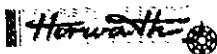


PSD GROUP PLC
(COMPANY NUMBER: 3201382)
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996



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PSD GROUP PLC
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996

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PSD GROUP PLC
DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 1996

DIRECTORS

P J Hearn	(appointed 26.9.96)
R L Richards	(appointed 26.9.96)
F M Robinson	(appointed 16.12.96)
C I Heayberd	(appointed 16.12.96)
Swift Incorporations Limited	(appointed 14.5.96; resigned 26.9.96)
Instant Companies Limited	(appointed 14.5.96; resigned 26.9.96)

The directors present their first report and financial statements for the period ended 31 December 1996.

INCORPORATION AND REVIEW OF BUSINESS

The company was incorporated as Timesource Public Limited Company on 14 May 1996 with the allotment of 2 £1 Ordinary Shares. The company changed its name to PSD Group plc on 5 November 1996.

On 16 December 1996 50,000 £1 redeemable preference shares were allotted at par.

On 16 December 1996 the company acquired the whole of the issued share capital of Codeissue Limited for a consideration of £24.12 million which was satisfied by a mixture of ordinary shares, preference shares and cash. This was financed by an issue of 68,318 £1 ordinary shares, 11,239,875 £1 preference shares and a loan of £7,494,287 from Codeissue Limited.

The principal activity of the group throughout the period was that of recruitment consultancy. The group has traded satisfactorily during the period.

The group profit after taxation for the 15 days ended 31 December 1996 was £171,000. The directors do not recommend the payment of a dividend.

FIXED ASSETS

Movements in tangible fixed assets are shown in note 10 to the financial statements.

PSD GROUP PLC
DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

DIRECTORS' INTERESTS

The directors during the period and their interests in the share capital of the company were as follows:

31 DECEMBER 1996

	5p Ordinary Shares	£1 'A' Preference Shares	£1 'B' Preference Shares	£1 'C' Preference Shares	£1 Non- Voting Redeemable Preference Shares
P J Hearn	575,040	30,000	41,119	-	-
R L Richards	-	-	-	-	-
F M Robinson	-	-	-	-	-
C I Heayberd	-	-	-	-	-
Swift Incorporations Limited	-	-	-	-	-
Instant Companies Limited	-	-	-	-	-

DIRECTORS' SERVICE CONTRACTS AND CONSULTANCY AGREEMENTS

The company has a consultancy agreement with MPM Connect Limited, a company in which Mr PJ Hearn has an interest. The agreement is subject to termination by either party giving not less than 2 years notice.

The company has a service agreement with Ms F Robinson which is subject to termination by either party giving not less than 2 years notice.

The company has a service agreement with Mr C I Heayberd which is subject to termination by either party giving not less than 1 years notice.

PSD GROUP PLC
DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

OTHER INTERESTS IN SHARES

At 31 December 1996 the following substantial interests in the share capital of the company existed:-

		<u>Foreign & Colonial Enterprise Trust Plc</u>	<u>Foreign & Colonial Ventures Ltd Partnership</u>	<u>Foreign & Colonial Ventures Ltd Partnership II</u>
5p ordinary shares	- No of shares	362,870	183,640	244,854
	- % of class held	27	13	18
£1 'A' preference shares	- No of shares	72,637	36,760	49,013
	- % of class held	39	19	26
£1 'B' preference shares	- No of shares	294,160	148,866	198,488
	- % of class held	43	22	29
£1 'C' preference shares	- No of shares	4,754,501	2,406,143	3,208,188
	- % of class held	46	23	31

PERSONNEL POLICIES

The group gives consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

Disabled employees are employed under normal terms and conditions. Career development and promotion is provided wherever appropriate.

During the period, the policy of providing employees with information about the group has been continued and employees have been encouraged to present their own suggestions and views.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Clark Whitehill as auditors to the company will be put to the annual general meeting.

Approved by the Board on 24 January 1997
and signed on its behalf by:



C I HEAYBERD

Secretary

PSD GROUP PLC
STATEMENT OF 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 group at the end of the 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, 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 assume 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

AUDITORS' REPORT
TO THE SHAREHOLDERS OF PSD GROUP PLC

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on pages 9 and 10. As stated in Note 1(a) the financial statements have been prepared on the basis that the company's ordinary shares will be admitted to the Official List of the London Stock Exchange prior to 30 April 1997.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 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 financial 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 company'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 the information in the financial statements.


