1,699,998	606,142
Cash at bank and in hand		949	996
		<u>1,700,947</u>	<u>607,138</u>
CREDITORS: amounts falling due within one year	12	<u>(3,467,306)</u>	<u>(350,000)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,766,359)</u>	<u>257,138</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		665,706	2,689,201
CREDITORS: amounts falling due after more than one year	13	<u>-</u>	<u>(2,023,495)</u>
		<u>665,706</u>	<u>665,706</u>
CAPITAL AND RESERVES			
Called up share capital	14	380,001	380,001
Profit and loss account		285,705	285,705
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>665,706</u>	<u>665,706</u>

These financial statements were approved by the Board of Directors on 24 April 1995.

Signed on behalf of the Board of Directors



P. A. G. Seers)

) Directors

M. G. Smith)

PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Six month period ended 31 December 1994

GROUP	Six month period ended 31 December 1994		Year ended 30 June 1994	
	£	£	£	£
Profit attributable to members of the company		360,009		837,022
Dividends		(437,716)		(350,000)
Other recognised gains and losses relating to the period		65,000		-
Net (reduction in)/addition to shareholders' funds		(12,707)		487,022
Opening shareholders' funds as previously stated				
Prior period adjustments (explained in note 7)	622,170	(563,943)	384,838	(249,690)
Opening shareholders' funds as restated		58,227		135,148
Closing shareholders' funds		45,520		622,170

STATEMENT OF MOVEMENTS ON RESERVES
Six month period ended 31 December 1994

GROUP	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
Balance at 1 July 1994 as previously stated	380,001	21,962	220,207	622,170
Prior period adjustments (explained in note 7)	-	-	(563,943)	-
Balance at 1 July 1994 as restated	380,001	21,962	(343,736)	58,227
Transfer from profit and loss account of the period	-	-	(77,707)	(77,707)
Increase in value of fixed asset investment	-	65,000	-	65,000
Balance at 31 December 1994	380,001	86,962	(421,443)	45,520

PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)

CONSOLIDATED CASH FLOW STATEMENT
Six month period ended 31 December 1994

	Note	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Net cash inflow (outflow) from operating activities	16	1,917,922	(230,202)
Returns on investments and servicing of finance			
Interest received		152,945	292,448
Dividends received		48,875	97,774
Dividends paid		(550,000)	(100,000)
Net cash (outflow) inflow from returns on investments and servicing of finance		(348,180)	290,222
Taxation			
UK corporation tax paid		(104,460)	(17,698)
Investing activities			
Purchase of fixed asset investments		-	(20,000)
Sale of current asset investments		-	1,817
Net cash outflow from investing activities		-	(18,183)
Net cash inflow before financing		1,465,282	24,139
Net cash outflow from financing			
Loan from The Phoenix Partnership	18	2,023,495	36,954
Decrease in cash and cash equivalents	17	(558,213)	(12,815)
		<u>1,465,282</u>	<u>24,139</u>

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The company has departed from the provisions of the Companies Act 1985 in respect of the requirement to consolidate a subsidiary undertaking as explained in note 9. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiary companies for the six month period ended 31 December 1994. The investment in the limited partnership, The Phoenix Development Capital Fund, has been accounted for on the basis described in note 9.

Intangible fixed assets

Goodwill arising on consolidation is written off to reserves as it arises.

Placing fees payable on the introduction of investors into the Phoenix Development Capital Fund ("the Fund") are amortised over the expected life of the Fund of 90 months.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rates ruling on the day of the transaction.

All exchange differences are taken to the profit and loss account.

Turnover

Turnover represents the value of services provided, including commission receivable, (stated net of value added tax) during the period. Such income is accounted for when the service has been provided, the transaction has been completed and the fee has been agreed. In addition turnover includes the drawings received by Phoenix General Partner Limited in respect of The Phoenix Development Capital Fund (see note 9).

Investments

Fixed asset investments are shown at cost less provision for any permanent diminution in value, or at directors' valuation.

Current asset investments are those intended to be held for the short term and are valued individually by the directors.

Unrealised gains arising from the revaluation of investments are dealt with in the revaluation reserve.

