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COMPANIES HOUSE 11/02/97

This document comprises a prospectus relating to PSD Group plc prepared in accordance with the listing rules of the London Stock Exchange made pursuant to section 142 of the Financial Services Act 1986 and a copy has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act. ✓

The Directors of PSD Group plc, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything that is likely to affect the import of such information.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company issued and now being issued to be admitted to the Official List. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 20 February 1997.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and is not for distribution in or into the United States of America, Canada, Japan or Australia. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the applicable securities laws of Canada, Japan or Australia and, subject to certain exceptions, may not be offered or sold within the United States of America, Canada, Japan or Australia or to any national, resident or citizen of the United States of America, Canada, Japan or Australia.

No person is authorised in connection with any offer made hereby to give any information or to make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or HSBC Samuel Montagu.

Persons receiving this document should note that in connection with the Placing HSBC Samuel Montagu, a division of HSBC Investment Bank plc which is regulated by The Securities and Futures Authority Limited, is acting for PSD Group plc and no-one else and will not be responsible to anyone other than PSD Group plc for providing the protections afforded to customers of HSBC Samuel Montagu nor for providing advice in relation to the Placing.

PSD GROUP plc

(Incorporated and registered in England and Wales, under the Companies Act 1985 with Registered No. 3201382)

Placing
by

HSBC Samuel Montagu

Member HSBC Group

**of 13,509,431 Ordinary Shares of 5p each at 220p per Ordinary Share
payable in full on application**

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

Authorised £	Number		Issued and fully paid £	Number
1,500,000	30,000,000	Ordinary Shares of 5p each	1,209,211.85	24,184,237

The Ordinary Shares now being placed will, on Admission, rank *pari passu* in all respects with the issued ordinary share capital of the Company, including, in respect of all dividends and other distributions declared, made or paid in respect of the ordinary share capital after Admission.

INDEBTEDNESS

At the close of business on 20 January 1997, PSD Group plc and its subsidiaries had outstanding secured bank loans and overdrafts of £206,927 and hire purchase and finance lease commitments of £659. Save as aforesaid, and apart from intra-group liabilities, no member of PSD Group plc had outstanding any loan capital (including term loans) whether issued, created or unissued, or any mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments, finance leases or guarantees.

At the same date PSD Group plc and its subsidiaries had cash balances and short term deposits of £340,898.

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Directors and Advisers

Directors	Peter Hearn (<i>Executive Chairman</i>) Francesca Robinson (<i>Chief Executive</i>) Christopher Heyberd (<i>Finance Director</i>) Gillian Oakes (<i>Non-Executive Director</i>) Roderick Richards (<i>Non-Executive Director</i>) all of Butlers Wharf, 36 Shad Thames, London SE1 2YE
Company Secretary	Christopher Heyberd
Registered and Head office	Butlers Wharf 36 Shad Thames London SE1 2YE
Sponsor and Financial Adviser	HSBC Samuel Montagu Vintner's Place 68 Upper Thames Street London EC4V 3BJ
Stockbroker	Charterhouse Tilney Securities Limited 1 Paternoster Row St. Paul's London EC4M 7DH
Auditors and Reporting Accountants	Clark Whitehill Chartered Accountants and Registered Auditors 25 New Street Square London EC4A 3LN
Solicitors to the Company	Stephenson Harwood One St. Paul's Churchyard London EC4M 8SH
Solicitors to the Placing	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
Principal bankers	The Royal Bank of Scotland plc PO Box 412 62/63 Threadneedle Street London EC2R 8LA Barclays Bank PLC The Old Bank High Street Lewes East Sussex BN7 2JP
Registrars	Independent Registrars Group Limited Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

"Company" or "PSD"	PSD Group plc
"PSD Group" or "Group"	the Company and its subsidiaries or, prior to the Codeissue Reorganisation, Codeissue and its subsidiaries as the context requires
"Codeissue"	Codeissue Limited and (where the context requires) its subsidiary companies
"Codeissue Reorganisation"	the acquisition of 100 per cent. of the issued share capital of Codeissue by the Company as described in Part I of this document
"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Ordinary Shares issued and to be issued to the Official List becoming effective
"Directors" or the "Board"	the directors of the Company whose names appear on page 3 of this document
"Foreign & Colonial Ventures"	Foreign & Colonial Ventures Limited
"HSBC Samuel Montagu"	HSBC Samuel Montagu, a division of HSBC Investment Bank plc
"London Stock Exchange"	London Stock Exchange Limited
"net fee income"	the income derived by deducting from gross fee income direct costs including costs of advertising, costs of temporary recruitment and charges to clients for artwork
"Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Official List"	the Official List of the London Stock Exchange
"Placing"	the placing of the Placing Shares by HSBC Samuel Montagu as described in this document
"Placing Agreement"	the placing agreement dated 11 February 1997 as summarised in paragraph 9 of Part IV of this document
"Placing Price"	220p per Ordinary Share
"Placing Shares"	the 6,472,671 Ordinary Shares being issued by the Company and the 7,036,760 Ordinary Shares being sold by the Selling Shareholders pursuant to the Placing
"Selling Shareholders"	funds managed by Foreign & Colonial Ventures and Francesca Robinson
"Shareholders"	holders of Ordinary Shares

Key Information

The following information should be read in conjunction with the full text of this document, from which it is derived:

Overview of activities

PSD Group is a leading recruitment services group, operating in the UK and increasingly overseas. The Group has achieved strong growth by specialising in market sectors which were identified as having the potential for significant development or in which the Group could achieve good market positions. It currently operates in the technology, professional services and executive search and selection sectors. These contributed approximately 50, 30 and 20 per cent. respectively of the Group's net fee income in the year ended 31 December 1996. Within technology, the Group's businesses specialise in electronics, communications, consulting, systems engineering and business systems. Within professional services, the Group's businesses specialise in property and construction, law, financial services, finance and accountancy and marketing.

The Group was founded in 1991 by its current chairman, Peter Hearn, with equity provided by funds managed by Foreign & Colonial Ventures. During 1992 the Group acquired the recruitment division of Acsis Group plc, the ERC Group and a number of smaller recruitment businesses which were subsequently integrated to form the PSD Group. Hoggett Bowers, the executive search and selection business, was acquired in 1993 and now operates as a Division of the PSD Group. Until 1996 the holding company for the PSD business was Codeissue. In December 1996, as part of the Codeissue Reorganisation, a new holding company, PSD Group plc, was established and acquired the entire issued share capital of Codeissue.

The Group employs highly trained consultants operating in three Divisions: PSD Technology; PSD Professional and Hoggett Bowers. The consultants within these Divisions specialise in particular industry sectors, with multi-disciplinary teams established to service the needs of larger clients. The Group currently operates from four locations in the UK and an office in Singapore. It is intended that the international operations will be further developed through the establishment of strategically located offices in the USA and elsewhere.

Whilst the operating divisions in the UK trade under a number of established brand names, the PSD brand is being increasingly emphasised in the marketing of the business. This is expected to heighten awareness of the Group and will conform with the international use of the PSD name.

Financial record

The summarised results of the Group, which are set out below, are for the four years ended 31 December 1996, and contain information extracted from the Accountants' Report set out in Part II of this document.

	1993	Years ended 31 December		
	£'000	1994 £'000	1995 £'000	1996 £'000
Gross fee income	8,476	12,498	14,881	19,256
Net fee income	7,494	10,300	12,133	16,290
Operating profit (Note)	676	2,707	3,615	5,686
Net cash inflow from operating activities	478	2,486	2,151	3,888

Source: Accountants' Report — Part II of this document.

Note: Operating profit is stated before additional remuneration paid to directors under a profit share scheme which terminated on 31 December 1996 and a one-off bonus payment made to a former director of the Group in 1996.

Prospects

The Directors believe that the Group is well positioned to continue its strong growth, and that it will benefit in particular from:

- its experienced management team which has demonstrated the ability to identify and exploit acquisition opportunities and to operate the businesses acquired to achieve significant improvements in profitability;
- the position of PSD Technology as a European market leader in the strongly growing technology sector, and the strong market positions in the UK of PSD Professional and Hoggett Bowers;
- the potential for focused international development, building on the significant overseas client base of PSD Technology;
- the development of a contract recruitment service to the technology and finance markets;
- the diversity of the sectors in which the Group operates, coupled with its high level of expertise within those sectors; and
- the strong emphasis on staff and management training and development, which is reflected in the high quality of service the Group provides.

Placing Statistics

Placing Price	220p
Number of Ordinary Shares in issue immediately following the Placing	24,184,237
Market capitalisation at the Placing Price	£53.2 million
Number of Ordinary Shares being placed:	
– on behalf of the Company	6,472,671
– on behalf of the Selling Shareholders	7,036,760
Percentage of enlarged issued ordinary share capital now being placed	55.9 per cent.
Earnings per Ordinary Share for the year ended 31 December 1996 (Note 1)	18.2p
Pro forma earnings per Ordinary Share (Note 1)	16.3p
Price earnings multiple at the Placing Price (based on pro forma earnings per Ordinary Share) (Note 1)	13.5 times
Notional net dividend per share for the year ended 31 December 1996 (Note 2)	5.43p
Notional gross dividend yield for the year ended 31 December 1996 at the Placing Price	3.1 per cent.
Notional dividend cover on the pro forma earnings per Ordinary Share	3.0 times

Notes:

- (1) The basis of calculation of the earnings per Ordinary Share is set out in Part II of this document and the basis of calculation of the pro forma earnings per Ordinary Share is set out in Part III of this document. The earnings per Ordinary Share, the pro forma earnings per Ordinary Share and the price earnings multiple are stated before a one-off bonus payment made to a former director of the Group.
- (2) The notional net dividend per Ordinary Share for the year ended 31 December 1996 is described under "Dividends and dividend policy" in Part I of this document.

Part I Information on the PSD Group

Introduction

PSD Group is a leading recruitment services group, operating in the UK and increasingly overseas. The Group has achieved strong growth by specialising in market sectors which were identified as having the potential for significant development or in which the Group could achieve good market positions. It currently operates in the technology, professional services and executive search and selection sectors. These contributed, approximately 50, 30 and 20 per cent. respectively of the Group's net fee income in the year ended 31 December 1996. Within technology, the Group's businesses specialise in electronics, communications, consulting, systems engineering and business systems. Within professional services, the Group's businesses specialise in property and construction, law, financial services, finance and accountancy and marketing.

The Group was founded in 1991 by its current Chairman, Peter Hearn, with equity provided by funds managed by Foreign & Colonial Ventures. During 1992 the Group acquired the recruitment division of Acsis Group plc, the ERC Group and a number of smaller recruitment businesses which were subsequently integrated to form the PSD Group. Hoggett Bowers, the executive search and selection business, was acquired in 1993 and now operates as a Division of the PSD Group. Until 1996 the holding company for the PSD business was Codeissue. In December 1996, as part of the Codeissue Reorganisation, a new holding company, PSD Group plc, was established and acquired the entire issued share capital of Codeissue.

Businesses acquired have been subject to rigorous operational and financial management, substantially improving their profitability. The strong operating performance of the Group under the current management team is reflected in its financial record. The summarised financial record of the Group set out below is for the four years ended 31 December 1996 and is extracted from the Accountants' Report set out in Part II of this document.

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
Gross fee income	8,476	12,498	14,881	19,256
Net fee income	7,494	10,300	12,133	16,290
Operating profit (Note)	676	2,707	3,615	5,686
Net cash inflow from operating activities	478	2,486	2,151	3,888

Source: Accountants' Report – Part II of this document

Note: Operating profit is stated before additional remuneration paid to directors under a profit share scheme which terminated on 31 December 1996 and a one-off bonus payment made to a former director of the Group in 1996.

The Group's substantial growth since its inception reflects:

- the acquisition by the Group of a number of specialist recruitment businesses in 1992 and 1993;
- the subsequent operational development and re-launch of these and other businesses;
- the targeted development by the management team of the Group's technology business, both in the UK and internationally;
- improved productivity resulting from the Group's focus on customer service, backed by careful recruitment, staff and management training and development programmes;
- its rigorous operational and financial management; and
- generally improving market conditions.

Part I Information on the PSD Group

The business has been consistently cash generative throughout the period under review with total net cash inflow from operating activities for the four years ended 31 December 1996 of £9.0 million.

Investment in training and development of employees is undertaken which, in addition to enhancing the quality of service to clients, has the benefit of attracting high quality recruitment consultants. The PSD Group was awarded the "Investors in People" Fast Track award in 1996 and was commended as one of the most innovative and conscientiously managed organisations assessed. Quality control is monitored throughout the Group, with the ISO 9002 accreditation received for all UK business units.

The UK recruitment market

The recruitment industry supplies candidates for three types of positions, namely temporary positions, contract work and permanent positions. Temporary positions are generally for relatively low skilled jobs and represent the main source of revenues for most recruitment consultancies. The periods of assignment for contract workers are generally longer and the skill levels higher than for temporary positions. Permanent positions generally account for the smallest number of positions but generate higher fees per assignment.

The 1996/97 Labour Market and Skill Trends published by the Department for Education and Employment identified a number of trends in the UK labour market, including the following:

- Employment is projected to continue to grow to the turn of the century and beyond, resulting in 1.6 million more jobs in 2001 than in 1994.
- Employment growth will be driven by increased levels of employment in managerial, professional and technical occupations, which are expected to represent approximately 40 per cent. of jobs by 2001 compared with 27 per cent. in 1981.
- The decline in primary and manufacturing employment and growth of the service sector will continue, combined with a shift away from manual skills towards those associated with the understanding and monitoring of complex systems.

A report on employment agencies published by Mintel Intelligence Group Limited ("Mintel") in May 1996 estimates that the recruitment market will grow in real terms by 14 per cent. over the period 1995 to 2000, as the economy continues to grow. Mintel reports that the recruitment market is highly fragmented with a wide array of types of recruitment agencies. As a result of this diversity, the top 15 recruitment consultants have a combined market share of less than 10 per cent.

The Directors consider that the Group will benefit from these trends. In particular, the Directors believe the Group operates in specialist sectors which generally are expected to experience strong growth in the next few years or in which it will be able to increase its market share.