In forming our opinion, we have considered the adequacy of the disclosures made in Note 1a to the financial statements explaining that the financial statements have been prepared on the assumption that the company's shares will be listed on the London Stock Exchange after the balance sheet date. Our opinion is not qualified in this respect.

UNQUALIFIED 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 1996 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

25 New Street Square
London

24 January 1997


CLARK WHITEHILL
Chartered Accountants
and Registered Auditor

PSD GROUP PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 15 DAY PERIOD ENDED 31 DECEMBER 1996

	<u>Notes</u>	Period Ended 31 December 1996
		£'000
GROSS FEE INCOME	2	791
Direct Costs		<u>121</u>
NET FEE INCOME	2	670
Administrative expenses		<u>436</u>
OPERATING PROFIT	5	234
Share of associated undertaking's profit		1
Interest receivable	6	<u>16</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		251
Tax on profit on ordinary activities	7	<u>80</u>
RETAINED PROFIT FOR THE PERIOD TRANSFERRED TO RESERVES	16	<u>171</u>
EARNINGS PER SHARE	8	<u>12.5p</u>

The profit and loss account contains all of the gains and losses recognised in the current period and all of the results relate to the acquisition during the period.

The notes on pages 9 to 20 form part of these financial statements.

PSD GROUP PLC
BALANCE SHEETS
31 DECEMBER 1996

	<u>Notes</u>	<u>Consolidated</u>	<u>Company</u>
		1996 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	10	869	-
Investments	11	<u>205</u>	<u>24,120</u>
		1,074	24,120
CURRENT ASSETS			
Debtors	12	4,669	50
Cash at bank		<u>107</u>	<u>-</u>
		4,776	50
CREDITORS: Amounts falling due within one year	13	<u>4,638</u>	<u>7,494</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>138</u>	<u>(7,444)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,212</u>	<u>16,676</u>
CAPITAL AND RESERVES			
Called up share capital	15	11,308	11,308
Capital redemption reserve	16	50	50
Merger reserve	16	5,318	5,318
Profit and loss account	16	121	-
Goodwill reserve	16	<u>(15,585)</u>	<u>-</u>
SHAREHOLDERS' FUNDS (including non-equity)	16	<u>1,212</u>	<u>16,676</u>

Approved by the Board on 24 January 1997
and signed on its behalf by:-

P J HEARN Director.

The notes on pages 9 to 20 form part of these financial statements.

PSD GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>£'000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	252
RETURN ON INVESTMENTS AND SERVICING OF FINANCE		<u>16</u>
Interest received		268
ACQUISITIONS AND DISPOSALS		<u>(7,847)</u>
Purchase of subsidiary undertaking	21	
CASH OUTFLOW BEFORE FINANCING		(7,579)
FINANCING		<u>7,494</u>
Loan from subsidiary company prior to acquisition		<u>(85)</u>
DECREASE IN CASH IN THE PERIOD		

The notes on pages 9 to 20 form part of these financial statements.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996

1. ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on the basis that the company's Ordinary Shares will be admitted to the Official List of the London Stock Exchange prior to 30 April 1997. In the event that a listing does not take place the company would be required to accrue for and write off related costs estimated to exceed £0.5m as well as accrue for preference dividends up to 31 December 1996 of £34,500.

b) BASIS OF CONSOLIDATION

The consolidated financial statements include the company and its subsidiaries. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

c) GOODWILL

Goodwill arising on consolidation, being the excess of the purchase price over the value of the net assets of the subsidiary or associated undertaking at acquisition, is written off immediately on acquisition against goodwill reserve.

d) ASSOCIATED UNDERTAKING

Investments are regarded as associated companies where the group owns more than 20 per cent of the equity, is represented on the board of directors and exercises a significant influence over the affairs of the company on a continuing basis. Associated undertakings are accounted for using the equity method of accounting.

e) FOREIGN CURRENCIES

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

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

f) DEPRECIATION

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost, less estimated residual value, of each asset in equal instalments over its expected useful life, as follows:

Computer equipment	20% - 33.3%
Fixtures and fittings	15% - 33.3%
Motor vehicles	20% - 33.3%
Leasehold improvements	Over the life of the lease

g) LEASED ASSETS

Where the group has entered into finance leases, the obligations to the lessor are shown as part of borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the right to legal title.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

1. ACCOUNTING POLICIES (Continued)

h) DEFERRED TAXATION

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise. Timing differences are taxable items, allowances or reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements.

i) DEFERRED EXPENDITURE

Costs incurred prior to the opening of a new office together with the net costs of the new office in the three months immediately after opening are capitalised and amortised on a straight line basis over two years.