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

1. ACCOUNTING POLICIES (Continued)

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the scheme.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
This is stated after charging the following:		
Auditors' remuneration	22,100	20,000

3. EMPLOYEES

	Six month period ended 31 December 1994 No.	Year ended 30 June 1994 No.
The average number of employees including directors during the period was as follows:		
Office and management	10	10
	£	£
The costs included in respect of these employees were:		
Wages and salaries	151,500	285,000
Social security costs	26,643	53,323
Other pension costs	99,500	188,875
	277,643	527,198

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

4. DIRECTORS

	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Emoluments of directors of the company included in staff costs were as follows:		
Management remuneration	129,750	244,427
Pension contributions	92,000	171,000
	<u>221,750</u>	<u>415,427</u>
The emoluments, excluding pension contributions, of directors were as follows:		
Highest paid director	<u>44,250</u>	<u>82,090</u>
Other directors' emoluments, excluding pension contributions, fell within the following ranges:		
£ 0 - £ 5,000	1	2
£ 40,001 - £ 45,000	2	-
£ 80,001 - £ 85,000	-	2
	<u>-</u>	<u>2</u>

Service agreement

Phoenix Securities Limited, a subsidiary undertaking of the company, has entered into a service agreement with The Phoenix Partnership. Messrs. Seers, Smith and Reid Scott are all partners in The Phoenix Partnership. Under the terms of the agreement the partnership provides corporate finance and administrative services for Phoenix Securities Limited and is payable a management fee as remuneration for the services it provides. The management fee payable to the partnership in respect of the six month period ended 31 December 1994 amounted to £3,500,000 (year ended 30 June 1994 - £5,100,000).

Similarly The Phoenix Partnership has charged a management fee of £300,000 (year ended 30 June 1994 - £600,000) to Phoenix Fund Managers Limited, another subsidiary undertaking of the company.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Taxation is based on the taxable profits for the period and comprises:		
Corporation tax at 33% (year ended 30 June 1994 - 33%)	188,200	236,000
Tax credit on dividend income	60,575	183,826
Deferred taxation	(101,716)	(242,411)
	<u>147,059</u>	<u>177,415</u>
Taxation under-provided in previous years	49,500	-
	<u>196,559</u>	<u>177,415</u>

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The abnormal tax charge arises primarily due to the receipt of dividend income taxable at a rate less than the full rate of corporation tax.

6. DIVIDENDS PAID AND PROPOSED

On 370,000 £1 ordinary shares	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Dividends paid	200,000	-
Dividends proposed	237,716	350,000
	<u>437,716</u>	<u>350,000</u>

7. PRIOR PERIOD ADJUSTMENTS

The prior period adjustment represents changes in accounting policy as described below.

- a) Placing fees of £657,000 paid in relation to the Phoenix Development Capital Fund were previously expensed as incurred by Phoenix Fund Managers Limited. These fees have now been capitalised on the Balance Sheet and are being amortised over the expected life of the fund as detailed in note 8 (Intangible fixed asset).
- b) Goodwill of £1,704,408 arising on the purchase of Phoenix Securities Limited, which was previously shown as an intangible asset, has now been written off against reserves.

The prior period adjustments give rise to a cumulative debit adjustment to reserves of £563,943 in the accounts for the period ended 31 December 1994, of which £249,690 credit relates to the year ended 30 June 1994, and £813,633 debit relates to the year ended 30 June 1993 and prior periods. The comparative figures for the year ended 30 June 1994 have been restated in accordance with the new policy, resulting in an increase in the profit for the year of £249,690.

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

8. INTANGIBLE FIXED ASSET

GROUP	31 December 1994 £	30 June 1994 £
Placing fees		
Cost:		
At 1 July 1994 and 31 December 1994	657,000	657,000
Amortisation:		
At 1 July 1994	212,500	127,500
Charge for the period	42,500	85,000
At 31 December 1994	255,000	212,500
Net book value	402,000	444,500

9. FIXED ASSET INVESTMENTS

	Group Unlisted investments £	Company Subsidiary under- takings £
Cost or valuation:		
At 1 July 1994	133,500	2,432,063
Addition	-	2
Revaluation	65,000	-
Transfer to current asset investment	(112,500)	-
At 31 December 1994	86,000	2,432,065

One unlisted investment is included in the consolidated balance sheet at 31 December 1994 at a valuation of £86,000 (30 June 1994 - £21,000). The cost of this investment was £21,000.