The business of the PSD Group

The Group employs highly trained consultants operating in three Divisions: PSD Technology; PSD Professional and Hoggett Bowers. The consultants within these Divisions specialise in particular industry sectors, with multi-disciplinary teams established to service the needs of larger clients. As at 31 December 1996 the Group employed 146 consultants. Whilst the operating companies in the UK trade under a number of established brand names, the PSD brand is being increasingly emphasised in the marketing of the business. This is expected to heighten awareness of the Group and conforms with the international use of the PSD name.

The Group currently operates in the United Kingdom from offices in London, Birmingham, Manchester and Lewes. The Group opened an office in Singapore in April 1996 which currently employs eight consultants. An office is to be opened

Part I Information on the PSD Group

in California in March 1997 to service existing and prospective clients within the technology industry in the region. It is intended that the international operations will be further developed through the establishment of strategically located offices in the USA and elsewhere.

To date the Group has concentrated on the permanent recruitment sector. However, in response to opportunities presented by changing working patterns and demographics in the UK, the Group is now addressing the contract sector. Two important areas of focus for the Group are technology and finance and the Group is developing a contract business in these sectors, enabling it to provide a wider range of recruitment services to existing and prospective clients.

Recruitment services

The Group uses three principal methods to identify candidates:

File search

PSD Group maintains a database containing details of more than 150,000 candidates which enables the rapid preparation of a shortlist of appropriate candidates for clients.

Advertised selection

PSD Group offers creative and technical skills in the design and production of advertisements. The Directors believe that the strength of the Group's brand name and the associated image is important in attracting candidates.

Executive search

Extensive research facilities, together with knowledge of the specialist markets and functions for which the PSD Group recruits, underpin the success of the Group's executive search business, both in the UK and internationally.

Clients

The PSD Group has developed long-standing relationships with a diverse portfolio of clients ranging from major electronics companies to solicitors' practices. The Group is not dependent on any one client and the largest ten clients accounted for approximately eleven per cent. of the Group's net fee income in the year ended 31 December 1996. Each consultant is responsible for his or her own dedicated list of clients. Client service is monitored very closely to ensure that relationships are both maintained and developed. In the year ended 31 December 1996 the PSD Group placed candidates with over 1,100 organisations.

The Divisions provide clients with regular information on candidates within the market and on the status of the market. These marketing initiatives include production of remuneration surveys and "Profiles", booklets containing a selection of new candidates seeking career opportunities.

The PSD Group is able to provide a complete service to its clients by offering all three principal methods of recruitment, whether on small or large assignments. This service extends across many disciplines and sectors and applies to both permanent and, increasingly, to the growing contract recruitment business. Together these factors result in the PSD Group offering both breadth and depth of service which the Directors believe help differentiate it from its competition.

Part I Information on the PSD Group

Further information relating to the three Divisions of the PSD Group is set out below.

PSD Technology

PSD Technology was formed from the acquisition in 1992 of the businesses of ERC, founded in 1979 and SCR, founded in 1975. It concentrates on recruiting key personnel for technology manufacturers, service providers and end users and currently has a dedicated database with details of over 52,000 potential candidates.

Net fee income of PSD Technology in the four years ended 31 December 1996 is set out below:

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
Net fee income	2,509	3,937	5,546	7,872

Source: Accountants' Report – Part II of this document

Net fee income has grown at an annual compound rate of 46 per cent. since 1993 reflecting strong growth in client demand, the focus on specialist sectors, and the high quality of customer service.

The Division services an international client base and in the year ended 31 December 1996 net fee income from overseas placements amounted to approximately 21 per cent. of its total net fee income. Such income was derived from both UK-based assignments and from the Group's Singapore office, which was opened in April 1996. The Group intends to develop further overseas offices, creating links between key geographic regions to service more effectively its client base. In addition to permanent recruitment, the Directors also believe that contract recruitment has significant opportunities for growth, and PSD Technology has recently commenced activities in the contract recruitment market.

As at 31 December 1996, PSD Technology employed 61 consultants specialising in the following business areas, which the Directors believe provide clear opportunities for growth:

- Electronics* – this division is the largest fee income producer in PSD Technology and principally services manufacturers and suppliers in the semi-conductor and electronic component industries. This is a sector in which the Directors believe PSD Technology has a strong market position in the UK with potential for rapid expansion overseas.
- Communications* – established in 1991, this division is now the second largest fee income producer in PSD Technology, with a particular specialisation in recruiting for voice, data and satellite communications businesses.
- Technology Consulting* – provides technology consultants to management and software consultancies.
- Systems Engineering* – provides recruitment services to industrial, manufacturing and transport companies. It derives a significant proportion of its fee income from overseas assignments.
- Business Systems* – concentrates on recruiting for the end users of information technology, recruiting from graduates to main board level.
- Technology Contracts* – provides contract recruitment services primarily to companies operating in telecommunications, banking and financial services, and commerce.

Part I Information on the PSD Group

PSD Professional

PSD Professional targets a number of specialist businesses as detailed below. The Division operates a separate database for each of its business sectors with details of over 45,000 potential candidates.

Net fee income of PSD Professional in the four years ended 31 December 1996 is set out below:

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Net fee income	2,726	3,478	3,748	5,018

Source: Accountants' Report – Part II of this document

As at 31 December 1996, PSD Professional employed 60 consultants operating in the following five businesses:

- Reuter Simkin Property & Construction* – a market leader in the UK for the recruitment of chartered surveyors within the property and construction sectors. Recently it has successfully extended its business to cover recruitment for facilities and project management and residential development personnel.
- Reuter Simkin Law* – this business was founded in 1973 and has established particular expertise in recruiting lawyers for private practice.
- Chase Financial Services* – recruits for the financial services, actuarial, life and pensions industries in the UK.
- Taylor & Partners* – relaunched in 1994, Taylor & Partners recruits for marketing and sales positions from brand managers to directors. Taylor & Partners is developing its business with fast moving consumer goods companies and is expanding into the related markets of advertising, direct marketing and sales and management consultancy.
- PSD Finance* – operates in the finance and accountancy market, which has been targeted as a principal area for development within the Group, with particular emphasis on the development of the newly-established contract recruitment business. Given the market size of this sector, the Directors view this as an area for significant expansion in the future.

Whilst consultants specialise in particular business areas, multi-disciplinary teams have been established to service the needs of larger clients and to cross-sell the Group's services.

Hoggett Bowers

Hoggett Bowers is a leading UK executive search and selection business. It operates in search and selection and in five specialist practices covering: media; pharmaceuticals and healthcare; oil, gas and energy; finance; and technology.

Net fee income of Hoggett Bowers in the four years ended 31 December 1996 is set out below:

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Net fee income	2,259	2,885	2,839	3,400

Source: Accountants' Report – Part II of this document

Part I Information on the PSD Group

Hoggett Bowers was acquired by Codeissue in March 1993, at which time it was loss making. The very high level of fixed property costs within Hoggett Bowers continued to affect the ability of the business to trade profitably and in December 1993 administrative receivers were appointed by Codeissue as debenture holder. The business was subsequently acquired from the receivers by a new subsidiary of Codeissue. The reduction in the level of fixed costs together with the imposition of the financial and operational disciplines of the Group, since then, has resulted in a significant improvement in performance. In particular, quality and staff training were emphasised and the business was targeted at sectors providing improved opportunities for growth. Further details are set out in Part IV of this document.

At 31 December 1996 Hoggett Bowers employed 25 consultants. A substantial amount of the business transacted is now at salary levels of over £50,000, as opposed to some £30,000 at the time of acquisition in 1993, resulting in higher profit margins.

There is a strong brand awareness of Hoggett Bowers reflecting its market position and the high level of its advertising in the Sunday Times, which is the leading national newspaper for job recruitment. The top ten clients in terms of revenue provided approximately 16 per cent. of the revenue of Hoggett Bowers in the year ended 31 December 1996.

Development strategy

The Group's strategy is to target those sectors both within the UK and overseas which provide opportunities to continue organic growth whilst maintaining tight operational and financial controls.

Medium-term development plans are in place for each Division, with emphasis placed on those markets assessed as fastest growing or in which the Group can apply its proven skills to develop good market positions. The Group believes that PSD Technology, which contributes approximately half of the Group's net fee income, offers the strongest opportunities for growth.

Initiatives already underway include the development of the Group's international activities and its contract recruitment business.

The further development of the Group's international operations will be achieved through establishing strategically located offices in the USA and elsewhere to enable the Group to service the global requirements of existing and prospective clients in its specialist markets. These offices will initially build on the international client base of PSD Technology and, it is intended, will subsequently develop into the Group's other areas of expertise. The Singapore office, which was opened in April 1996, and an office in California is planned to be opened in March 1997 which will service technology manufacturers, service providers and end users operating in the region. It is intended that other offices will be opened where there is significant business demand.

The Group believes that the trend towards the employment of staff on fixed term contracts will continue and it aims to become a significant provider of contract recruitment services to the technology and finance markets.

In addition to organic development, the Group has a record of successfully acquiring and integrating businesses and intends to consider further opportunities for acquisitive growth in what is currently a fragmented industry. However, acquisitions will only be undertaken where the Directors can be confident that these will add material value to the existing operations.

Part I Information on the PSD Group

Directors, management and employees

The Board comprises the following three executive Directors and two non-executive Directors:

Peter John Hearn – Chairman, 43

Peter Hearn is responsible for Group strategy, business development and acquisition policy. He qualified as a chartered accountant with Coopers & Lybrand after graduating from Cambridge in 1974. He then worked in a range of industries holding positions in finance, marketing and sales before joining Reuter Simkin in 1986 where he was appointed managing director. In 1989 he was appointed a main board director of Acsis Group plc following its acquisition of Reuter Simkin. He founded the PSD Group in 1991 and has been Chairman since that date. He was executive chairman of Prime People plc an associated company which is listed on the London Stock Exchange, until 10 February 1997 when he became a non-executive director.

Francesca Mary Robinson – Chief Executive, 37

Francesca Robinson is responsible for the operation of all the Divisions and offices in the Group. She entered the recruitment industry after graduating from Durham University in 1982. She joined ERC in 1983 as a consultant in the electronics division and was appointed manager of that division in 1984. She was appointed managing director of ERC in 1987 and following its acquisition by the Group in 1992, she became deputy Managing Director of the business. She was appointed Managing Director in 1993 and Chief Executive of the Group in December 1996.

Christopher Incledon Heayberd – Finance Director, 44

Christopher Heayberd qualified as a chartered accountant in 1979. He was financial controller and company secretary of the Group from its inception until December 1993 when he resigned in order to concentrate on Prime People plc, having been appointed finance director in January 1993. Throughout this period he maintained a close relationship with the Group. He was appointed Finance Director of the Group in December 1996 at which time he resigned as finance director of Prime People plc.

Gillian Philippa Oakes – Non-executive Director, 43

Gillian Oakes is a non-executive director of Tie Rack plc and a former director of Samuel Montagu & Co. Limited. She is a graduate of Oxford University and a chartered accountant, with twelve years' merchant banking experience in corporate finance. She now runs her own architectural design and consultancy business.

Roderick Lamont Richards – Non-executive Director, 41

Roderick Richards was a non-executive director of Codeissue Limited from 1992 until the Codeissue Reorganisation following which he became a Director of PSD Group plc. He is a director of Foreign & Colonial Ventures Limited and Foreign & Colonial Management Limited. He is a graduate of Oxford University and has an MBA from INSEAD. Prior to joining Foreign & Colonial Ventures he worked in marketing for Bell & Howell Limited and as a management consultant for McKinsey & Company.

The Directors intend to appoint an additional non-executive director as soon as a suitable candidate has been identified.

Each of the executive Directors has a service contract (or a contract for services) with the Company, details of which are set out in Part IV of this document.

Senior management and employees

In addition to the executive Directors, the Group has an experienced and well qualified senior management team, which includes the following three Divisional managing directors:

Stefan Ciecierski (aged 35) joined ERC as a consultant in 1988 and is managing director of PSD Technology.

Part I Information on the PSD Group

Peter Hardy (aged 38) joined Reuter Simkin as a consultant in 1988 and is managing director of PSD Professional.

Cindy Irvine (aged 39) joined ERC as a consultant in 1987 and was appointed managing director of Hoggett Bowers in 1994.

Together with the Chief Executive, the three Divisional managing directors are members of the Group's operating board which is responsible for the implementation and achievement of the Group's tactical and strategic objectives.

Each Divisional managing director is responsible for the operational management of his or her Division. Within PSD Technology and PSD Professional there is a managing consultant responsible for each business sector, supported by a team of senior consultants, consultants and support staff. The management structure of Hoggett Bowers is similar except that its divisions are structured on a geographical basis rather than by business sector. All finance and administration personnel of the PSD Group are based in Lewes, East Sussex.

Fee earning staff are remunerated through a basic salary and bonus. These employees are eligible for a personal bonus based on individual levels of achievement and a team bonus, dependent on the team's performance.

The average number of persons employed by the Group for the four years ended 31 December 1996 was as follows:

	1993	Years ended 31 December		1996
		1994	1995	
Consultants	93	84	99	123
Sales support staff, finance and administration	50	49	51	59
Total	143	133	150	182

Staff training and development

The Group places considerable emphasis on staff training and management development programmes to facilitate the achievement of its objectives and was awarded the Investors in People Standard – Fast Track award in 1996. The Directors believe that, in addition to enhancing the quality of service provided to clients, the training and development programmes assist staff recruitment and retention and provide existing members of staff with the opportunity to be promoted to management positions that arise as the business grows.

Employee participation and share option schemes

The Directors propose to make available up to 64,339 Ordinary Shares out of the Ordinary Shares being issued by the Company in connection with the Placing to meet applications from employees of the Group.

The Group controls its own recruitment centrally, as part of its quality control procedures, and will commence a direct entry graduate recruitment programme from September 1997.

The Company has adopted two share option schemes, The PSD Group plc Company Share Option Plan and the PSD Group plc Executive Share Option Scheme. The Board intends to grant options under these schemes between the date of this document and Admission in respect of 1,045,441 Ordinary Shares (representing 4.32 per cent. of the Company's issued ordinary share capital following the Placing) to certain executive directors and senior managers. These options will be exercisable in accordance with the rules of the schemes at the Placing Price (subject to the agreement of the Shares Valuation Division of the Inland Revenue in the case of options to be granted under the Company Share Option Plan). The Company has agreed that until 31 December 1999, it will not grant options over more than a further 0.68 per cent. of the issued ordinary share capital following the Placing without the approval of shareholders in general meeting except to replace options granted before Admission which have lapsed. Further details of the share option schemes are set out in Part IV of this document.