2. FEE INCOME

The group's terms of business state that a fee is due by reference to the date that an applicant accepts an offer of employment and gross fee income is recognised on this basis. Gross fee income is net of Value Added Tax. The analysis of gross fee income by geographical area is as follows:-

	1996 £'000
United Kingdom	694
Other EC countries	52
Rest of the world	45
	<u>791</u>

All of the gross fee income and profit before tax relates to the group's principal activity.

Net fee income is arrived at by deducting from gross fee income direct costs including costs of advertising, costs of temporary recruitment and charges to clients for artwork.

Most of the assets employed in generating the above fee income and the group's profit before tax are situated in the United Kingdom.

3. DIRECTORS' EMOLUMENTS

	1996 £'000
Emoluments including pension contributions	<u>22</u>

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

3. DIRECTORS' EMOLUMENTS (Continued)

EMOLUMENTS EXCLUDING PENSION CONTRIBUTIONS

A total of £8,219 was charged by a company in which the Chairman has an interest for the provision of his services. An amount of £12,263 was received in advance and included in debtors. The highest amount charged to the profit and loss account in the period in relation to a director was £13,645.

During the period £616 was paid to Foreign & Colonial Ventures Limited in respect of the services of R L Richards.

Directors remuneration falls in the following ranges:

	1996 No
£NIL	1
£ 1 - £ 5,000	1
£ 5,001 - £ 10,000	1
£ 10,001 - £ 15,000	<u>1</u>

4. STAFF COSTS (Including directors)

	1996 £'000
Wages and salaries	338
Social security costs	<u>283</u>
	<u>621</u>

The average number of employees during the period was 182.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

5. OPERATING PROFIT

	1996 £'000
This is stated after charging/(crediting):	
Operating lease rentals - plant and equipment	5
- land and buildings	13
Auditors' remuneration - as auditors of the group	1
- other services to the group	-
- as auditors of the company	-
Depreciation - owned assets	18
- assets held under hire purchase	-
Foreign exchange losses	2
Loss on sale of fixed assets	<u>-</u>

6. INTEREST RECEIVABLE

Bank and other interest receivable	<u>16</u>
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7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax at 33%	<u>80</u>
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8. EARNINGS PER SHARE

Basic earnings per 5p ordinary share are calculated on the group profit after taxation of £171,000 on a weighted average of 1,366,404 ordinary shares in issue during the period.

9. RESULT FOR THE PERIOD ATTRIBUTABLE TO THE MEMBERS OF PSD GROUP PLC

Of the profit for the period, before dividends and transfers to reserves a profit of £50,320 is dealt with in the financial statements of the parent company. By virtue of Section 230 of the Companies Act 1985, PSD Group plc's own profit and loss account has not been included in these financial statements.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

10. TANGIBLE FIXED ASSETS

GROUP	<u>Leasehold Improve- ments</u> £'000	<u>Motor Vehicles</u> £'000	<u>Fixtures & Fittings</u> £'000	<u>Computer Equipment</u> £'000	<u>Total</u> £'000
COST:					
On acquisition	<u>84</u>	<u>513</u>	<u>566</u>	<u>672</u>	<u>1,835</u>
31 December 1996	<u>84</u>	<u>513</u>	<u>566</u>	<u>672</u>	<u>1,835</u>
DEPRECIATION:					
On acquisition	62	128	350	408	948
Provision for period	<u>.1</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>18</u>
31 December 1996	<u>63</u>	<u>133</u>	<u>356</u>	<u>414</u>	<u>966</u>
NET BOOK VALUE:					
31 December 1996	<u>21</u>	<u>380</u>	<u>210</u>	<u>258</u>	<u>869</u>

