

CORPORATE SERVICES GROUP PLC

DIRECTORS' REPORT AND
ACCOUNTS

for the year ended
31 December 1992

490212



Company Number 490212

CHAIRMAN'S STATEMENT
for the year ended 31 December 1992

Following the series of acquisitions made during 1991 your company entered 1992 as one of the larger employment services groups in the United Kingdom. This position was further advanced by the purchase in January 1992 of Forward Recruitment Consultants Ltd.

Our attention during the year was firmly focused on integrating and consolidating what are now our mainstream activities. The success of this programme, during a period when trading conditions were difficult, is demonstrated by the achievement of a profit at the trading level, for the year as a whole, of £248,000 on a turnover of £31,259,000. This compares to a trading deficit of £1,662,000 on a turnover of £22,199,000 in 1991.

After taking into account exceptional items totalling £282,000, which comprised the costs of the staff redundancies and branch rationalisations, together with net interest payable of £570,000, the loss on ordinary activities was reduced to £504,000 as against the comparable loss of £2,129,000 in 1991.

The charge in respect of non-recurring extraordinary items of £943,000 related to the non-core businesses which have now all been either closed or sold. A substantial part of this arose from the technical requirement under Financial Reporting Standard No.2 to reflect in the Profit and Loss account goodwill previously written off to reserves.

In the Interim Statement I referred to our appointing an administrative receiver to the associate company that owned the poster site joint venture, in order to protect our interests, following certain breaches of the agreement by the majority shareholder. Following this action part of the holding of advertising sites has been sold for a secured deferred consideration of £150,000. A further similar sum is expected from the receiver by the middle of this year; approximately half of which has already been received on account.

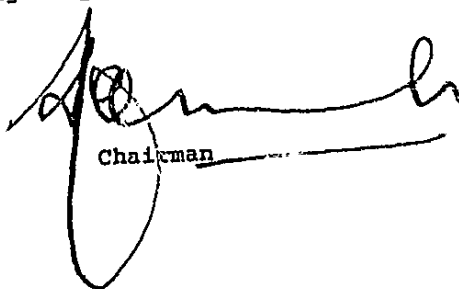
The acquisition of Forward Recruitment Consultants Limited, together with the exceptional and extraordinary write-offs, has had a negative effect on our balance sheet; however it must be appreciated that as a service business our real worth is in our branch network and its ability to earn profits. Forward, which is a northern based company, was a strategic move to extend our geographical coverage, and is now contributing to trading profits. In addition during the year new operations were opened in Leeds, and outer London. The success of this strategy of being able to offer nationwide coverage is demonstrated by our winning a number of preferred supplier agreements and in particular being awarded an exclusive national contract with a major distribution group.

We have recently strengthened the board by the appointment of Roger Eden as Financial Director and the assumption by John Abrahamson of the responsibilities of Commercial Director. I would like to thank all of our staff for their hard work and commitment to the Group during this period of change in a particularly difficult market.

CHAIRMAN'S STATEMENT
for the year ended 31 December 1992

There is a large element of seasonality in the Groups activities. Turnover in the second six months of 1992 was approximately 28% above that for the first half with a consequent bias as regards profitability. It is expected that this pattern will again be evident in 1993.

The first quarter of the current year has seen revenues ahead of our own internal plans and substantially above those for the same period in 1992. It would be unwise at this stage to predict that sales volumes will continue so far above the planned levels throughout the year; however it is nonetheless an excellent start. With 80% of the Group's revenues derived from temporary and contract labour the benefits of the economy returning to growth are self evident. We look forward with confidence.



Chairman

Date: 1 April 1993

REPORT OF THE DIRECTORS
for the year ended 31 December 1992

INTRODUCTION

The Directors present their Annual Report on the affairs of the Group together with the accounts and auditors' report for the year ended 31 December 1992.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year the Group developed and expanded its interests in the employment services sector. In January 1992 it acquired 100% of the ordinary share capital of Forward Recruitment Consultants Limited.

In September 1992 the Group, under the terms of its debenture appointed an administrative receiver to Metro Poster Advertising (London) Limited in which it had a 44% equity holding. The receivership has not as yet been completed but it is anticipated that there will be a net shortfall of some £200,000 in this investment; an extraordinary provision has been made for this amount.