Part I Information on the PSD Group

Management structure and controls

The management structure and systems of the Group emphasise clear-cut business objectives, strict reporting procedures and tight cost control.

The executive Directors and senior management play a key role in the day-to-day operation and control of the business. The management systems enable them to identify and respond to fluctuations and deviations from planned objectives at an early stage.

Management accounts, which are prepared for accounting periods of four or five weeks are circulated to the Board and senior management, focus on key divisional operating statistics and cash management. Divisional operating statements include a detailed analysis of all variances from plan. The executive Directors and senior management also receive a weekly analysis of key business statistics.

Corporate governance

The Board supports high standards of corporate governance and confirms that the Group intends to observe all the relevant requirements of the Code of Best Practice formulated by the Cadbury Committee on the Financial Aspects of Corporate Governance.

The Board has established an Audit Committee and a Remuneration Committee each of which has formally delegated duties and responsibilities. The Audit Committee, which comprises solely the non-executive Directors, will meet with the auditors, will consider draft interim and annual accounts and will review any reports from the auditors regarding the accounts and internal control systems of the Group. The Remuneration Committee, which comprises solely the non-executive Directors, will be responsible for making recommendations to the Board on remuneration policy for the Company's executive Directors with the aim of ensuring that their remuneration and any other incentives, including share options, are set in the light of their performance and that of the Group. In framing its recommendations, the terms of reference of the Remuneration Committee require it to give full consideration to the relevant provisions of the Code of Best Practice of the Greenbury Committee, as set out as best practice provisions annexed to The Listing Rules of the London Stock Exchange.

Codeissue Reorganisation

In December 1996 the entire issued share capital of Codeissue, which was the holding company for the Group, was acquired by PSD for a consideration comprising Ordinary Shares, preference shares and cash. The Codeissue Reorganisation enabled the vendor of Hoggett Bowers, Bafin Holdings, and a former director, Ian Veltman, to realise their shareholdings in Codeissue for cash from the resources of Codeissue. The preference shares, which were issued as part of the Codeissue Reorganisation to Peter Hearn and funds managed by Foreign & Colonial Ventures, will be redeemed by PSD immediately following Admission. Further details of the agreements relating to the Codeissue Reorganisation are set out in Part IV of this document.

Part I Information on the PSD Group

Financial information

The trading record of the Group for the four years ended 31 December 1996 is set out in the Accountants' Report in Part II of this document, from which the following summary information on the Group's operations has been extracted.

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Gross fee income	8,476	12,498	14,881	19,256
Direct costs	(982)	(2,198)	(2,748)	(2,966)
Net fee income	7,494	10,300	12,133	16,290
Operating profit (Note)	676	2,707	3,615	5,686
Discontinued profit share	(226)	(645)	(878)	—
Payment to former director	—	—	—	(1,250)
Profit on sale of associated undertaking	—	—	2,453	—
Share of associated undertakings' profit	171	513	407	35
Net interest receivable	21	84	261	397
Profit on ordinary activities before taxation	642	2,659	5,858	4,868
Tax on profit on ordinary activities	7	(576)	(1,122)	(1,548)
Profit for the financial year	649	2,083	4,736	3,320
Earnings per Ordinary Share (Note)	3.8p	11.0p	13.6p	18.2p
Net cash inflow from operating activities	478	2,486	2,151	3,888

Note: Operating profit and earnings per Ordinary Share are stated before additional remuneration paid to directors under a profit share scheme which terminated on 31 December 1996, a one-off bonus payment made in 1996 to a former director of the Group and an exceptional profit on the disposal of the Group's interest in MRG, an associated company in 1995. Further information on these transactions is set out in Part II of this document.

In the three years to 31 December 1996 net fee income for the Group grew by 117 per cent. The Group's strong growth has been derived from businesses acquired in 1992 and 1993 which have been restructured, strategically redirected and subjected to the management and operational controls of the Group, enabling significant organic development to be reflected in the profitability of the Group. PSD Technology represents approximately half of the Group's net fee income and the growth of its fee income over the three year period of 214 per cent. has underpinned much of that of the Group. The net fee income of PSD Professional has grown over the period (by 84 per cent.), reflecting the development of that Division.

The discontinued profit share relates to profit distributed by way of bonuses to the two executive directors of Codeissue at that time. The scheme terminated on 31 December 1996 and no payments have been made under the scheme since the year ended 31 December 1995. Operating profit for the year ended 31 December 1996 excludes a one-off bonus payment made to a former director of Codeissue, Ian Veltman. Details of the new Directors' bonus scheme which took effect from 1 January 1997 are set out in Part IV of this document.

The profit on the sale of the associated undertaking in the year ended 31 December 1995 relates to the sale of the Group's 47.1 per cent. shareholding in The Management Resource Group plc ("MRG"). Income from associated undertakings relates principally to the Group's interest in MRG for the three years ended 31 December 1995 and Prime People plc for the year ended 31 December 1996, in which the Group held 29.9 per cent. of the share capital as at

Part I Information on the PSD Group

31 December 1996. Further information on the Group's interest in Prime People plc is set out in Part IV of this document.

The Directors believe that the ongoing effective tax rate for the Group will not be materially different from the standard corporation tax rate in the UK.

Interest receivable has risen reflecting the cash generated by the Group. As part of the Codeissue Reorganisation, the Group's cash balance was eliminated as a result of a loan issued by Codeissue to PSD to fund payments to acquire the shares of certain former shareholders of Codeissue.

Pro forma financial information

The financial information contained in the Accountants' Report, set out in Part II of this document, does not reflect the capital structure of the Company which will be in place immediately following Admission. Accordingly, the Directors consider it appropriate to present, for illustrative purposes only, pro forma financial information.

A pro forma consolidated profit and loss statement of the Group for the year ended 31 December 1996 and a pro forma consolidated net asset statement of the Group as at 31 December 1996 are set out in full in Part III of this document, together with the assumptions on which they are based.

The pro forma profit and loss statement shows profit on ordinary activities before a one-off bonus payment to a former director and before taxation of £5.7 million, profit on ordinary activities after taxation of £3.9 million and earnings per ordinary share of 16.3p. The pro forma net asset statement shows net assets of £3.2 million and net cash of £1.9 million.

Prospects

The Directors believe that the Group is well positioned to continue its strong growth, and that it will benefit in particular from:

- its experienced management team which has demonstrated the ability to identify and exploit acquisition opportunities and to operate the businesses acquired to achieve significant improvements in profitability;
- the position of PSD Technology as a European market leader in the strongly growing technology sector, and the strong market positions in the UK of PSD Professional and Hoggett Bowers;
- the potential for focused international development, building on the significant overseas client base of PSD Technology;
- the development of a contract recruitment service to the technology and finance markets;
- the diversity of the sectors in which the Group operates, coupled with its high level of expertise within those sectors; and
- the strong emphasis on staff and management training and development, which is reflected in the high quality of service the Group provides.

Part I Information on the PSD Group

Dividends and dividend policy

The Placing Shares will rank in full for all dividends or other distributions declared, made or paid in respect of the Ordinary Share capital of the Company following Admission.

Had the Ordinary Shares been listed throughout the year ended 31 December 1996, and had the Code issue Reorganisation taken place at the beginning of that year, the Directors would have expected to recommend net dividends totalling 5.4p per Ordinary Share for the year (6.8p gross inclusive of the associated tax credit at the current rate), which would have been payable as to approximately one third as an interim dividend and two thirds as a final dividend. These dividends would have been covered 3.0 times by the pro forma earnings per Ordinary Share for the year ended 31 December 1996. At the Placing Price this would have represented a notional gross dividend yield of 3.1 per cent.

The first dividend to be paid to shareholders of the Company following Admission will, subject to unforeseen circumstances, be the interim dividend for the six months ending 30 June 1997 and is expected to be paid in October 1997.

The Directors intend to pursue a progressive dividend policy, having regard to the earnings, cash flow and general development of the business.

The Placing

Peter Hearn is not placing any of his shares. Of the 13,509,431 Ordinary Shares being placed, 7,036,760 are existing shares and 6,472,671 are new shares being placed on behalf of the Company. Of the existing shares, 6,784,499 are being placed on behalf of funds managed by Foreign & Colonial Ventures and the balance on behalf of Francesca Robinson who is placing the shares in order to fund the purchase of her shares in PSD. The Placing will raise approximately £13.2 million (net of expenses) for the Company of which £11,239,875 will be applied to redeem 11,239,875 preference shares of £1 each in the capital of the Company and £2.0 million will be available for the development of the business.

The Directors believe that the Company's prospects will be enhanced by a listing of its Ordinary Shares on the London Stock Exchange. In particular a listing will raise the profile of the Company, enhance opportunities to develop the business and enable the Group to introduce effective incentives for its employees.

All of the Ordinary Shares which are the subject of the Placing are being placed with investors at the Placing Price, with 100,000 being reserved for independent market makers and 64,339 being reserved in the first instance for employees. The Placing has been fully underwritten by HSBC Samuel Montagu at the Placing Price.

Following the Placing, Peter Hearn will be interested in 7,453,769 Ordinary Shares (representing 30.82 per cent. of the enlarged issued Ordinary Share capital), Francesca Robinson will be interested in 266,537 Ordinary Shares (representing 1.1 per cent. of the enlarged issued Ordinary Share capital) and funds managed by Foreign & Colonial Ventures will be interested in 2,954,500 Ordinary Shares (representing 12.22 per cent. of the enlarged issued Ordinary Share capital).

Peter Hearn, Francesca Robinson and funds managed by Foreign & Colonial Ventures have given undertakings in the Placing Agreement in relation to future sales by them of in aggregate 10,674,806 Ordinary Shares, details of which are set out in Part IV of this document.

Part II Accountants' Report

The following is the text of the Accountants' Report from Clark Whitehill, Chartered Accountants

The Directors
PSD Group plc
Butlers Wharf
36 Shad Thames
London SE1 2YE

and

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Vintner's Place
68 Upper Thames Street
London EC4V 3BJ


CLARK WHITEHILL
Chartered Accountants

A member of Horwath International



25 New Street Square
London EC4A 3LN

11 February 1997

Ladies and Gentlemen,

1. Introduction

- 1.1 We report in connection with the prospectus of PSD Group plc (the "Company") dated 11 February 1997 (the "Prospectus") in respect of the placing of the Company's shares and the Company's admission to the Official List of the London Stock Exchange Limited.
- 1.2 PSD Group plc was incorporated on 14 May 1996. On 16 December 1996 PSD Group plc acquired the entire issued share capital of Codeissue Limited for a consideration comprising ordinary shares, preference shares and cash. PSD Group plc and its subsidiaries, including Codeissue Limited, are referred to in this report as the "Group".
- 1.3 We have examined the audited consolidated financial statements of PSD Group plc for the period from incorporation to 31 December 1996 and the audited consolidated financial statements of Codeissue Limited and its subsidiaries for each of the four years ended 31 December 1996. We were auditors of the Group throughout the relevant period and our audit reports were unqualified. Our work has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.
- 1.4 The financial information contained in this report has been extracted or derived from the audited consolidated financial statements of PSD Group plc and Codeissue Limited and its subsidiaries, to which in our opinion no adjustments are necessary, on the following basis:
 - for the three years ended 31 December 1995 the financial information relates solely to Codeissue Limited and its subsidiaries and has been extracted from the audited consolidated financial statements of Codeissue Limited and its subsidiaries;
 - the financial information for the year ended 31 December 1996 includes the results of Codeissue Limited and its subsidiaries for the period prior to its acquisition by the Company on 16 December 1996 and the results of the PSD Group plc and its subsidiaries for the period from incorporation to 31 December 1996.
 - the balance sheets at 31 December 1993, 1994 and 1995 are for Codeissue Limited and its subsidiaries. The balance sheet at 31 December 1996 is for PSD Group plc and its subsidiaries.
- 1.5 In our opinion the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group at 31 December 1993, 31 December 1994, 31 December 1995 and 31 December 1996 and the profits and cash flows for each of the years then ended.
- 1.6 No audited financial statements have been prepared for PSD Group plc in respect of any period subsequent to 31 December 1996.

Part II Accountants' Report

2. Accounting policies

The principal accounting policies of the Group, which have been consistently applied during the periods covered by this report, are set out below:

Basis of accounting

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

Basis of consolidation

The financial statements include Codeissue Limited and all its subsidiaries and PSD Group plc and all its subsidiaries as applicable, on the basis set out in 1.4 above.

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.

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

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.

Associated undertakings

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.

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 profit and loss account.

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

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.

Part II Accountants' Report

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.

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.

3. Consolidated profit & loss accounts

	Notes	1993 £'000	Years ended 31 December		
		1993 £'000	1994 £'000	1995 £'000	1996 £'000
Gross fee income	6.1	8,476	12,498	14,881	19,256
Direct costs		(982)	(2,198)	(2,748)	(2,966)
Net fee income	6.1	7,494	10,300	12,133	16,290
Administrative expenses		(6,818)	(7,593)	(8,518)	(10,604)
Operating profit		676	2,707	3,615	5,686
Discontinued profit share and payment to former director	6.3	(226)	(645)	(878)	(1,250)
Profit on sale of associated undertaking		—	—	2,453	—
Share of associated undertakings profit		171	513	407	35
Net interest receivable	6.6	21	84	261	397
Profit on ordinary activities before taxation		642	2,659	5,858	4,868
Tax on profit on ordinary activities	6.7	7	(576)	(1,122)	(1,548)
Profit for the financial year		649	2,083	4,736	3,320
Dividends	6.8	(191)	(201)	(1,412)	(50)
Retained profit for the year		458	1,882	3,324	3,270
Basic earnings per Ordinary Share	6.9	2.8p	9.1p	20.7p	14.6p
Earnings per Ordinary Share (calculated on adjusted earnings)	6.9	3.8p	11.0p	13.6p	18.2p

The consolidated profit and loss accounts contain all of the gains and losses recognised in the respective accounting periods.