Assets held under hire purchase contracts included above are as follows:

	<u>Motor Vehicles</u> £'000
Cost	23
Accumulated depreciation	<u>(17)</u>
Net Book Value	<u>6</u>

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

11. INVESTMENTS

	<u>GROUP</u>	<u>COMPANY</u>
	1996 £'000	1996 £'000
Interest in associated undertaking	202	-
Shares in group undertakings at cost	-	24,120
Other listed investments other than loans	<u>3</u>	<u>-</u>
	<u>205</u>	<u>24,120</u>

On 16 December 1996 the company acquired the whole of the issued share capital of Codeissue Limited. This has been accounted for under the acquisition method. The individual amounts of assets and liabilities acquired have not been disclosed as this information is not practically available at the acquisition date. There were no fair value adjustments.

The mid market value of the group's listed investments in the associated undertaking at the balance sheet date was £465,383.

The mid market value of other listed investments at the balance sheet date was £3,509.

The aggregate share of the net losses charged by the associated undertaking was £413,785 and the group's share of post acquisition accumulated reserves is £1,438.

<u>Group undertakings</u>	<u>Country of Registration</u>	<u>Principal Activity</u>	<u>Proportion of Equity and Voting Rights</u>	<u>Description of Shares</u>
Codeissue Limited	England	Holding Company	100%	5p Ordinary £1 'A' Pref 5p 'B' Pref £1 Ordinary
ASB Selection Limited	England	Dormant	100%	£1 Ordinary
Professional Selection and Development Limited	England	Recruitment	100%	£1 Ordinary
ERC International Limited	England	Holding Company	100%	£1 Ordinary
PSD Contracts Limited	England	Recruitment	100%	£1 Ordinary
Hoggett Bowers Limited	England	Dormant	100%	£1 Ordinary
Professional Selection and Development Pte Limited	Singapore	Recruitment	100%	S\$1 Ordinary
The Electronics Recruitment Company Limited	England	Dormant	100%	£1 Ordinary
Counterhold Limited	England	Dormant	100%	£1 Ordinary
Network Staff Consultants Limited	England	Dormant	100%	£1 Ordinary
Temple Recruitment Limited	England	Dormant	100%	£1 Ordinary

All the above are included in the consolidated results and are controlled by the group.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

11. INVESTMENTS (Continued)

<u>Associated Undertakings</u>	<u>Country of Registration</u>	<u>Principal Activity</u>	<u>Proportion Of Equity and Voting Rights</u>	<u>Description Of Shares</u>
Prime People PLC	England	Recruitment and Training	29.9%	1p Ordinary

12. DEBTORS

	<u>GROUP</u>	<u>COMPANY</u>
	<u>1996 £'000</u>	<u>1996 £'000</u>
Trade debtors	2,555	-
Other debtors	92	50
Work in progress	1,423	-
Prepayments	433	-
Deferred expenditure	<u>166</u>	<u>-</u>
	<u>4,669</u>	<u>50</u>

Work in progress represents the recognition of fees earned but not invoiced as at the balance sheet date. Other debtors includes an amount of £12,580 of Advance Corporation Tax, which is recoverable after more than one year.

13. CREDITORS
Amounts falling due within one year

	<u>GROUP</u>	<u>COMPANY</u>
	<u>1996 £'000</u>	<u>1996 £'000</u>
Bank overdraft	192	-
Obligations under hire purchase contracts	1	-
Trade creditors	678	-
Amounts owed to group undertakings	-	7,494
Corporation tax	1,470	-
Other taxes and social security costs	537	-
Other creditors and accruals	<u>1,760</u>	<u>-</u>
	<u>4,638</u>	<u>7,494</u>

The bank overdraft is secured by a fixed charge over the group's property and a floating charge over the undertaking and other assets of the group.