During the year the decision to sell the business and undertaking of Sapphire of Sussex Limited was made. Accordingly the Group has now no interests in furniture distribution.

RESULTS AND DIVIDENDS

The results for the year are dealt with in the consolidated profit and loss account on page 7. The Directors do not recommend the payment of a dividend for the year (31 December 1991 : £Nil). Movements in reserves are dealt with in note 18 to the accounts.

CLOSE COMPANY STATUS

The Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

DIRECTORS

The Directors who served throughout the year, except where otherwise stated, were:

J G Fowler	(Chairman and Chief Executive)
J D Abrahamson	(Commercial)
G Brailey	(Managing) (appointed 18 May 1992)
R C Eden	(Finance) (appointed 19 January 1993)
Sir K Bright	(Non-executive)
R G T Hulbert	(Non-executive)

The Directors' interests in the shares of the Company are shown in note 24 to the accounts.

DIRECTORS' INSURANCE

The Company maintains liability insurance on behalf of all the Directors, as provided by Section 310(3) of the Companies Act 1985 and the Articles of Association of the company.

REPORT OF THE DIRECTORS
for the year ended 31 December 1992 (continued)

NON-EXECUTIVE DIRECTORS

Sir Keith Bright is Chairman of The Brent Walker Group Plc and Electrocomponents Plc having previously been Chairman and Chief Executive of the London Transport Executive. He has had considerable experience at senior level in industry.

R G T Hulbert was assistant general manager of The United Bank of Kuwait for which he now acts as a consultant. He has extensive experience in management consultancy, corporate finance and venture capital.

SUBSTANTIAL SHAREHOLDINGS

As at 1 April 1993 the Company had been notified that the following were registered as being interested in 3% or more of the issued ordinary share capital of the Company (excluding Directors' holdings):

Garve Investments Ltd	1,187,500	4.0%
Glenbarr Investments Inc	1,187,500	4.0%
Schroder Investment Management Ltd	4,510,000	15.2%
GFM International Investors Ltd	890,000	3.0%

SHARE OPTIONS

During the year ended 31 December 1992 the Company in accordance with the Executive Share Option Scheme issued options over 782,880 shares to be exercised at a price of 40 pence within ten years of the date of issue.

Certain executives in one of the subsidiary undertakings hold Convertible Redeemable shares in that company which are convertible into shares in the Company. The number of Company shares to be issued is dependent upon the future profitability of that subsidiary undertaking up to a maximum of 312,500 shares.

FIXED ASSETS

Information relating to changes in fixed assets is given in notes 9 and 10 to the accounts.

EMPLOYEES

The Group supports the employment of disabled people wherever possible by recruitment, by retraining all those who become disabled during their employment, and generally through training, career development and promotion.

Regular meetings are held involving Directors, managers and staff to discuss the progress of the business.

REPORT OF THE DIRECTORS
for the year ended 31 December 1992 (continued)

DIRECTORS' INTEREST IN CONTRACTS

No directors had any interest in material contracts with the Group.

AUTHORITY TO ALLOT SHARES

A special resolution will be proposed at the Annual General Meeting to renew for a further year the authority of the Directors to allot Ordinary Shares by way of rights to existing shareholders proportionately to their holdings, and to authorise the Directors to allot Ordinary Shares for cash up to an aggregate nominal amount of £591,890 (5% of the issued share capital) on a non-proportionate basis.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing that BDO Binder Hamlyn be reappointed as auditors of the Company will be put to the Annual General Meeting.

This report was approved by the Board on 1 April 1993.