Part II Accountants' Report

4. Consolidated balance sheets

	Notes	1993 £'000	31 December 1994 £'000	1995 £'000	1996 £'000
Fixed assets					
Tangible assets	6.10	381	478	705	869
Investments	6.11	698	656	169	205
		1,079	1,134	874	1,074
Current assets					
Debtors	6.12	2,399	2,856	4,048	4,669
Cash at bank		1,359	3,484	6,910	107
		3,758	6,340	10,958	4,776
Creditors: amounts falling due within one year	6.13	(2,382)	(3,464)	(5,554)	(4,638)
Net current assets		1,376	2,876	5,404	138
Total assets less current liabilities		2,455	4,010	6,278	1,212
Creditors: amounts falling due after more than one year	6.13	(135)	(88)	(5)	–
Provisions for liabilities and charges					
Deferred taxation	6.14	(11)	–	–	–
Net assets		2,309	3,922	6,273	1,212
Capital and reserves					
Called up share capital	6.15	2,127	2,118	2,092	11,308
Share premium account	6.16	3,681	959	959	–
Merger reserve	6.16	–	–	–	5,318
Capital redemption reserve	6.16	–	9	35	50
Profit and loss account	6.16	134	4,563	7,358	121
Goodwill reserve	6.16	(3,633)	(3,727)	(4,171)	(15,585)
Shareholders' funds	6.17	2,309	3,922	6,273	1,212

Part II Accountants' Report

5. Consolidated cash flow statements

	Notes	1993 £'000	Years ended 31 December 1994 £'000	1995 £'000	1996 £'000
Net cash inflow from operating activities	6.20	478	2,486	2,151	3,888
Returns on investments and servicing of finance					
Interest received		49	107	270	401
Interest paid		(5)	—	—	—
Dividends received		44	129	115	—
Dividends paid		(336)	(201)	(201)	(1,261)
Interest element of hire purchase repayment		(23)	(23)	(9)	(4)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(271)	12	175	(864)
Taxation					
Corporation tax paid		(64)	(25)	(326)	(1,044)
Investing activities					
Proceeds from sale of shares in associated company		—	—	2,953	—
Purchase of subsidiary undertakings		(1,064)	(93)	—	(7,494)
Purchase of investments		(11)	—	(407)	(1)
Payments to acquire tangible fixed assets		(178)	(251)	(530)	(640)
Receipts from sales of tangible fixed assets		70	71	45	69
Capital element of hire purchase repayments		—	(125)	(106)	(70)
Repayment of loans to associated company		260	—	—	—
Redemption of preference shares in associated company		—	225	—	—
Net cash (outflow)/inflow from investing activities		(923)	(173)	1,955	(8,136)
Net cash (outflow)/inflow before financing		(780)	2,300	3,955	(6,156)
Redemption of preference shares		—	(175)	(529)	(889)
Issue of share capital		1,467	—	—	50
Increase/(decrease) in cash and cash equivalents	6.21	687	2,125	3,426	(6,995)

Part II Accountants' Report

6. Notes to the financial information

6.1 Fee income

The analysis of gross fee income by geographical area is as follows:

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
United Kingdom	7,894	11,216	13,338	16,907
Other EU countries	444	1,015	1,150	1,271
Rest of the world	138	267	393	1,078
	8,476	12,498	14,881	19,256

The analysis of net fee income by Division is as follows:

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
PSD Technology	2,509	3,937	5,546	7,872
PSD Professional	2,726	3,478	3,748	5,018
Hoggett Bowers	2,259	2,885	2,839	3,400
	7,494	10,300	12,133	16,290

All of the assets employed in generating the above turnover and the Group's profit before tax are situated in the United Kingdom with the exception of an immaterial amount situated in Singapore on 31 December 1996.

6.2 Directors' emoluments

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
Emoluments including pension contributions and discontinued profit shares and a one-off bonus payment to a former director	616	1,112	1,281	1,480

During the year ended 31 December 1996 a total of £200,000 (1995 £846,311, 1994 £680,536, 1993 £366,671) was charged by a company in which the Chairman has an interest, for the provision of his services. The highest amount charged to the profit and loss account in the year ended 31 December 1996 in relation to a director was £1,250,000 (1995: £846,311) paid by way of a one-off bonus payment to a former director. During the same period £15,000 (1995 £15,000, 1994 £15,000, 1993 £15,000) was paid to Foreign & Colonial Ventures in respect of the services of R L Richards. All of these payments are included in the above table.

Part II Accountants' Report

6.3 Discontinued profit share and payment to former director

The discontinued profit share scheme provided for a profit allocation to the two executive directors at that time of 25 per cent. of the increase in group pre-tax profits (as adjusted for inflation and treating the year to 31 December 1992 as nil) in each financial year to 31 December 1996. No payments are due under the profit share scheme in respect of the year ended 31 December 1996 and the scheme terminated on 31 December 1996. The payment to a former director relates to a contractual payment by way of a bonus made by the Group to Ian Veltman, a former director of Codeissue Limited.

The discontinued profit share for the three years ended 31 December 1995 and the payment to a former director in the year ended 31 December 1996 were as set out below:

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Total directors' emoluments	616	1,112	1,281	1,480
Basic directors' emoluments	(390)	(467)	(403)	(230)
Profit share and payment to former director	226	645	878	1,250

6.4 Staff costs (including directors)

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Wages and salaries	3,817	5,057	6,440	8,264
Social security costs	351	435	558	686
	4,168	5,492	6,998	8,950

The average number of employees during the year ended 31 December 1996 was 182 (1995: 150, 1994: 133, 1993: 143).

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6.5 Operating profit

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
This is stated after charging/(crediting):				
Operating leases				
– plant and equipment	11	121	120	110
– land and buildings	612	240	202	322
Auditors' remuneration				
– as auditors	20	31	31	24
– other services	9	7	6	6
Depreciation				
– owned assets	89	91	186	370
– assets under hire purchase	53	91	69	44
Foreign exchange losses	–	–	–	42
Loss/(profit) on sale of fixed assets	(3)	(16)	3	(7)

6.6 Net interest receivable

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
On bank loans and overdraft	(4)	–	–	–
On hire purchase contracts	(23)	(23)	(9)	(4)
On late corporation tax payment	(1)	–	–	–
Interest payable	(28)	(23)	(9)	(4)
Bank and other interest receivable	49	107	270	401
Net interest receivable	21	84	261	397

6.7 Tax on profit on ordinary activities

	1993 £'000	Years ended 31 December		
		1994 £'000	1995 £'000	1996 £'000
Corporation tax on ordinary activities at 33%	–	(429)	(998)	(1,510)
Share of associated company's tax	(8)	(158)	(124)	–
Deferred taxation movement	3	11	–	–
Adjustment to previous years	12	–	–	(38)
	7	(576)	(1,122)	(1,548)

Part II Accountants' Report

6.8 Dividends

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
On 12% cumulative "A" preference shares	191	201	201	50
On ordinary shares	—	—	1,211	—
	191	201	1,412	50
Dividends per Codeissue ordinary share	—	—	23.9p	—

6.9 Earnings per share

Basic earnings per Ordinary Share for the four years ended 31 December 1996 have been calculated by dividing the profit on ordinary activities after taxation for each financial year by 17,711,566 Ordinary Shares, being the number of Ordinary Shares that will be in issue following the bonus issue and the 5,109,034 Ordinary Shares which are being issued in order to provide funds to redeem the preference shares in issue after the Placing.

In order to exclude the effect on the results of the Group of exceptional costs and income, earnings per Ordinary Share have also been calculated based on the profit on ordinary activities after taxation after adding back the discontinued profit share and the one-off bonus payment to a former director and deducting the exceptional profit in relation to the sale of shares of an associated undertaking less estimated taxation thereon. The calculation is also based on 17,711,566 Ordinary Shares, being the number of Ordinary Shares that will be in issue following the bonus issue and the 5,109,034 Ordinary Shares which are being issued in order to provide funds to redeem the preference shares in issue after the Placing.

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Profit on ordinary activities after taxation for the financial year	649	2,083	4,736	3,320
Add:				
Discontinued profit share and payment to former director	226	645	878	1,250
Tax on discontinued profit share and payment to former director	—	(213)	(290)	(413)
Less:				
Profit on sale of associated undertaking	—	—	(2,453)	—
Tax on profit on sale of associated undertaking	—	—	225	—
Adjusted earnings	875	2,515	3,096	4,157
	1993	Years ended 31 December		1996
		1994	1995	
Basic earnings per Ordinary Share	2.8p	9.1p	20.7p	14.6p
Earnings per Ordinary Share (calculated on adjusted earnings)	3.8p	11.0p	13.6p	18.2p

Part II Accountants' Report

6.10 Tangible fixed assets

	Leasehold Improvements £'000	Motor Vehicles £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost					
1 January 1996	82	321	430	483	1,316
Additions	2	309	140	189	640
Disposals	—	(117)	(4)	—	(121)
31 December 1996	84	513	566	672	1,835
Depreciation					
1 January 1996	43	79	223	266	611
Provision for year	20	110	136	148	414
Disposals	—	(56)	(3)	—	(59)
31 December 1996	63	133	356	414	966
Net book value					
31 December 1996	21	380	210	258	869
31 December 1995	39	242	207	217	705
31 December 1994	5	161	170	142	478

6.11 Investments

	1993 £'000	31 December 1994 £'000	1995 £'000	1996 £'000
Interest in associated undertakings:				
Unlisted investments	522	480	—	—
Listed investments	173	173	166	201
	695	653	166	201
Other listed investments	3	3	3	4
	698	656	169	205

The mid-market value of the Group's listed investment which comprises principally a 29.9 per cent. interest in Prime People plc at 31 December 1996 was £465,000 (1995 £437,000, 1994 £138,000, 1993 £193,000). The registered office of Prime People Plc is Butlers Wharf, 36 Shad Thames, London SE1 2YE.

Part II Accountants' Report

PSD Group plc's principal subsidiary undertakings are:

Subsidiary Undertaking	Country of Registration	Principal Activity	Proportion of Equity	Description of Shares
Codeissue Limited	England	Holding Company	100%	5p Ordinary £1 A Preference 5p B Preference
Professional Selection and Development Limited	England	Recruitment	100%	£1 Ordinary
Professional Selection and Development Pte Limited	Singapore	Recruitment	100%	S\$1 Ordinary

6.12 Debtors

	1993 £'000	31 December		1996 £'000
		1994 £'000	1995 £'000	
Trade debtors	1,211	1,552	2,066	2,555
Work in progress	597	838	900	1,423
Other debtors	443	293	906	92
Prepayments	148	173	176	433
Deferred expenditure	—	—	—	166
	2,399	2,856	4,048	4,669

Work in progress represents the recognition of fees earned but not invoiced as at the balance sheet date. Other debtors at 31 December 1996 included £24,000 advanced corporation tax (1995: £303,000), which is recoverable after more than one year.

6.13 Creditors

	1993 £'000	31 December		1996 £'000
		1994 £'000	1995 £'000	
Amounts falling due within one year:				
Bank overdraft	—	—	—	192
Obligations under hire purchase contracts	95	89	66	1
Trade creditors	559	487	244	678
Proposed dividend	—	—	1,211	—
Corporation tax	29	429	1,278	1,470
Other taxes and social security costs	315	404	487	537
Other creditors and accruals	1,384	2,055	2,268	1,760
	2,382	3,464	5,554	4,638

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	1993 £'000	31 December		1996 £'000
		1994 £'000	1995 £'000	
Amounts falling due after more than one year:				
Obligations under hire purchase contracts	135	88	5	—
Hire purchase contracts are repayable as follows:				
Up to one year	95	89	66	1
Between one to two years	85	82	5	—
Between two to five years	50	6	—	—
	230	177	71	1

The bank overdraft is secured by a fixed charge over property and a floating charge over the undertaking and assets of Codeissue.

6.14 Deferred taxation

At 31 December 1996 the Group had a full potential liability for deferred taxation of £Nil (1995 £Nil, 1994 £Nil, 1993 £11,000).

6.15 Share Capital

Codeissue Limited	1993 £'000	31 December		1996 £'000
		1994 £'000	1995 £'000	
Authorised:				
5,056,000 Ordinary shares of 5p each	253	253	253	253
1,677,333 "A" Preference shares of £1 each	1,677	1,677	1,677	1,677
3,936,533 "B" Preference shares of 5p each	197	197	197	197
	2,127	2,127	2,127	2,127
Allotted, called up and fully paid:				
5,056,000 Ordinary shares of 5p each	253	253	253	253
838,666 (1995, 1994 & 1993: 1,677,333) "A" Preference shares of £1 each	1,677	1,677	1,677	838
3,231,947 (1995: 3,231,947, 1994: 3,761,588, 1993: 3,936,533) "B" Preference shares of 5p each	197	188	162	162
	2,127	2,118	2,092	1,253

On 18 August 1994 Codeissue redeemed 174,945 "B" 5p preference shares for £1 per share, on 27 April 1995 Codeissue redeemed 529,641 "B" 5p preference shares for £1 per share and on 12 January 1996 Codeissue redeemed 838,667 "A" £1 preference shares for £1 per share. The preference shares have no voting rights, except in certain extraordinary circumstances as detailed in the articles of association and they rank before the ordinary shares in the event of a winding up of Codeissue. All the ordinary shares have equal voting rights.

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PSD Group plc	31 December 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	10,369
	12,740
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	10,369
	11,308

The Company was incorporated on 14 May 1996 with two subscriber shares of £1 each. On 4 November 1996 50,000 non voting redeemable preference shares of £1 were allotted and the ordinary shares of £1 were each subdivided into 20 Ordinary Shares of 5p; on 16 December 1996 1,366,364 Ordinary Shares of 5p and 11,239,875 preference shares of £1 were allotted in connection with the acquisition of the entire share capital of Codeissue.

On 31 December 1996 50,000 non voting redeemable preference shares were redeemed at par.

The preference shares are redeemable on the earlier of a sale of the Company or a listing on the London Stock Exchange.