14. DEFERRED TAXATION

At 31 December 1996 the group and the company had a full potential liability for deferred taxation of £NIL.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

15. SHARE CAPITAL

	1996 £'000
AUTHORISED:	
30,000,000 ordinary shares of 5p each	1,500
188,410 'A' preference shares of £1 each	188
682,633 'B' preference shares of £1 each	683
10,368,832 'C' preference shares of £1 each	<u>10,369</u>
	<u>12,740</u>
ALLOTTED, CALLED UP AND FULLY PAID:	
1,366,404 ordinary shares of 5p each	68
188,410 'A' preference shares of £1 each	188
682,633 'B' preference shares of £1 each	683
10,368,832 'C' preference shares of £1 each	<u>10,369</u>
	<u>11,308</u>

On 14 May 1996 the company was incorporated and issued 2 ordinary £1 shares from authorised share capital of £100,000.

On 16 December 1996 the ordinary shares were subdivided into ordinary 5p shares and the authorised capital was increased to £12,379,875. On the same date 50,000 £1 redeemable preference shares were allotted at par.

On 20 December 1996 a further 1,366,364 ordinary shares and 11,239,875 preference shares were allotted at £3.94 and £1 per share respectively as part of the consideration for the acquisition of the shares in Codeissue Limited.

On 31 December 1996 the 50,000 £1 redeemable preference shares were redeemed at par.

The preference shares are redeemable on the earlier of a sale of the company or when its shares are listed on the London Stock Exchange.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

16. SHAREHOLDERS' FUNDS

a) GROUP

	<u>SHARE CAPITAL</u>	<u>CAPITAL REDEMPTION RESERVE</u>	<u>MERGER RESERVE</u>	<u>PROFIT AND LOSS</u>	<u>GOODWILL</u>	<u>TOTAL</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Issue of shares (see note 15)	11,358	-	-	-	-	11,358
Premiums on issue of shares during the period	-	-	5,318	-	-	5,318
Goodwill on acquisitions	-	-	-	-	(15,585)	(15,585)
Retained profit for the period	-	-	-	171	-	171
Redemption of preference shares	<u>(50)</u>	<u>50</u>	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>(50)</u>
	<u>11,308</u>	<u>50</u>	<u>5,318</u>	<u>121</u>	<u>(15,585)</u>	<u>1,212</u>

b) COMPANY

	<u>SHARE CAPITAL</u>	<u>CAPITAL REDEMPTION RESERVE</u>	<u>MERGER RESERVE</u>	<u>PROFIT AND LOSS</u>	<u>TOTAL</u>
	£'000	£'000	£'000	£'000	£'000
Issue of shares (see note 15)	11,358	-	-	-	11,358
Premiums on issue of shares during the period	-	-	5,318	-	5,318
Retained profit for the period	-	-	-	50	50
Redemption of preference shares	<u>(50)</u>	<u>50</u>	<u>-</u>	<u>(50)</u>	<u>(50)</u>
	<u>11,308</u>	<u>50</u>	<u>5,318</u>	<u>-</u>	<u>16,676</u>

At 31 December 1996 non equity shareholders' funds amounted to £11,239,875 in both the company and the group.

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

17. OTHER FINANCIAL COMMITMENTS

The following annual commitments existed at 31 December 1996 in respect of non cancellable operating leases:-

	<u>GROUP</u>
	1996
	£'000
LAND AND BUILDINGS:	
Falling due:	
Within one year	100
In the second to fifth year	85
After five years	103
OTHER:	
Falling due:	
Within one year	26
In the second to fifth year	<u>102</u>
	<u>416</u>

18. CAPITAL COMMITMENTS

The company and the group had authorised capital commitments of £NIL at the end of the period.

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996
	£'000
Operating profit	234
Depreciation charge	<u>18</u>
Net cash inflow from operating activities	<u>252</u>

PSD GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 1996

20. PURCHASE OF SUBSIDIARY UNDERTAKING

	1996 £'000
Net assets acquired	8,535
Goodwill	<u>15,585</u>
	<u>24,120</u>
Satisfied by:	
Shares allotted	16,626
Cash	<u>7,494</u>
	<u>24,120</u>

All of the group's cash flows relating to operating activities and to returns on investments and servicing of finance derived from the subsidiary group acquired during the period.

No breakdown of the net assets acquired is given due to uncertainty regarding the breakdown at the date of acquisition.

21. ANALYSIS OF THE NET OUTFLOW OF CASH IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKINGS

	1996 £'000
Cash consideration	7,494
Cash at bank and in hand acquired	-
Bank overdraft acquired	<u>353</u>
	<u>7,847</u>