Subsidiary undertakings

Phoenix Group Limited has the following wholly owned principal subsidiary undertakings, all of which are incorporated in Great Britain and registered in England and Wales (unless otherwise indicated):

Subsidiary	Nature of business
Phoenix Securities Limited	Provision of investment banking services
Phoenix Fund Managers Limited	Fund management
Phoenix General Partner Limited	General partner in limited partnership (see below)
Phoenix Methuen Limited	Lloyd's managing agent

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

9. FIXED ASSET INVESTMENTS (continued)

Phoenix General Partner Limited ("PGP") acts as the general partner in Phoenix General Partner Limited Partnership ("the Limited Partnership"), a limited partnership that in turn acts as the general partner in The Phoenix Development Capital Fund ("The Fund"). The Fund is also a limited partnership, formed to invest venture capital. Under the partnership agreement PGP is entitled to a prior share of the income and capital gains of The Fund via its share of the profit of the Limited Partnership. This prior share of profit has been included in the consolidated profit and loss account as turnover.

The limited partnerships of the Limited Partnership and The Fund fall within the definition of a subsidiary undertaking under the Companies Act 1985 and Financial Reporting Standard 2 "Accounting For Subsidiary Undertakings", as the sole general partner of these partnerships is in each case a subsidiary undertaking of the company. However, there are severe long-term restrictions which hinder the right of the company to exercise rights over the limited partnership's assets and for this reason the Limited Partnership and the Fund are excluded from consolidation.

The cost of the investment in subsidiary companies was made up as follows:	31 December 1994 £	30 June 1994 £
Cost of shares in Phoenix Securities Limited	5,693,563	5,693,563
Less dividend received from Phoenix Securities Limited, paid out of pre-acquisition profits	(3,270,000)	(3,270,000)
	<u>2,423,563</u>	<u>2,423,563</u>
Cost of shares in Phoenix Fund Managers Limited	7,500	7,500
Cost of shares in Phoenix General Partner Limited	1,000	1,000
Cost of shares in Phoenix Methuen Limited	2	-
	<u>2,432,065</u>	<u>2,432,063</u>

10. CURRENT ASSET INVESTMENTS

	Group
	Unlisted investments £
Cost or valuation:	
At 1 July 1994	-
Transfer from fixed asset investments	112,500
At 31 December 1994	<u>112,500</u>

This unlisted investment is included in the consolidated balance sheet at 31 December 1994 at a valuation of £112,500 (30 June 1994 - £112,500 as a fixed asset investment). The cost of this investment was £90,538.

**PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)**

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

11. DEBTORS

	Group		Company	
	31 December	30 June	31 December	30 June
	1994	1994	1994	1994
	£	£	£	£
Trade debtors	2,287,387	2,379,302	-	-
Corporation tax recoverable	66,598	161,195	-	-
Amounts owed by other group undertakings	-	-	1,699,998	606,142
Other debtors	169,135	266,050	-	-
	<u>2,523,120</u>	<u>2,806,547</u>	<u>1,699,998</u>	<u>606,142</u>

Included in group and company debtors at 31 December 1994 is advance corporation tax recoverable of £66,598 (30 June 1994 - £87,500) that will not be recovered until after more than one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 December	30 June	31 December	30 June
	1994	1994	1994	1994
	£	£	£	£
Trade creditors	349,896	935,298	-	-
Corporation tax	289,968	215,750	-	-
Other creditors including taxation and social security	11,120	11,486	-	-
Accruals and deferred income	-	25,000	-	-
Amounts owed to subsidiary undertaking	-	-	-	-
Proposed dividend	237,716	350,000	237,716	350,000
Advance corporation tax	112,500	87,500	-	-
Other amounts owed to The Phoenix Partnership	7,585,918	5,643,306	3,229,590	-
	<u>8,587,118</u>	<u>7,268,340</u>	<u>3,467,306</u>	<u>350,000</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 December	30 June	31 December	30 June
	1994	1994	1994	1994
	£	£	£	£
Amounts owed to The Phoenix Partnership	-	2,023,495	-	2,023,495
	<u>-</u>	<u>2,023,495</u>	<u>-</u>	<u>2,023,495</u>

The loan from The Phoenix Partnership was unsecured and interest free. It was repaid during the period.

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £	Company £
Deferred taxation:		
At 1 July 1994	107,716	-
Transferred to profit and loss account	(107,716)	-
	<u> </u>	<u> </u>
At 31 December 1994	<u> </u>	<u> </u>

In the opinion of the directors the amount of unprovided deferred tax at 31 December 1994 and 30 June 1994 is not material.