S.D. Allmon

Director

03-07-93
**BINDER
HAMLYN**

AUDITORS' REPORT
to the members of Corporate Services Group PLC

We have audited the accounts on pages 7 to 24 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1992 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Binder Hamlyn

Chartered Accountants
Registered Auditor

1 April 1993

INTERNATIONALLY
**BDO
BINDER**

CORPORATE SERVICES GROUP PLC

7

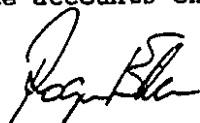
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1992

	Notes	1992 £'000	1991 £'000
Turnover	1	31,259	22,199
Operating charges	2	<u>31,011</u>	<u>23,861</u>
Trading profit/(loss)		248	(1,662)
Exceptional item	2	<u>(282)</u>	<u>-</u>
Operating loss		(34)	(1,662)
Interest payable net	5	<u>(570)</u>	<u>(467)</u>
Loss on ordinary activities before taxation		(604)	(2,129)
Taxation	6	<u>55</u>	<u>-</u>
Loss on ordinary activities after taxation		(549)	(2,129)
Extraordinary items	7	<u>(943)</u>	<u>(774)</u>
Loss for the financial year transferred to reserves	18	<u>(1,492)</u>	<u>(2,903)</u>
Loss per share	8	<u>(1.85p)</u>	<u>(9.32p)</u>

GROUP BALANCE SHEET
as at 31 December 1992

	Notes	1992		1991	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	9		1,163		1,269
Investments	10		-		486
CURRENT ASSETS					
Stock	11	-		270	
Debtors	12	3,483		2,888	
Cash at bank and in hand		406		3,221	
		<u>3,889</u>		<u>6,379</u>	
CREDITORS: amounts falling due within one year	13	(6,271)		(7,318)	
Net Current Liabilities			<u>(2,382)</u>		<u>(939)</u>
Total Assets less Current Liabilities			<u>(1,219)</u>		<u>816</u>
CREDITORS: amounts falling due after more than one year	14		(738)		(1,182)
Net Liabilities			<u>(1,957)</u>		<u>(366)</u>
CAPITAL AND RESERVES					
Called up share capital	17		11,837		11,837
Share premium account	18		-		1
Goodwill reserve	18		(8,665)		(8,567)
Profit and loss account	18		(5,129)		(3,637)
			<u>(1,957)</u>		<u>(366)</u>

The accounts on pages 7 to 24 were approved by the Board on 1 April 1993.

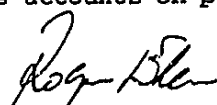


Director

COMPANY BALANCE SHEET
as at 31 December 1992

	Notes	1992		1991	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	9		48		117
Investments	10		13,678		13,563
CURRENT ASSETS					
Debtors	12	3,623		1,184	
Cash at bank and in hand		-		3,200	
		<u>3,623</u>		<u>4,384</u>	
CREDITORS: amounts falling due within one year	13	<u>(5,464)</u>		<u>(6,352)</u>	
Net Current Liabilities			<u>(1,841)</u>		<u>(1,968)</u>
Total Assets less Current Liabilities			11,885		11,712
CREDITORS: amounts falling due after more than one year	14		<u>(342)</u>		<u>(325)</u>
Net Assets			<u>11,543</u>		<u>11,387</u>
CAPITAL AND RESERVES					
Called up share capital	17		11,837		11,837
Share premium account	18		-		1
Profit and loss account	18		<u>(294)</u>		<u>(451)</u>
			11,543		11,387

The accounts on pages 7 to 24 were approved by the Board on 1 April 1993.



Director

GROUP CASH FLOW STATEMENT
for the year ended 31 December 1992

	1992		1991	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities (note 19)		576		1,044
Returns on investments and servicing of finance				
Interest received	31		170	
Interest paid	(601)		(637)	
Net cash outflow from returns on investments and servicing of finance		(570)		(467)
Taxation				
UK taxation paid		-		(130)
Investing activities				
Purchase of tangible fixed assets	(168)		(629)	
Purchase of subsidiary undertakings (note 21)	(53)		(4,071)	
Additional expenditure relating to acquisitions in previous year (note 27)	(107)		(501)	
Sale of tangible fixed assets	42		118	
Sale of fixed asset investments	-		296	
Sale of a business	-		(71)	
Net cash outflow from investing activities		(286)		(4,858)
Net cash outflow before financing		(280)		(4,411)
Financing				
New short term loans	(5)		(1,585)	
Repayment of amounts borrowed	754		196	
Capital element of finance lease rental payments	270		169	
Rights issue (net of expenses)	45		(2,979)	
Net cash outflow/(inflow) from financing		1,064		(4,199)
Decrease in cash and cash equivalents (note 19)		(1,344)		(212)
		(280)		(4,411)

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

Turnover

Turnover, which is stated exclusive of value added tax, comprises amounts receivable for goods and services provided net of trade discounts.