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6.16 Reserves

	Profit and Loss account £'000	Share Premium Account £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Goodwill £'000
At 1 January 1995	4,563	959	—	9	(3,727)
Retained profit for the year	3,324	—	—	—	—
Capital redemption transfer	(26)	—	—	26	—
Premium on capital redemption	(503)	—	—	—	—
Goodwill on investment in associate	—	—	—	—	(444)
At 1 January 1996	7,358	959	—	35	(4,171)
Retained profit for the year	3,270	—	—	—	—
Adjustment on dissolution of subsidiaries	2	—	—	—	—
Shares issued	—	—	5,318	—	—
Capital redemption transfer	(889)	—	—	889	—
Transfer pre-acquisition reserves	(9,620)	(959)	—	(874)	4,171
Goodwill on Reorganisation	—	—	—	—	(15,585)
At 31 December 1996	121	—	5,318	50	(15,585)

6.17 Shareholders' funds

	1993 £'000	31 December		1996 £'000
		1994 £'000	1995 £'000	
At 1 January	1,273	2,309	3,922	6,273
Retained profit for the year	458	1,882	3,324	3,270
Share redemption	—	(175)	(529)	(889)
Share issue	1,467	—	—	16,676
Acquisition costs transferred to goodwill	(889)	(94)	—	—
Adjustment on dissolution of subsidiaries	—	—	—	2
Goodwill	—	—	(444)	(15,585)
Transfer pre-acquisition reserves	—	—	—	(8,535)
At 31 December	2,309	3,922	6,273	1,212
Equity	435	2,057	4,434	(10,028)
Non-equity	1,874	1,865	1,839	11,240
At 31 December	2,309	3,922	6,273	1,212

Part II Accountants' Report

6.18 Other financial commitments

The following annual commitments existed in respect of non cancellable operating leases:

	1993 £'000	31 December		1996 £'000
		1994 £'000	1995 £'000	
Land and buildings:				
Falling due within one year	148	—	—	100
Falling due between two to five years inclusive	—	—	132	85
Falling due in more than five years	87	438	118	103
Other:				
Falling due within one year	2	30	35	26
Falling due between two to five years inclusive	63	85	80	102
	300	553	365	416

6.19 Capital commitments

At 31 December 1996 the Group had authorised capital commitments of £Nil (1995 £Nil, 1994 £Nil, 1993 £Nil).

6.20 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £'000	Years ended 31 December		1996 £'000
		1994 £'000	1995 £'000	
Operating profit after profit share and a one-off bonus payment to former director	450	2,062	2,737	4,436
Depreciation charge	142	182	255	415
(Profit)/loss on sale of tangible fixed assets	(3)	(16)	3	(7)
Increase in debtors	(669)	(418)	(902)	(933)
Increase/(decrease) in creditors	558	676	58	(23)
Net cash inflow from operating activities	478	2,486	2,151	3,888

6.21 Analysis of balances of cash and cash equivalents as shown in the balance sheet

	31 December 1995 £'000	31 December 1996 £'000	Change in the year £'000
Cash at bank and in hand	6,910	(85)	(6,995)

Part II Accountants' Report

6.22 Post balance sheet events

Subsequent to 31 December 1996, and pursuant to a special resolution passed on 10 February 1997, the Company resolved conditionally upon Admission becoming effective not later than 28 February 1997 to capitalise and apply the sum of £817,258 standing to the credit of the Company's merger reserve account in paying up in full 16,345,162 Ordinary Shares to be allotted and issued credited as fully paid to shareholders shown in the register immediately before the passing of the resolution on the basis of 11.962175 Ordinary Shares for every Ordinary Share held.

Yours faithfully

Clark Whitehill
Chartered Accountants

Part III Pro forma financial information

In order to put into context the effects of the Codeissue Reorganisation and the Placing, the Directors set out below a pro forma profit and loss statement for the Group for the year ended 31 December 1996 and a pro forma consolidated net asset statement for the Group as at 31 December 1996. These are based on the audited financial information of the Group as set out in the Accountants' Report in Part II of this document. This information is prepared for illustrative purposes only and because of its nature cannot give a complete picture of the financial position of the Group.

Pro forma profit and loss statement

The pro forma profit after taxation and earnings per Ordinary Share are based on the consolidated profit and loss account for the Group for the year ended 31 December 1996 as set out in the Accountants' Report in Part II of this document, adjusted to reflect the effect of the following items, on the assumption that they had been completed with effect from 1 January 1996:

- (i) the Codeissue Reorganisation as referred to in Part I of this document;
- (ii) the receipt of the estimated net proceeds to the Company of the Placing of £13.24 million; and
- (iii) the application of net proceeds of the Placing in redeeming preference share capital, repaying bank borrowings and making funds available for the development of the business.

	Audited results £000	Adjustments £000	Pro forma results £000
Operating profit	5,686	–	5,686
One-off payment to a former director	(1,250)	–	(1,250)
Share of associated undertaking's profit	35	–	35
Net interest receivable (Note 1)	397	(323)	74
Profit on ordinary activities before taxation	4,868	(323)	4,545
Taxation (Note 2)	(1,548)	107	(1,441)
Profit on ordinary activities after taxation	3,320	(216)	3,104
Pro forma earnings per Ordinary Share (Note 3)			16.3p

Notes :

- (1) The interest adjustment reflects the elimination of estimated interest that would not have been paid on bank borrowings and estimated interest that would not have been received by the Group because of the net cash outflow resulting from the Codeissue Reorganisation, after taking account of the net proceeds of the Placing, had both the Codeissue Reorganisation and Placing taken place on 1 January 1996.
- (2) Taxation on the estimated interest adjustment has been calculated at the rate of 33 per cent. being the standard UK corporation tax rate.
- (3) Pro forma earnings per Ordinary Share is stated before a one-off bonus payment made to a former director of the Group of £1.25 million less notional corporation tax thereon at the rate of 33 per cent. of £412,500, and has been calculated on pro forma profit on ordinary activities after taxation of £3,941,000 and 24,184,237 Ordinary Shares, being the number of Ordinary Shares in issue immediately following Admission.

Part III Pro forma financial information

Pro forma consolidated net asset statement

The pro forma consolidated net asset statement for the Group as at 31 December 1996 is based on the audited consolidated balance sheet of the Group as at 31 December 1996 as set out in the Accountants' Report in Part II of this document, which has been adjusted as referred to in the Notes below.

	Audited Balance Sheet £'000	Adjustments ⁽¹⁾ £'000	Pro forma £'000
Fixed assets			
Tangible	869	—	869
Investments	205	—	205
	1,074	—	1,074
Current assets			
Debtors	4,669	—	4,669
Cash	107	1,808	1,915
	4,776	1,808	6,584
Current liabilities	(4,638)	192	(4,446)
Net current assets	138	2,000	2,138
Net assets	1,212	2,000	3,212

Notes:

- (1) Adjustments have been made to reflect the use of the net proceeds of the Placing of £13.24 million receivable by the Company to redeem preference shares (£11.24 million), repay bank borrowings (£192,000) and to provide funds for the development of the Group.
- (2) No adjustments have been made to reflect trading since 31 December 1996.

Part III Pro forma financial information

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The Directors
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68 Upper Thames Street
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CLARK WHITEHILL
Chartered Accountants

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25 New Street Square
London
EC4A 3LN

11 February 1997

Ladies and Gentlemen

We have reviewed the accounting policies applied and the calculations and bases used in preparing the pro forma profit and loss statement for the year ended 31 December 1996 for PSD Group plc, (the "Company") and the pro forma consolidated net asset statement as at 31 December 1996 both set out in Part III of the prospectus of the Company dated 11 February 1997 in respect of the placing of the Company's shares and the Company's admission to the Official List of the London Stock Exchange Limited (the "Prospectus"). The Directors are solely responsible for the pro forma statements, the bases of preparation and the adjustments reflected therein for the purpose of giving effect to the transactions set out therein. The pro forma financial information has been prepared for illustrative purposes only in order to indicate the effects of the Placing and the Codeissue Reorganisation on certain historic financial information.

In our opinion, the pro forma financial information, so far as the calculations are concerned, has been properly compiled on the bases of preparation set out therein and is presented on a basis consistent with the accounting policies normally adopted by PSD Group. Further, in our opinion, the adjustments reflected in the pro forma statements are appropriate for the purposes of giving effect to the transactions described therein.

Yours faithfully

Clark Whitehill
Chartered Accountants

Part IV Additional Information

1. Incorporation and registration

- (a) The Company was incorporated under the Act and registered in England and Wales on 14 May 1996 with registered number 3201382 as a public limited company with the name Timesource plc. On 5 November 1996 the Company changed its name to PSD Group plc and obtained a certificate pursuant to Section 117 of the Act to commence trading and borrow.

The registered office and head office of the Company is Butlers Wharf, 36 Shad Thames, London SE1 2YE.

- (b) The Company is subject to the provisions of the Companies Act 1985 as amended by the Companies Act 1989.

2. Share capital

(a) Movements in the Company's share capital

The authorised share capital of the Company on incorporation was £100,000 divided into 100,000 ordinary shares of £1 each, of which two were issued, nil paid, to the subscribers to the Memorandum of Association. These shares were fully paid on 4 November 1996. Since the date of its incorporation there have been the following changes in the authorised share capital and the issued share capital of the Company:

- (i) By special resolution passed by the Company in general meeting on 4 November 1996:

- (1) each ordinary share of £1 was sub-divided into 20 ordinary shares of 5p each;
- (2) the authorised share capital of the Company was increased to £12,739,875 by the creation of 50,000 non-voting redeemable preference shares of £1 each, 188,410 "A" preference shares of £1 each, 682,633 "B" preference shares of £1 each, 10,368,832 "C" preference shares of £1 and an additional 27,000,000 Ordinary Shares; and
- (3) the Company adopted new Articles of Association.

- (ii) On 4 November 1996, the 50,000 non-voting redeemable preference shares of £1 each were allotted to P J Hearn, paid up as to one quarter of the nominal value of each such share and against his irrevocable undertaking to pay up the balance on the 31 December 1996 in order that the Company could obtain a certificate entitling it to do business under section 117 of the Act. The non-voting redeemable preference shares were fully paid up and then redeemed by the Company at par on 31 December 1996. On redemption each such share automatically subdivided into 20 Ordinary Shares.

- (iii) As part of the Codeissue Reorganisation on 16 December 1996 all of the "A" preference shares of £1 each, the "B" preference shares of £1 each, the "C" preference shares of £1 each and 1,366,364 Ordinary Shares were allotted to funds managed by Foreign & Colonial Ventures and P.J. Hearn in consideration for their then holdings in the share capital of Codeissue;

- (iv) The rights attached to each of the "A", "B" and "C" preference shares of £1 each include *inter alia* provisions to the effect that immediately upon Admission, such shares shall be redeemed by the Company, for a total cash payment equal to the amount paid up thereon equal to £1 per share.

- (v) By special resolution passed on 10 February 1997, conditionally upon Admission occurring on or before 28 February 1997:

- (1) the Directors were authorised and directed to appropriate the sum of £817,258 (being part of the amount standing to the credit of the Company's merger reserve account) to the persons shown in the register of members of the Company immediately before the passing of the resolution as the holders of the Ordinary Shares then in issue, in proportion to the nominal value of the Ordinary Shares in the Company then held

Part IV Additional information

by them and to apply such sum on their behalf in paying up in full 11.962175 Ordinary Shares for every one Ordinary Share already held by them (such shares to rank *pari passu* with the Ordinary Shares then existing), and allot and distribute such Ordinary Shares credited as fully paid to and amongst those persons in the proportions specified above;

- (2) pursuant to the provisions of Section 80 of the Act, the Directors were generally and unconditionally authorised, in substitution for all existing authorities, to exercise all the powers of the Company to allot relevant securities (as defined by such Section 80) of the Company up to a maximum nominal amount of £1,431,679.80. Such authority (unless previously revoked, varied or renewed) is to expire on the earlier of the date of the next annual general meeting of the Company and 10 May 1998 but so as to enable the Company before such expiry to make an arrangement or agreement which would or might require relevant securities to be allotted after such expiry; and
- (3) pursuant to Section 95 of the Act, the Directors were empowered to allot equity securities (as defined in Section 94 of the Act) of the Company for cash pursuant to the authority referred to in sub-paragraph (2) above as if Section 89(1) of the Act did not apply to any such allotment, provided that such power was limited to:
 - (i) the allotment of 6,472,671 Ordinary Shares in connection with the Placing;
 - (ii) allotments in connection with an offer of equity securities to the holders of the issued Ordinary Shares where the securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to their respective holdings and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities having an aggregate nominal value of £60,460; and
- (4) the Company amended its Articles of Association.

(b) Authorised and issued share capital

- (i) Immediately following the Placing, the authorised share capital of the Company will be £12,739,875 divided into 30,000,000 Ordinary Shares, of which 24,184,237 will be issued fully paid together with the preference shares referred to in paragraph (ii) below. There will remain £290,788 of authorised but unissued ordinary share capital consisting of 5,815,763 Ordinary Shares representing approximately 19.4 per cent. of the authorised share capital of the Company. A total 1,045,440 of those unissued Ordinary Shares will be reserved for issue under the options referred to below.
- (ii) Upon Admission, all of the "A", "B" and "C" preference shares referred to in paragraph 2(a) above will be redeemed and will thereupon constitute unissued share capital of the Company. The Company intends to put a resolution to shareholders to cancel these shares at the next Annual General Meeting of the Company.
- (iii) The provisions of Section 89(1) of the Act (which, to the extent not disapplied pursuant to Section 95 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash apply to the authorised but unissued share capital of the Company, save to the extent of the disapplication effected by the resolution referred to in paragraph 2(a)(v) above.

Part IV Additional information

(c) Options

The following options to subscribe for Ordinary Shares are proposed to be granted between the date of this document and Admission under the employee share schemes described in paragraph 6 below:

No. of Ordinary Shares	Exercise price per Ordinary Share	Exercise period
399,987	220p	February 2000 – February 2007
645,454	220p	February 2000 – February 2004

These options are proposed to be granted to certain of the Directors as disclosed in paragraph 4 below and to certain employees of the Group.

(d) Movements in the share capital of Codeissue

Since 11 February 1994 there have been the following changes in the authorised share capital and the issued share capital of Codeissue Limited:

- (i) on 18 August 1994 Codeissue redeemed 174,945 "B" preference shares of 5p each for £1 per share;
- (ii) on 27 April 1995 Codeissue redeemed 529,641 "B" preference shares of 5p each for £1 per share; and
- (iii) on 12 January 1996 Codeissue redeemed 838,667 "A" preference shares of £1 each for £1 per share.