15. CALLED UP SHARE CAPITAL

	31 December 1994		30 June 1994	
	No.	£	No.	£
Authorised, allotted and fully paid				
Ordinary shares of £1 each	370,000	370,000	370,000	370,000
Capital shares of £1 each	10,000	10,000	10,000	10,000
Special shares of £1	1	1	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>380,001</u>	<u>380,001</u>	<u>380,001</u>	<u>380,001</u>

Only the ordinary shares of the company carry rights as to dividends and voting. The capital shares and the special share carry certain rights to the remaining assets on a liquidation of the company, as detailed in the Articles of Association.

PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Operating profit	354,748	625,757
Decrease/(increase) in debtors	188,830	(2,017,784)
Increase in creditors	1,331,844	1,226,902
Effect of foreign exchange movements	-	1,526
Amounts written off fixed asset investments	-	12,647
Amounts written off intangible fixed assets	42,500	(79,250)
	<hr/>	<hr/>
Net cash inflow (outflow) from operating activities	1,917,922	(230,202)
	<hr/>	<hr/>

17. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
Balance at beginning of period	6,067,231	6,081,572
Effect of foreign exchange movements	-	(1,526)
Net cash outflow	(558,213)	(12,815)
	<hr/>	<hr/>
Balance at end of period	5,509,018	6,067,231
	<hr/>	<hr/>

Cash equivalents comprise cash at bank and in hand as shown in the consolidated balance sheet.

18. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Six month period ended 31 December 1994		Year ended 30 June 1994	
	Share capital £	Loans £	Share capital £	Loans £
Balance at beginning of period	380,001	2,023,495	380,001	2,060,449
Cash outflow from financing	-	(2,023,495)	-	(36,954)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of period	380,001	-	380,001	2,023,495
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Six month period ended 31 December 1994

19. CONTINGENT LIABILITY

As noted in note 9 above, a subsidiary undertaking acts as the general partner in a limited partnership. In accordance with the Limited Partnership Act 1907 the general partner has unlimited liability. At the balance sheet date the limited partnership continues as a going concern and has total liabilities of £38,000 (30 June 1994 - £37,000).

20. POST BALANCE SHEET EVENT

On 17 January 1995 Phoenix Methuen Limited subscribed to 569,350 Preference Shares of £1 each, 8,780,000 'C' Ordinary Shares of 10p each and 1 'D' Ordinary Share of £1 for an aggregate consideration of £1,447,351 in Methuen Group Limited (formerly Bonustop Limited). Simultaneously Methuen Group Limited completed the acquisition of Methuen Holdings Limited, the parent company of Methuen (Lloyds' Underwriting Agents) Limited for a consideration of £4,046,000.

On 10 February 1995 a group reorganisation took place prior to the placing by the company of 10,000 shares at £1,000 per share. During the course of this reorganisation the company purchased from the Phoenix Partnership in exchange for the issue of £1,000 worth of 'A' Ordinary Shares, the entire ordinary share capital of Phoenix Securities Investments Limited ("PSIL"), the holding company of Service Managing Agency Limited. PSIL was subsequently sold to Phoenix Securities Limited for a cash consideration of £1,000; the Limited Partnership interest of the Phoenix Partnership in the Phoenix Development Capital Fund was assigned to Phoenix General Partner Limited for a cash consideration of £348,770; the company issued 30,000 Ordinary Shares (including those issued in respect of PSIL as referred to above) to the Phoenix Partnership for an aggregate consideration of £954,481, simultaneously redeeming the Special Share of £1, as a result of which the consolidated net asset value of the company and its subsidiaries was £1,000,000.

On 14 February 1995, following a reorganisation of the then existing share capital, the company issued 10,000 Ordinary Shares of 10p each at £1,000 per share for an aggregate consideration of £10,000,000, such that the present share capital consists of 20,000 'A' Ordinary Shares, 10,000 Ordinary Shares, 20,000 'A' Capital Shares and 30,000 Deferred Shares.

ADDITIONAL INFORMATION

The additional information on page 22 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

**PHOENIX GROUP LIMITED
(FORMERLY PSH LIMITED)**

TRADING PROFIT AND LOSS ACCOUNT
Six month period ended 31 December 1994

	Six month period ended 31 December 1994 £	Year ended 30 June 1994 £
INCOME		
Dividends from subsidiary undertakings	437,716	605,316
PROFIT BEFORE TAXATION	<u>437,716</u>	<u>605,316</u>