Basis of consolidation

All subsidiaries within the Group prepare accounts to 31 December. The results of subsidiaries acquired are included from their effective dates of acquisition and for those subsidiaries sold to the dates of disposal.

A separate profit and loss account dealing with the results of the Company only has not been presented as permitted under Section 230 of the Companies Act 1985.

Goodwill

Goodwill is the excess of the fair value of the consideration given to acquire a business over the fair value of the separable net assets acquired. Goodwill is written off against a separate reserve in the year of acquisition. Goodwill relating to subsidiary undertakings disposed of is reflected in the profit or loss on disposal in accordance with Financial Reporting Standard No 2.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	- over 50 years
Leasehold land and buildings	- over the lease term
Office equipment	- over 4 to 7 years
Motor vehicles	- over 4 years

Leasing and hire purchase commitments

Assets obtained under leases and hire purchase contracts which result in the transfer to the Company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

ACCOUNTING POLICIES (continued)

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value. The acquisition cost of subsidiaries includes management time and related overheads of certain directors and senior employees.

Stock and work in progress

Stock is stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Pension costs

Pension costs represent contributions made to private defined contribution pension schemes on behalf of certain directors and employees of the Group.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that such a liability is unlikely to crystallise.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

1. SEGMENTAL INFORMATION

Turnover and profit on ordinary activities before taxation

Class of business	1992	Turnover	(Loss)/profit	
	1992	1991	1992	1991
	£000	£000	£000	£000
Recruitment	30,374	20,416	854	(38)
Furniture	885	1,197	(25)	(327)
Posters	-	586	-	(502)
	<u>31,259</u>	<u>22,199</u>	<u>829</u>	<u>(867)</u>
Head office costs			(863)	(795)
Interest - net			<u>(570)</u>	<u>(467)</u>
Loss on ordinary activities before taxation			<u>(604)</u>	<u>(2,129)</u>

The Group's turnover by both origin and destination is derived solely in the United Kingdom.

Segment net assets:	1992	1991
	£'000	£'000
Recruitment	(2,159)	(1,111)
Furniture	-	206
Posters	-	(109)
Net Cash and unallocated assets	<u>202</u>	<u>648</u>
	<u>(1,957)</u>	<u>(366)</u>

2. OPERATING CHARGES LESS OTHER INCOME

Depreciation - owned assets	136	288
- finance lease and hire purchase assets	221	120
Staff costs (note 3)	5,341	3,327
Operating leases - rent of premises	409	546
- hire of plant and machinery	164	139
Auditors' remuneration:		
- Audit services	80	80
Share of associated undertaking profit	-	(2)
Other external charges	24,678	19,765
Less: overheads charged to acquisition and rationalisation costs	<u>(18)</u>	<u>(402)</u>
	<u>31,011</u>	<u>23,861</u>

The auditors were paid a further £13,000 during the year for other services.

Exceptional item	<u>282</u>	<u>-</u>
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The exceptional item consists of termination and other non recurring costs arising from a restructuring of the group.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

3. EMPLOYEES

	1992 Number	1991 Number
(a) Number of employees		
Recruitment services	286	223
(b) Employment costs	£'000	£'000
Wages and salaries	4,912	3,543
Social security costs	465	346
Other pension costs	24	16
	5,401	3,905
Less: charged to acquisition and rationalisation costs	(60)	(578)
	5,341	3,327

4. DIRECTORS

(a) Emoluments

The emoluments of Directors of the Company were:

Fees	35	27
Other emoluments (including pension contributions and benefits-in-kind)	244	294
Compensation for loss of office	-	86
	279	407

(b) Bandings

Fees and other emoluments disclosed above (including
benefits-in-kind but excluding pension contributions)
include amounts paid to:

The chairman (and highest paid Director)	143	170
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Directors' emoluments (including benefits-in-kind
but excluding pension contributions) were in the
following ranges:

	Number	Number
£0 - £5,000	-	1
£10,001 - £15,000	1	1
£15,001 - £20,000	1	1
£45,001 - £50,000	1	1
£50,001 - £55,000	1	-
£60,001 - £65,000	-	1
£90,001 - £95,000	-	1
£140,001 - £145,000	1	-
£170,001 - £175,000	-	1
	5	7
Directors performing duties mainly outside UK	-	1

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

5. INTEREST PAYABLE -

	1992 £'000	1991 £'000
On bank overdrafts and invoice discounting	487	532
On finance leases terminating within 5 years	114	105
	<u>601</u>	<u>637</u>
Less: Interest received	31	170
	<u>570</u>	<u>467</u>

6. TAXATION

Overprovision in prior years

	55	-
	<u>55</u>	<u>-</u>

The Group has significant tax losses carried forward to offset against future profits.

7. EXTRAORDINARY ITEMS

Provision made against Metro Advertising loan note (note 10)

	(200)	-
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Loss on disposal of subsidiary undertakings (including goodwill previously written off of £391,000 (1991: £931,000))

	(743)	(774)
	<u>(743)</u>	<u>(774)</u>

8. LOSS PER SHARE

Loss per ordinary share is based on Group losses after taxation of £549,000 (1991: loss £2,129,000) and on 29,594,525 (1991: 22,843,695) ordinary shares being the weighted average number of ordinary shares in issue during the year.

9. TANGIBLE FIXED ASSETS

GROUP	Freehold and leasehold land and buildings £'000	Motor cars and office equipment £'000	Total £'000
Cost or valuation			
1 January 1991	444	1,386	1,830
Additions	30	303	333
Disposals	(11)	(288)	(299)
	<u>463</u>	<u>1,401</u>	<u>1,864</u>
31 December 1992	463	1,401	1,864
Accumulated depreciation			
1 January 1991	105	456	561
Charge for year	26	331	357
Disposals	(5)	(212)	(217)
	<u>126</u>	<u>575</u>	<u>701</u>
31 December 1992	126	575	701
Net book value			
31 December 1992	<u>337</u>	<u>826</u>	<u>1,163</u>
31 December 1991	<u>339</u>	<u>930</u>	<u>1,269</u>

Included in the above are assets held under finance leases and hire purchase contracts with a net book value of £767,000 (1991: £667,000).

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

9. TANGIBLE FIXED ASSETS (continued)

The net book value of freehold and leasehold land and buildings comprise:

	1992 £'000	1991 £'000
Freehold at cost	145	149
Freehold at valuation	138	141
Short Leasehold at cost	54	49
	<u>337</u>	<u>339</u>

Freehold land and buildings were professionally valued by a Chartered Surveyor on an open market existing use basis on 30 September 1988.

If freehold land and buildings had not been revalued they would have been included at the following amounts:

Cost	233	233
Depreciation	<u>16</u>	<u>12</u>
Net book value	<u>217</u>	<u>221</u>

COMPANY

	Motor Cars and office equipment £'000
Cost	
1 January 1991	233
Additions	15
Transfers to group companies	(37)
Disposals	<u>(36)</u>
At 31 December 1991	<u>175</u>
Depreciation	
1 January 1991	116
Charge for year	44
Transfers to group companies	(15)
Disposals	<u>(18)</u>
At 31 December 1992	<u>127</u>
Net book value	
31 December 1992	<u>48</u>
31 December 1991	<u>117</u>

There were no capital commitments authorised or contracted for at 31 December 1992 (1991: £Nil).

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

10. FIXED ASSET INVESTMENTS	1992 £'000	1991 £'000
GROUP		
Metro Advertising loan note	-	484
Share of assets of associated undertaking	-	2
	<u>-</u>	<u>486</u>

On 6 September 1992 Metro Advertising (London) Limited was placed into administrative receivership by the group under the terms of the loan note. A provision of £200,000 has been made against the anticipated short fall between the value of the loan note and the cash received and receivable from the receiver. The provision has been treated as an extraordinary item in these accounts. The expected cash receivable from the receiver at the year end has been included in other debtors.