(e) General

- (i) Other than pursuant to the Placing, no material issue of Ordinary Shares (other than to Ordinary Shareholders pro rata to their existing holdings) will be made within one year from the date hereof and no issue will be made which will effectively alter the control of the Company or the nature of its business without, in either case, the approval of shareholders in general meeting.
- (ii) Save as disclosed in this paragraph 2, there have been no changes in the amount of the issued share capital of the Company, and no material change in the amount of the issued share capital of any of its subsidiaries in the three years preceding the date of this document.
- (iii) Save as disclosed in this paragraph 2 and in paragraph 9 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries in the three years preceding the date of this document.
- (iv) Save as disclosed in this paragraph 2, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (v) Other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the Official List.
- (vi) The Ordinary Shares to be issued pursuant to the Placing will be allotted pursuant to a resolution of the Board, or a duly authorised committee thereof, in accordance with the authority and power conferred on the Directors by the resolution referred to in paragraph 2(a)(v) above.

Part IV Additional information

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association.

The Articles of Association of the Company (the "Articles") which were adopted pursuant to the special resolution of the Company passed on 4 November 1996 and amended by the special resolution of the Company passed on 10 February 1997 referred to in paragraph 2(a) above, will on Admission contain provisions, inter alia, to the following effect:

(a) Voting rights

- (i) Every member who is present in person at a general meeting of the Company will have one vote on a show of hands, and every member who is present in person or by proxy at a general meeting of the Company will have, on a poll, one vote for every Ordinary Share held by him.
- (ii) No member shall, unless the Directors otherwise decide, be entitled to vote at any general meeting unless all calls or other sums payable by him in respect of shares in the Company have been paid. Subject to the provisions of the Articles, voting rights carried by shares may not be exercised by a member if he, or any other person appearing to be interested in such shares, has been duly served with a notice under Section 212 of the Act (requiring disclosure of interests in shares) and was in default in supplying to the Company the information thereby required for a period of 28 days (or 14 days if the shares specified in the notice represent at least a 0.25 per cent. interest in the issued shares of any class of capital in the Company).

(b) Variation of rights

Subject to the Act, the rights attaching to any class of shares for the time being forming part of the capital of the Company may be varied (whether or not the Company is being wound up) with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders. The quorum at any such general meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class, and at an adjourned meeting one person holding shares of the class in question or his proxy, and a poll may be demanded by any holder of shares present in person or by proxy.

(c) Share capital, changes in capital and purchase of own shares

- (i) Without prejudice to any rights or privileges previously conferred on the holders of any existing shares or class of shares, the Company may issue shares with such preferred, deferred or other rights or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide any shares into shares of larger amount than its existing shares and, subject to the provisions of the Act, sub-divide any of its shares into shares of a smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preferred, deferred or other special rights or be subject to restrictions as compared with the others, and cancel any shares which, at the date of the passing of such an ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- (iii) The Company may purchase all or any of its shares including any redeemable shares in any manner authorised by the Act.
- (iv) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Part IV Additional information

(d) Dividends

- (i) The Company may by ordinary resolution declare dividends to be paid to members according to their rights and interests in the profits available for distribution, but no dividend shall exceed the amount recommended by the Directors. The Directors may pay such interim dividends as appear to the Directors to be justified by the profits of the Company.
- (ii) Subject to the rights of any persons entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid (other than in advance of calls) on the shares in respect of which the dividend is paid. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (iii) No dividend shall bear interest against the Company.
- (iv) Any general meeting declaring a dividend may, by ordinary resolution, direct payment of such dividend wholly or in part by the distribution of specific assets.
- (v) The Directors may, if authorised by an ordinary resolution offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or part of any dividend.
- (vi) Any dividend unclaimed for a period of twelve years after such dividend becomes payable may be forfeited and after such forfeiture shall revert to the Company.
- (vii) The Directors may determine that the payment of all or any part of any dividend or other money that would otherwise be payable in respect of shares will be withheld without interest if the holder has at least a 0.25 per cent. interest in the issued shares of any class of capital in the Company and he, or any other person appearing to be interested in those shares, has been duly served with a notice under Section 212 of the Act (requiring disclosure of interests in shares), and has failed to supply the information required by the notice within 14 days.

(e) Distribution of assets on a winding-up

- (i) On a winding up, or other repayment of capital, the assets of the Company available for distribution among the shareholders shall belong to and be divided among the holders of the Ordinary Shares, rateably in proportion to the amounts paid up or credited as paid up on the Ordinary Shares held by them respectively;
- (ii) If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and with any other sanction required by the Insolvency Act 1986, divide among the members in specie or kind the whole or any part of the assets of the Company and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he shall think fit.

(f) Transfer of Shares

Shares in certificated form may be transferred by instrument of transfer in any usual or common form, or in such other form as the Directors may approve, which shall be signed by or on behalf of the transferor. In the case of partly paid shares the instrument of transfer must also be signed by or on behalf of the transferee. Shares in uncertificated form may be transferred in accordance with the current computer-based system for enabling title to units of a security to be evidenced and transferred without a written instrument. The Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in favour of not more than four transferees, is not to an entity which is not a natural or legal person and is not to a minor and, in the case of shares in certificated form, the transfer is deposited with the Company duly stamped and accompanied by the certificate for the shares to which it relates and is in respect of only one class of shares and, in the case of shares in uncertificated form, in such other circumstances as may be permitted by the regulations relating to, and the requirements of, the current computer-based system for enabling title to units of a security to be evidenced and transferred without a written instrument. In addition, where a holder of shares which represent 0.25 per cent. or more of the class of shares concerned has been served with a

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direction notice after there has been default in complying with a notice served under Section 212 of the Act, no transfer of any shares held by that holder shall be registered unless one of the exceptions contained in the Articles applies. The Directors may in their absolute discretion and without giving any reason refuse to register a transfer of any shares which are not fully paid up provided that, where such shares are admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

(g) Interests of directors

- (i) Save as mentioned below, a director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (1) the giving of any security, guarantee or indemnity in respect of money loaned to or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (2) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (3) the offer of securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is or may participate;
 - (4) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer or shareholder or otherwise, provided that he, together with persons connected with him (within the meaning of Section 346 of the Act) is not to his knowledge the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
 - (5) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (6) any proposal for the purchase or maintenance of insurance for the benefit of the Director.
- (iii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and each of the Directors concerned, if he has no material interest (as referred to in (i) above), shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (iv) Section 293 of the Act, regarding the appointment and retirement of Directors who have attained the age of 70 years, does not apply to the Company.

(h) Remuneration of Directors

- (i) The Directors shall be entitled to receive director's fees for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £150,000 per annum (or such greater sum as the Company in general meeting shall from time to time determine). The Directors shall also be

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entitled to be paid all expenses properly incurred by them in attending general meetings or separate meetings of the holders of any class of shares or meetings of the Board or committees of the Board or otherwise in or with a view to the performance of their duties. If by arrangement with the Board any Director shall render or perform any extra or special services or shall travel or reside abroad for any business or purposes of the Company such Director shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise either in addition to or in substitution for any other remuneration he may be entitled to receive.

- (ii) the Directors may appoint one or more of their number to be the holder of any executive office on such terms and for such period as they think fit and may revoke such appointment but so that no service contract or contract for services shall be granted by the Company or any subsidiary to any Director or proposed Director otherwise than in accordance with applicable law.
- (iii) the Directors on behalf of the Company may pay a gratuity, pension or allowance on retirement to any Director or former Director who has held any salaried office or place of profit with the Company or any of its subsidiaries (present or past) or the relatives or dependants of any such person. The Company may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance and may make payments for or towards the provision by means of insurance or otherwise of benefits for any such person.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking property, and uncalled capital, and, subject to all applicable law, to issue debentures and other securities. The Directors are required to restrict the borrowings of the Company and to exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles) by the Group (exclusive of borrowings wholly within the Group) shall not at any time exceed £10 million for the financial period ending 31 December 1996 and, thereafter the amount equal to three times the adjusted total capital and reserves (as defined in the Articles) of the Group.

4. Directors' and other interests

- (a) Immediately following Admission the interests, which are beneficial unless stated otherwise, of the Directors and their immediate families in the Company's shares required to be notified by each Director to the Company pursuant to section 324 of the Act, or which are required pursuant to section 325 of the Act to be entered in the register referred to therein; or which are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by that Director, will be as follows:

Name	No. of Ordinary Shares	% of issued ordinary share capital
P J Hearn	7,453,769	30.82
F M Robinson	266,537	1.10
C I Heayberd	30,000	0.12
R L Richards	11,370	0.05

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- (b) Roderick Richards was interested in the shares placed on behalf of F&C Ventures Limited Partnership and F&C Ventures Limited Partnership II.
- (c) It is proposed that before Admission the following Directors will be granted the following options to acquire Ordinary Shares:

Director	Number of Ordinary Shares	Exercise price per share
F M Robinson	227,273	220p
C I Heayberd	90,909	220p

The above options are to be granted for nil consideration under the schemes described in paragraph 6 below.

- (d) Insofar as is known to the Company, the following table shows those persons (other than the Directors whose interests are disclosed in paragraph 4(a) above) who immediately following Admission will be interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company:

Name of shareholder	No. of Ordinary Shares	% of issued ordinary share capital
Foreign & Colonial Enterprise Trust PLC	2,954,500	12.22

- (e) Save as disclosed in paragraphs 4(a) and (d) above the Company does not know of any person who, directly or indirectly, is interested in 3 per cent. or more of the Company's issued share capital, or of any other person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (f) There are no outstanding loans granted by the Company for the benefit of any Directors.
- (g) Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year or was effected by any member of the Group during any earlier financial year and remains in any respect outstanding or unperformed.
- (h) Subject to the provisions of any applicable law, the Directors have the power under the Articles to purchase and maintain insurance against liability for any persons who are directors, officers or auditors of the Company in relation to anything done or omitted to be done as director, officer or auditor.

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5. Directors' service agreements and remuneration

- (a) On 16 December 1996, the Company entered into a consultancy agreement with MPM Connect Limited and Peter Hearn. Under this agreement, MPM Connect Limited provides the services of Peter Hearn to the Company for 132 days per annum for organisational, financial and managerial advice and assistance relating to its business. An annual fee of £200,000 exclusive of VAT is payable by the Company to MPM Connect Limited in equal monthly instalments. The fee is subject to a review in January of each year. The agreement is terminable by either party giving not less than 24 months' written notice at any time. No other sums or benefits are payable to, or in respect of, MPM Connect Limited or Peter Hearn except under this consultancy agreement and under the bonus scheme referred to in paragraph 5(d) below.
- (b) On 16 December 1996, Francesca Robinson entered into a service agreement with the Company effective from 1 January 1997 under which she is to serve as Chief Executive. Her annual salary is £200,000 to be reviewed on 1 January in each year. The agreement is terminable by either party giving not less than 24 months written notice at any time. During the term of the agreement, Francesca Robinson is entitled to receive the use of a company car, 25 days holiday in each year and to join the Company's medical insurance, permanent health insurance and life assurance schemes provided that she may be covered under these schemes at the insurers' standard rates. In addition to basic remuneration, Francesca Robinson is entitled to participate in the Company's bonus and commission schemes as varied from time to time.
- (c) On 1 January 1997, Christopher Heayberd entered into a service agreement with the Company under which he is to serve as Finance Director. His annual salary is £75,000 to be reviewed on 1 January in each year. The agreement is terminable by either party giving not less than 12 months' written notice at any time. During the term of the agreement, Christopher Heayberd is entitled to receive the use of a company car, 25 days holiday in each year and to join the Company's medical insurance, permanent health insurance and life assurance schemes, provided that he may be covered under these schemes at the insurers' standard rates. In addition to basic remuneration, Christopher Heayberd is entitled to participate in the Company's bonus and commission schemes as varied from time to time.
- (d) On 16 December 1996, the Company adopted a directors' bonus scheme to take effect from 1 January 1997. The participants in the scheme are MPM Connect Limited, Francesca Robinson and Christopher Heayberd. Under the scheme, bonuses will become payable in respect of each financial year to the extent that the Company achieves growth in earnings per share, adjusted for exceptional items, as compared with either the highest earnings per share in any preceding financial year commencing on or after 1 January 1996, indexed to take account of inflation, or such other earnings per share figure as the remuneration committee may determine prior to the commencement of the financial year in question. In the case of MPM Connect Limited the bonus will be the same percentage of the basic fee payable under the consultancy agreement as the percentage increase in the earnings per share. In the case of Francesca Robinson, the bonus will be the percentage of her basic salary which is equal to 1.5 times the percentage increase in the earnings per share. In Christopher Heayberd's case, the bonus will be the percentage of his basic annual salary which is equal to 0.8 times the percentage increase in the earnings per share. The scheme is terminable in relation to the participants by the Company giving the same period of notice as is required to terminate their consultancy agreement and service agreements respectively.
- (e) Roderick Richards and Gillian Oakes entered into letters of appointment as non-executive Directors on 24 January 1997 for a period of one year under which they will each receive fees of £18,000 per annum.

Save as disclosed above, there are no service agreements or contracts for services, whether existing or proposed, between any Director and the Company or any of its subsidiaries which are not terminable within one year by the relevant company without payment of compensation (other than statutory compensation).

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- (f) In the year ended 31 December 1996 the aggregate remuneration of the Directors (including benefits paid or granted by any Group member and bonus arrangements) excluding directors of Codeissue who resigned during that year, was £557,000.
- (g) It is estimated that the aggregate remuneration of the Directors in respect of the financial year ending 31 December 1997 (including benefits in kind but excluding bonus arrangements detailed in paragraph 5(d) above) and fees payable to non-executive Directors will not exceed £526,000.

6. Employee incentive schemes

The Company has established two employee share schemes, as follows:

6.1 The PSD Group plc Company Share Option Plan (the "Plan")

The Company adopted the Plan on 10 February 1997 and expects to obtain Inland Revenue approval for the Plan before Admission. The details of the Plan are set out below:

(a) *Constitution*

The Plan complies with the provisions of the Income and Corporation Taxes Act 1988 ("ICTA"). It is governed by rules and following Admission will be administered under the direction of a committee of the Board consisting wholly or mainly of non-executive Directors (the "Remuneration Committee").

(b) *Eligible employees*

Any Director of any company within the Group who devotes at least 25 hours per week (excluding meal breaks) to the Group, or any employee of any company within the Group (other than a Director), and in either case who is not due to retire within two years, may be eligible to participate in the scheme at the discretion of the Remuneration Committee.

(c) *Grant of options*

Options may be granted within the period of forty-two days following approval of the Plan by the Inland Revenue or within forty-two days after the announcement of either the interim or final results of the Company in each year, or at other times under exceptional circumstances. No option may be granted under the Plan more than 10 years after the date of approval of the Plan by the Inland Revenue.