COMPANY

Investment in subsidiary undertakings	Shares £'000	Loans £'000	Total £'000
Cost			
1 January 1991	10,700	2,863	13,563
Additions	270	-	270
Provision	(155)	-	(155)
31 December 1992	<u>10,815</u>	<u>2,863</u>	<u>13,678</u>
Net book value			
31 December 1992	<u>10,815</u>	<u>2,863</u>	<u>13,678</u>
31 December 1991	<u>10,700</u>	<u>2,863</u>	<u>13,563</u>

In the opinion of the Directors the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

11.	STOCK AND WORK IN PROGRESS		1992	1991
			£'000	£'000
	Finished goods and goods for resale		-	270
12.	DEBTORS	Group	Company	
		1992	1991	1992
		£'000	£'000	£'000
	Trade debtors (note 29)	2,294	2,254	-
	Amounts owed by subsidiary undertakings	-	-	3,306
	Other debtors	543	394	249
	Prepayments and accrued income	646	235	66
	Tax recoverable	-	5	-
		<u>3,483</u>	<u>2,888</u>	<u>3,623</u>
				<u>1,184</u>

Included in other debtors above is a £150,000 loan note secured on the poster sites that were previously owned by Metro Advertising (London) Limited. Of this amount £100,000 is due in more than one year (1991: Nil).

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

13. CREDITORS: amounts falling due within one year	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Bank overdrafts	118	1,589	6	23
Unsecured bank loans (note 16)	100	300	100	300
Secured bank loans (note 16)	143	428	-	-
Obligations under finance leases and hire purchase contracts (note 22)	276	275	17	56
Trade creditors	654	979	213	375
Amounts owed to subsidiary undertakings	-	-	4,826	5,330
Corporation tax	40	95	40	40
Other taxes and social security costs	3,606	2,750	30	51
Other creditors and accruals	1,334	902	232	177
	<u>6,271</u>	<u>7,318</u>	<u>5,464</u>	<u>6,352</u>
14. CREDITORS: amounts falling due after more than one year				
Convertible loan stock (note 15)	325	325	325	325
Secured bank loans (note 16)	195	459	-	-
Obligations under finance lease and hire purchase contracts (note 22)	218	338	17	-
Other loans	-	-	-	-
Other creditors	-	60	-	-
	<u>738</u>	<u>1,182</u>	<u>342</u>	<u>325</u>

15. CONVERTIBLE LOAN STOCK

As part of the consideration for the acquisition of Argosy Employment Holdings Limited, £325,000 interest free Convertible Unsecured Loan Stock 2000 was issued to the vendor.

The holder of the loan stock is entitled to be allotted 203,125 fully paid ordinary shares on the basis of 40p nominal value of shares for every 160p nominal of stock held. Conversion into shares can be effected at any time up to 31 December 2000.

16. LOANS	Group	
	1992 £'000	1991 £'000
Bank loan repayable by instalments:		
Within one year	243	728
Between one and two years	143	303
Between two and five years	52	156
	<u>438</u>	<u>1,187</u>

Secured loans are secured by fixed and floating charges over the assets of certain subsidiary undertakings. One of the loans is supported by cross guarantees from other group undertakings.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

17. SHARE CAPITAL	31 December 1992		31 December 1991	
	Number of shares	£'000	Number of shares	£'000
Ordinary shares of 40p each authorised	<u>37,500,000</u>	<u>15,000</u>	<u>37,500,000</u>	<u>15,000</u>
Allotted, issued and fully paid	<u>29,594,525</u>	<u>11,837</u>	<u>29,594,525</u>	<u>11,837</u>

At 31 December 1992 there were options outstanding over 782,880 shares of 40p each, details of which are set out in the directors report on page 4.

18. RESERVES	Share premium account £'000	Goodwill reserve £'000	Profit and loss account £'000
Group			
31 December 1991	1	(9,498)	(2,706)
Adjustment of opening balances	-	931	(931)
Restated balances at 1 January 1992	1	(8,567)	(3,637)
Prior year rights issue costs	(1)		
Goodwill written off on acquisition of subsidiary undertaking (note 26)		(382)	
Adjustment to goodwill arising on the acquisition of subsidiary undertakings in previous years (note 27)		(107)	
Charged to Extraordinary loss on disposal of subsidiary undertaking		391	
Retained loss for the year			(1,492)
31 December 1992	-	(8,665)	(5,129)

As now required by Financial Reporting Standard No. 2 the opening balances have been adjusted to reflect the purchased goodwill on the disposal of Development Advertising Limited and the business of Gatwick Office Furnishings Limited which had not been reflected in the loss on disposal figure reported in the 1991 accounts.