(d) *Option exercise price*

The price at which participants may acquire Ordinary Shares on the exercise of options shall be determined by the Remuneration Committee but shall be not be less than the higher of (a) the nominal value of an Ordinary Share and (b) the average middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the 5 dealing days before the date of the invitation to the participant to apply for the option (or, if the Ordinary Shares are not or shall cease to be listed the market value of an Ordinary Share as agreed with the Inland Revenue Shares Valuation Division).

(e) *Limits*

- (i) The number of unissued Ordinary Shares over which options may be granted under the Plan shall be limited so that, on any date of grant:
 - (1) the aggregate of the number of Ordinary Shares issued or issuable pursuant to options granted under the Plan plus the number of Ordinary Shares issued or issuable pursuant to the exercise of options granted under any other employee share option scheme operated by the Group plus the number of Ordinary Shares issued to the trustees of any profit sharing employee share scheme for the benefit of employees of the Group must

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not in any ten year period exceed 10 per cent. of the Company's issued ordinary share capital for the time being; and

- (2) the aggregate of the number of Ordinary Shares issued or issuable pursuant to the exercise of options granted under the Plan and all other employee share option schemes operated by the Group (with the exception of savings-related schemes) must not:

(a) in any ten year period exceed 5 per cent. of the issued ordinary share capital of the Company; or

(b) in any three year period exceed 3 per cent. of the issued ordinary share capital of the Company.

The options to be granted prior to Admission mentioned in paragraph 2(c) above will not count towards these limits but as mentioned on page 15, the Company will not grant any further options under the Plan before 31 December 1999 without the approval of shareholders in general meeting except to replace options granted before Admission which have lapsed.

- (ii) (1) The value (as at the date of grant) of Ordinary Shares which a person may at any time acquire or have acquired on the exercise of options which have been granted over a ten year period under the Plan and any other share option scheme (other than a savings-related scheme) established by a member of the Group is limited to four times the participant's annual earnings; and
- (2) the value (as at the date of grant) of Ordinary Shares which a participant may at any time acquire on the exercise of options granted and outstanding at any time under the Plan and any other share option scheme (other than a savings-related scheme) approved under Schedule 9 of ICTA and established by the Company or any associated company is limited to £30,000.

(f) *Exercise of options*

An option is normally exercisable between three and ten years from the date of grant. If the participant ceases to qualify as an eligible employee for any reason other than those in the circumstances referred to below, any option granted to him by the Company shall thereupon cease and become of no effect.

If a participant ceases to be employed within the Group by reason of death, injury, disability, ill-health, redundancy, retirement at contractual retirement age or by reason of the employing company leaving the Group or the employment being transferred out of the Group, or in the event of a takeover, reconstruction or voluntary winding-up by the Company, his option will become immediately exercisable within certain specified time limits.

(g) *Adjustments for variations of share capital*

If the issued share capital of the Company is varied, including by means of a capitalisation issue or rights issue or as a result of a sub-division, consolidation or reduction of capital, the exercise price under each subsisting option and/or the number of Ordinary Shares comprised therein may be adjusted, with the written confirmation of the Company's auditors that such adjustment is appropriate, subject to the prior approval of the Inland Revenue.

(h) *Issue of Shares pursuant to options*

Any Ordinary Shares allotted (or transferred) pursuant to the exercise of an option will rank *pari passu* in all respects and form a uniform class with the other Ordinary Shares in issue on the date of allotment (or transfer) provided that they will not rank for (or be transferred with the right to) any dividend declared or recommended on or before the date of exercise of the option.

(i) *Amendment of the Plan*

The Directors may make amendments to the Plan, with the prior approval of the Board of the Inland Revenue provided that, in certain circumstances where the proposed amendment would be to the advantage of

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participants, the approval of the Company in general meeting will be required. No amendment to, or termination of, the Plan may be made which would adversely affect the subsisting rights of participants, without their consent.

(i) *Performance Conditions*

All options granted under the Plan will be subject to performance targets set by the Remuneration Committee from time to time which will link the exercise of options to the sustained underlying financial performance of the Company.

The performance target in relation to the options proposed to be granted before Admission is that the percentage increase in the earnings per share of the Company (adjusted to the extent that the Board may determine to be appropriate for exceptional and extraordinary items) during the three financial years immediately preceding the date of exercise shall be not less than the percentage increase in the retail prices index over the same period plus 15 per cent.

6.2 The PSD Group plc Executive Share Option Scheme (the "Scheme")

The Company adopted the Scheme on 10 February 1997. The Scheme is not designed to be approved by the Inland Revenue but options may be granted under it on broadly similar terms to those applicable to the Plan. The most significant differences between the Scheme and the Plan are that under the Scheme options will normally be exercisable between the third and seventh anniversaries of the date of grant (under the Plan options are normally exercisable between three and ten years from the date of grant), and the £30,000 individual limit required for Inland Revenue approval will not apply to the Scheme. In addition, on exercise the Company has the right, subject to the approval of the Remuneration Committee, to make a cash payment to the optionholder as an alternative to the allotment of shares. The cash payment would be equal to the difference between the market value at the date of exercise and the option exercise price.

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7. Subsidiary undertakings, associates and corporate history

The Company is the holding company of the Group and has the following subsidiary companies, all of which are incorporated in England and Wales and have their registered office at 5 Breems Buildings, Chancery Lane, London EC4V 1DY save for Codeissue which has its registered office at Butlers Wharf, 36 Shad Thames, London SE1 2YE, and Professional Selection and Development Pte Limited which is incorporated in Singapore and has its registered office at 36 Robinson Road, #18-01 City House, Singapore and PSD Group Inc. which is incorporated in Delaware, USA and has its registered office at 1209 Orange Street, City of Wilmington, Delaware, USA. All of the companies listed below are wholly-owned directly or indirectly:

Subsidiary	Share Capital Issued and Fully Paid up	Activity
Codeissue Ltd	£1,253,063.35	Holding Company
Professional Selection and Development Ltd	£100	Recruitment
Professional Selection and Development Pte. Ltd	Singapore \$2	Recruitment
PSD Contracts Ltd	£2	Recruitment
PSD Group Inc	US\$0.2	Recruitment
ERC International Ltd	£500,000	Not trading
Counterhold Ltd	£2	Not trading
The Electronics Recruitment Company Ltd	£2	Not trading
Network Staff Consultants Ltd	£9	Not trading
Temple Recruitment Ltd	£2	Not trading
ASB Selection Ltd	£100	Not trading
Reuter Simkin Ltd	£200	Not trading
Hoggett Bowers Ltd	£1	Not trading

Codeissue was established in 1991 as a holding company.

In January 1992, Codeissue acquired the recruitment division of Acsis Group plc. The Acsis businesses included Selected Accounts Personnel plc, Times Computer Contracts Limited, Kerr Staff Limited and Reuter Simkin Limited. Selected Accounts Personnel plc and Times Computer Contracts Limited were immediately sold to The Management Resource Group plc ("MRG") Codeissue acquired shares in MRG and loan stock and preference shares which were subsequently redeemed. The business of Kerr Staff Limited was sold in May 1992 to its management and the company subsequently changed its name to Rrek Limited. The accounts division of Reuter Simkin Limited was transferred in May 1992 to ASB Selection Limited, which had been acquired by Codeissue from Prime People plc in May 1992. The remaining divisions of Reuter Simkin Limited were transferred with effect from September 1992 to another subsidiary of Codeissue, which took on the Reuter Simkin name, with the former company being re-named CD 1992 Limited.

In January 1992, Codeissue acquired ERC International Limited from Ian Veltman and the Trustees of the Veltman In Possession Settlement for a consideration of cash and new ordinary and preference shares in Codeissue. This group included the businesses of The ERC Group Limited, which in February 1993 was re-named Professional Selection and Development Limited, Temple Recruitment Limited, Network Staff Consultants Limited, Counterhold Limited and Harper Craven Associates Limited. Codeissue subsequently also acquired Specialist Consultancy Recruitment Limited (a shelf company used in January 1992 to acquire a computer recruitment business from its receivers) and Chase Personnel Limited (a shelf company used in April 1992 to acquire a financial services recruitment business from its receivers).

In March 1993 Codeissue acquired Hoggett Bowers plc from Bafin Holdings for £550,000 in cash, 402,182 new Codeissue ordinary shares and an aggregate of 446,557 Codeissue redeemable preference shares. Codeissue also

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paid off £575,047 of bank debt of Hoggett Bowers plc and took an assignment of the bank's debenture. At the same time Bafin Holdings also subscribed for a further 861,818 new Codeissue ordinary shares and an aggregate of 956,909 Codeissue redeemable preference shares for a total consideration of £1 million. The very high level of fixed property costs within Hoggett Bowers plc continued to impact the ability of the business to trade profitably and on 30 December 1993, following receipt of a report from Stoy Hayward that concluded that the business required additional finance to trade, Codeissue, as debenture holder, appointed administrative receivers and was repaid in full. On 31 December 1993 the trade and certain assets of Hoggett Bowers plc were acquired from the receiver by a subsidiary of Codeissue. Hoggett Bowers plc was subsequently renamed Kelleaf plc and was placed in creditors' voluntary winding up in December 1995 leaving outstanding creditors totalling £774,970 at the date of the winding up resolution. The Directors believe that the Group will have no ongoing liability as a result of the receivership or liquidation.

Rrek Limited and CD 1992 Limited were also put into creditors' voluntary winding up in December 1995 with outstanding creditors (other than companies within the PSD Group) of nil and £20,393 respectively, at the date of the winding up resolutions.

The Group's initial shareholding in Prime People plc of 18.4 per cent. was obtained when it sold a business to Prime People plc in 1992 and subscribed for additional shares. This shareholding was subsequently increased to 29.9 per cent. following the acquisition by Prime People plc of Portfolio International Limited in 1995, with an associated rights issue which was partly underwritten by Codeissue. Portfolio International Limited, which is the principal operating business of Prime People plc, is a leading provider of recruitment services to the hotel, catering and leisure industries in the UK and overseas, supplying both temporary and permanent personnel. In the year ended 31 December 1996 Prime People plc had turnover of £3.6 million and profit after taxation of £126,000. As at 10 February 1997 the Group's holding in Prime People plc had a market value of £625,000. Prime People plc is not regarded as a competitor of the Group and the Group does not have any current intention to provide recruitment services to the hotel, catering and leisure industries. It is an associated company but is treated at arm's length in all relationships.

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8. Principal establishments

The principal premises of the Group, all of which are leasehold, are as follows:

- (i) *5 Bream's Buildings London EC4A 1DY (approx. 5,579 sq.ft.)*
 Term: From 19 April 1994 to 25 December 2004
 Break Options: tenant's break at 25 December 1997
 landlord's break at 25 December 1999
 Current Annual Rent: £100,000 (with a 12 months' rent free period from 25 December 1997)
 Outstanding Rent Review Dates: 25 March 1999
- (ii) *7-9 Bream's Buildings London EC4A 1DY (Ground, First and Second Floors; approx. 3,591sq.ft.)*
 Term: From 8 December 1994 to 7 March 1998 for ground and first floors; from 15 December 1995 to 7 March 1998 for second floor
 Break Options: none
 Current Annual Rent: £31,840 (plus service charge)
 Outstanding Rent Review Dates: none
- (iii) *Butlers Wharf, 36 Shad Thames, London SE1 2YE (First Floor; approx. 1,850 sq.ft.)*
 Term: 25 years from 1 January 1994
 Break Options: tenant's breaks on 1 January 2004 and 1 January 2009
 Current Annual Rent: £18,500, rising to £29,600 per annum from 28 August 1997, and to £40,700 per annum from 28 August 1998 (plus service charge)
 Outstanding Rent Review Dates: 28 January 1999 and every five years thereafter
- (iv) *Amethyst House Spring Gardens Manchester M2 1EA (Part Fourth Floor; approx. 3,530 sq.ft.)*
 Term: 25 years (less 3 days) from 28 May 1976
 Break Options: none
 Current Annual Rent: £52,830 (plus service charge)
 Outstanding Rent Review Dates: 28 May 1996
- (v) *85/89 Colmore Row Birmingham B3 2BB (Sixth Floor; approx. 2,860 sq.ft.)*
 Term: 10 years from 1 April 1994
 Break Options: none
 Current Annual Rent: £50,120 (plus service charge)
 Outstanding Rent Review Dates: 1 April 1999
- (vi) *ERC House 32/33 North Street Lewes BN7 2PQ (approx. 5,914 sq.ft.)*
 Term: 25 years from 29 September 1978
 Break Options: none
 Current Annual Rent: £34,250 (plus service charge)
 Outstanding Rent Review Dates: 29 September 1998

In addition, Professional Selection and Development Pte Limited has a 2 year lease for 1 Scotts Road #21-06, Shaw Centre, Singapore at an annual rent of Singapore \$112,728 (plus service charge).

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9. Placing arrangements

By an agreement dated 11 February 1997 (the "Placing Agreement") made between the Company, HSBC Investment Bank plc ("HSBC Samuel Montagu"), the Selling Shareholders, Peter Hearn and Christopher Heayberd, HSBC Samuel Montagu has agreed, conditionally upon, *inter alia*, Admission taking place not later than 20 February 1997 (or such later date as HSBC Samuel Montagu and the Company may agree but in any event not later than 28 February 1997):

- (i) as agent for the Company, to use its reasonable endeavours to procure placees to subscribe at the Placing Price for 6,472,671 new Ordinary Shares proposed to be issued by the Company pursuant to the Placing ("Subscription Shares") or failing which, itself to subscribe for such shares at the Placing Price;
- (ii) as agent for Francesca Robinson, to use its reasonable endeavours to procure placees to purchase at the Placing Price 252,261 Ordinary Shares or failing which, itself to purchase such shares at the Placing Price; and
- (iii) to purchase 6,784,499 Ordinary Shares from funds managed by Foreign & Colonial Ventures at the Placing Price and to use its reasonable endeavours to procure placees to purchase such shares at the Placing Price.

Under the Placing Agreement:

- (i) the Company will pay to HSBC Samuel Montagu a corporate advisory fee, together with a commission of one per cent. on the aggregate value at the Placing Price of the Subscription Shares out of which commission HSBC Samuel Montagu shall pay 1/2 per cent. to the Company's stockbrokers, Charterhouse Tilney Securities Limited; and
- (ii) the Selling Shareholders will pay to HSBC Samuel Montagu a commission of one per cent. on the aggregate value at the Placing Price of their respective Ordinary Shares sold pursuant to the Placing out of which commission HSBC Samuel Montagu shall pay 1/2 per cent. to Charterhouse Tilney Securities Limited,

together in each case with any applicable value added tax.

The Placing Agreement provides for the Company to pay the costs and expenses of and incidental to the Placing and the application for Admission, including accountancy and legal fees and expenses, printing and advertising charges, the fees and expenses of the Registrars and the fees payable to the London Stock Exchange.

The Placing Agreement contains warranties by the Company, the executive Directors and the Selling Shareholders as to the accuracy of the information contained in this document and other matters relating to the PSD Group and its business and an indemnity from the Company, Peter Hearn and the Selling Shareholders in favour of HSBC Samuel Montagu. Peter Hearn has given additional indemnities relating to certain taxation liabilities (including capital transfer tax and inheritance tax) which are contained in a separate Deed of Tax Covenant dated 11 February 1997 and made between Peter Hearn, HSBC Samuel Montagu and the Company.

HSBC Samuel Montagu is entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or in the event of *force majeure* in certain limited circumstances.

Each of the Selling Shareholders and Peter Hearn have undertaken not to transfer, sell or otherwise dispose of any of their respective interests in Ordinary Shares until publication of the audited accounts of the Company for the year ending 31 December 1997, without the prior written consent of HSBC Samuel Montagu (and, in the case of Peter Hearn and Francesca Robinson, for so long as they remain directors of the Company any sale of Ordinary Shares will be carried out through the Company's stockbrokers, providing that the Company's stockbrokers are able to offer best price and settlement terms). These undertakings are subject to certain limited exceptions, including in the case of Peter Hearn and Francesca Robinson, transfers to connected persons (within the meaning of Section 346 of the Act) and

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certain trusts (who will be required to give the same undertaking in respect of the Ordinary Shares transferred to them) and, in every case, in relation to any acceptance of a general offer made to shareholders of the Company to acquire all the issued Ordinary Shares or pursuant to any compromise or arrangement pursuant to Section 425 of the Act or in relation to the sale of Ordinary Shares where the proceeds from such sale are required to satisfy claims pursuant to the Placing Agreement.

10. Taxation

The statements below are general in character and are based on current law and United Kingdom Inland Revenue practice. They may not apply to certain classes of tax payers (for example dealers in securities). Any individuals who are in any doubt about their own tax position should consult their own professional advisers.

- (a) Under current United Kingdom taxation legislation, no taxation will be withheld at source from any dividend paid by the Company. Following the payment of a dividend, however, the Company has to account for and remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate of one-quarter of the amount of the dividend which will be equal to 20 per cent. of the sum of the dividend plus the ACT.

For individual shareholders in the Company resident in the United Kingdom, the dividend will be subject to income tax at the rate of 20 per cent. or in the case of a higher rate taxpayer, 40 per cent. The associated tax credit will be equivalent to 20 per cent of the gross dividend and will be set against the individual's overall tax liability. Individual shareholders who are liable to higher rate tax will have an additional liability equal to 20 per cent of the gross dividend. Individuals liable to lower or basic rate tax will have no further United Kingdom tax liability in respect of a dividend. Shareholders not liable to tax in respect of the dividend may generally reclaim payment of the tax credit.

United Kingdom resident corporate shareholders will not be liable to United Kingdom corporation tax on any dividend received and will, generally, be able to treat the total of any dividend and related tax credit as franked investment income.

Subject to certain exceptions for Commonwealth citizens, residents of the Isle of Man or the Channel Islands, nationals of countries within the European Economic Area and certain others, the rights of a shareholder in the Company who is resident in countries other than the United Kingdom to claim payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares will depend on the existence and provisions of any double taxation convention or agreement which may exist between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers as to the possible applicability of such provisions, the procedures for claiming payment and what relief or credit is available in the jurisdiction in which they are residents.

This section assumes that the Company does not elect to pay (or is not treated as paying) dividends as foreign income dividends ("FIDs"). The tax treatment of FIDs is different from that outlined above.

- (b) The Directors have been advised in relation to stamp duty and stamp duty reserve tax ("SDRT") as follows:
- (i) an instrument transferring ordinary shares will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 50p per £100 (or part of £100) on the amount or value of the consideration paid for the transfer. An unconditional agreement to transfer ordinary shares will also normally give rise to an immediate charge to SDRT at the rate of 0.5 per cent of the consideration paid. However, where an instrument of transfer is duly stamped before the expiry of a period of six years beginning with the date of that agreement, the stamp duty will normally cancel the SDRT liability. There will be no stamp duty or SDRT on a transfer of Ordinary Shares into CREST unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. A transfer of

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Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration.

- (ii) no liability to stamp duty or SDRT arises on the allotment or issue of the new Ordinary Shares by the Company.
- (iii) to the extent that any Ordinary Shares accepted pursuant to the Placing are shares sold by the Selling Shareholders there will be a charge to stamp duty or SDRT at the rate of 50p per £100 (or part thereof) or 0.5 per cent (respectively) of the actual consideration paid. However, the Selling Shareholders have agreed to pay any stamp duty or SDRT that may arise and the Inland Revenue has confirmed that it will accept notification and payment by HSBC Samuel Montagu on behalf of the Selling Shareholders of any SDRT liability incurred on the purchase under the Placing by placees who are allocated shares sold by Selling Shareholders as discharging any liability of such placees to notify and account for the tax under the SDRT Regulations 1986, provided in each case that the Selling Shareholders shall not be obliged to pay stamp duty or SDRT at a rate exceeding 50p per £100 (or part thereof) or 0.5 per cent. (respectively) of the actual consideration paid. Each placee will be required to give a confirmation that he is not liable to pay stamp duty or SDRT at rates exceeding those. Accordingly, no liability to stamp duty or SDRT will arise on the purchase of Ordinary Shares sold by the Selling Shareholders to placees pursuant to the Placing.
- (iv) the purchase of rights to the Ordinary Shares (whether sold by the Selling Shareholders or to be issued by the Company) represented by a renounceable letter of allocation on or before the latest time for registration of renunciation will generally be liable to SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration. Where such a purchase is effected through a stockbroker or other financial intermediary that person will normally account for the liability to SDRT and will indicate that this has been done in any contract note issued to the purchaser.

The above statements are intended as a general guide on current law and practice. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at higher rates or may, in the case of SDRT, although not primarily liable for the tax, be required to notify and account for it under the SDRT Regulations 1986.

- (c) The Company has received clearance under section 707 of the Income and Corporation Taxes Act 1988 in respect of, *inter alia*, the Placing.

11. Working capital

The Directors are of the opinion that taking into account the net proceeds of the Placing receivable by the Company and available bank facilities, the Group has sufficient working capital for its present requirements.

12. Litigation

The Group has not been engaged in any legal or arbitration proceedings which may have or have had, during the 12 months preceding this document, a significant effect on the Group's financial position and the Company is not aware that any such proceedings are pending or threatened.

13. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material:

- (a) An agreement dated 21 April 1995 between Codeissue (1) Prime People plc (2) and John Siddall & Son Limited (3) pursuant to which Codeissue agreed to subscribe for, or procure subscribers for, up to 14,671,150 new ordinary shares of Prime People plc to be issued pursuant to a rights issue ("Underwritten Shares") (in addition to

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4,326,923 such ordinary shares which Codeissue, by separate agreement, undertook to take up) for a commission of 3 per cent of the total rights issue price of 4p per ordinary share.

- (b) An agreement dated 21 April 1995 between Prime People plc (1) and Codeissue (2) pursuant to which Codeissue agreed that, in the event that the proceeds of a proposed rights issue of Prime People plc were less than £1.25 million, before expenses, Codeissue would make a loan to Prime People plc equal to the shortfall. This loan was not required to be made by Codeissue.
- (c) An agreement dated 19 October 1995 between G. Laurence (1) Foxberry Limited (2) Codeissue (3) N. Adams (4) G. Dowens (5) and Fluor Daniel International Limited ("Fluor Daniel") (6) pursuant to which Fluor Daniel acquired 100 per cent of the issued share capital of The Management Resource Group plc ("MRG") of which Codeissue was the vendor of 47.1 per cent. The agreement contains representations, warranties and indemnities given by Codeissue and the other vendors in favour of Fluor Daniel in respect of which claims must be made within five years of the agreement. The cash consideration received by Codeissue was £2,826,774 plus a proportion of deferred consideration based on a formula referable to MRG's financial performance for the two years ending 31 December 1996. By a separate agreement Codeissue transferred, for £350,000, its right to receive any deferred consideration to Foxberry Limited.
- (d) An agreement dated 16 December 1996 between the Company (1) and Codeissue (2) pursuant to which Codeissue made a loan to the Company of £7,494,287. No interest is payable on the loan which is repayable on demand. The loan was used by the Company to satisfy the cash consideration payable by it pursuant to the agreements referred to at paragraphs (e) and (f) below, together with stamp duty payable on the transfers of shares in Codeissue referred to at paragraphs (e) to (g) below.
- (e) An agreement dated 16 December 1996 between the Company (1) F&C Nominees Limited ("F&C") (2) P Hearn (3) I Veltman (4) The Trustees of the Veltman in Possession Settlement (5) Sagitas AG (6) Codeissue (7) and Bafin Holdings (8) pursuant to which the Company acquired the issued share capital of Codeissue held by Bafin Holdings for £6,000,000. The agreement terminated, as between Bafin Holdings and the other parties (other than the Company), a subscription agreement dated 20 December 1991 as amended by a supplemental agreement dated 18 March 1993 (together the "Subscription Agreement") and made between the same parties (other than the Company).
- (f) An agreement dated 16 December 1996 between the Company (1) F&C (2) P Hearn (3) I Veltman (4) The Trustees of the Veltman in Possession Settlement (the "Trustees") (5) Sagitas AG (6) and Codeissue (7) pursuant to which the Company acquired the issued share capital of Codeissue held by (i) I Veltman for £186,902 and (ii) the Trustees for £1,187,385. The agreement terminated the Subscription Agreement as between I Veltman, Sagitas AG and the Trustees and the other parties thereto, save in respect of certain restrictive covenants given by I Veltman to Codeissue and F&C. Pursuant to the agreement I Veltman resigned as a director of Codeissue.
- (g) An agreement dated 16 December 1996 between the Company (1) F&C (2) P Hearn (3) and Codeissue (4) pursuant to which the Company acquired the issued share capital of Codeissue held by (i) P Hearn in consideration for the issue by the Company to P Hearn of 30,000 "A" Preference Shares of £1 each, 41,119 "B" Preference Shares of £1 each and 575,000 Ordinary Shares and (ii) F&C in consideration for the issue by the

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Company to funds managed by Foreign & Colonial Ventures of in aggregate 158,410 "A" Preference Shares of £1 each, 641,514 "B" Preference Shares of £1 each, 10,368,832 "C" Preference Shares of £1 each and 791,364 Ordinary Shares. The agreement terminated the Subscription Agreement save in respect of certain restrictive covenants given by P Hearn and I Veltman to Codeissue and F&C.

- (h) The Placing Agreement and Deed of Tax Covenant which are summarised in paragraph 9 above.

14. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The articles of association of the Company are consistent with CREST membership and, among other things, allow for the holding and transfer of shares in uncertificated form. The Company anticipates entering the CREST system in due course.

15. Miscellaneous

- (a) Save as disclosed in this document, there has been no significant change in the financial or trading position of PSD or of Codeissue since 31 December 1996, the date to which the latest audited financial statements were drawn up.
- (b) The total expenses of, or incidental to, the Placing which are payable by the Company are estimated to be approximately £980,000 (excluding VAT.)
- (c) HSBC Samuel Montagu is a division of HSBC Investment Bank plc which is regulated by The Securities and Futures Authority Limited and is registered in England with number 976092 and has its registered office at Thames Exchange, 10 Queen Street Place, London EC4R 1BL. HSBC Samuel Montagu has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it appears.
- (d) Clark Whitehill, Chartered Accountants, have given and not withdrawn their written consent for the purposes of Section 152(1)(e) of the Financial Services Act 1986 to the issue of this document with the inclusion of their name, report, letters and other references to them in the form and context in which they appear.
- (e) After the last date for renunciation of the renounceable letters of allocation to be issued in connection with the Placing, all the Ordinary Shares which are the subject of the Placing will be in registered form. It is expected that definitive certificates will be despatched on 10 March 1997.
- (f) The Placing price of 220p represents a premium of 215p over the nominal value of each Ordinary Share offered under the Placing and is payable in full on application. No expenses are to be charged to any placee under the Placing.
- (g) The financial information relating to the Group set out in this document does not comprise statutory accounts within the meaning of Section 240 of the Act. Clark Whitehill have given unqualified audit reports on the statutory accounts of Codeissue for each of the four accounting periods ended 31 December 1993, 1994, 1995 and 1996 and PSD Group plc for the accounting period ended 31 December 1996 within the meaning of section 235 of the Act. None of these reports contained any statements under section 237(2) or (3) of the Act. Statutory accounts of Codeissue for each of the periods ended 31 December 1993, 1994, 1995 and 1996 and statutory accounts of PSD Group for the period ended 31 December 1996 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

16. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Stephenson Harwood, One St. Paul's Churchyard, London EC4M 8SH, during usual business hours on any

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week day (Saturdays and public holidays excepted) from the date of this document up to and including 25 February 1997.

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of Codeissue and its subsidiaries for the two years ended 31 December 1996 and the audited consolidated accounts of PSD for the period ended 31 December 1996;
- (c) the Accountants' Report reproduced in Part II of this document;
- (d) the Rules of the employee incentive schemes referred to in paragraph 6 above;
- (e) the letter from Clark Whitehill set out in part III of this document;
- (f) the Directors' service agreements referred to in paragraph 5 above;
- (g) the material contracts referred to in paragraph 13 above;
- (h) the written consents referred to in paragraphs 15(c) and (d) above; and
- (i) the audited consolidated accounts of Prime People plc for the year ended 31 December 1996.

11 February 1997 ✓

Williams Lea & co

London, Edinburgh, Hong Kong, New York, Paris and Tokyo D02788.1