Company	Share premium account £'000	Profit and loss account £'000
1 January 1992	1	(451)
Prior year rights issue costs	(1)	
Retained profit for the year	-	157
31 December 1992	-	(294)

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1992 £'000	1991 £'000
Operating loss	(34)	(1,662)
Depreciation	357	408
Decrease in stock	48	85
Increase in debtors	(67)	(232)
Increase in creditors	533	2,447
Share of associated undertaking profits	-	(2)
Loss on disposal of fixed assets	10	-
Net cash inflow from continuing operating activities	847	1,044
Net cash outflow in respect of discontinued activities	271	-
Net cash inflow from operating activities	576	1,044
b) Cash and cash equivalents		
Balance of cash and cash equivalents		
Cash at bank and in hand	406	3,221
Bank overdrafts	(118)	(1,589)
	288	1,632
Change in the balance of cash and cash equivalents		
At 1 January	1,632	1,844
Net cash (outflow) for year	(1,344)	(212)
At 31 December	288	1,632
20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR		
	Share Capital (Including Premium) £'000	Loans and Finance Lease Obligations £'000
1 January 1991	17,075	385
Cash inflows from financing	3,272	1,740
Rights issue costs	(293)	-
Cancellation of share premium	(8,216)	-
Balance 1 January 1992	11,838	2,125
Rights issue costs	(1)	-
Cash outflows from financing	-	(1,019)
Inception of finance lease contracts	-	151
Balance 31 December 1992	11,837	1,257

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

21. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKINGS	£'000
Expenses of acquisition	28
Bank overdrafts of acquired subsidiary undertaking	25
Net outflow of cash and cash equivalents	53

The subsidiary undertaking acquired during the year contributed £96,000 to the Group's net operating cash flows, paid £30,000 in respect of net returns of investments and servicing of finance and utilised £1,000 for investing activities.

22. OBLIGATIONS UNDER FINANCE LEASES	Group		Company	
	1992	1991	1992	1991
	£'000	£'000	£'000	£'000
The net obligations under finance leases				
are repayable as follows:				
In one year or less	276	275	17	56
Between one and five years	218	338	17	-
	494	613	34	56

23. ANNUAL COMMITMENTS UNDER LONG TERM NON-CANCELLABLE OPERATING LEASES ARE AS FOLLOWS:	1992		1991	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	40	22	37	69
Between two and five years	454	125	363	113
After five years	253	-	179	-
	747	147	579	182

24. DIRECTOR'S INTEREST IN SHARES

The Directors beneficial interests in the Company at 31 December 1992 including family interests are set out below:

	1992		1991	
	Holdings		Holdings	
	Shares	Options	Shares	Options
J G Fowler	1,300,750	150,000	1,125,750	473,706
J D Abrahamson	347,142	75,000	257,142	254,545
G Brailey	175,000	75,000	-	-
Sir K Bright	3,125	-	-	-
R G T Hulbert	149,107	-	24,107	90,909

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

24. DIRECTOR'S INTEREST IN SHARES (continued)

On 2 June 1992 the previous options were cancelled and the following were granted:

J G Fowler	150,000
J D Abrahamson	75,000
G Brailey	75,000

As at 1 April 1993 there have been no changes in the Directors holdings since 31 December 1992. On his appointment on 19 January 1993 R C Eden held options over 50,000 shares.

25. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following are wholly owned and registered and operating in England and Wales. All wholly owned subsidiaries have ordinary share capital with a nominal value of £1 per share. Staffplan Recruitment Limited also has 100 non-participating Convertible Redeemable Shares of £1 held by certain executives of that Company and convertible into shares in the Company (note 30).

- Crest Employment Bureau Limited
- * Multistaff Limited
- * Argosy Recruitment Limited
- ABC Contract Services Limited
- Austin Benn Consultants Limited
- * Goodchilds Employment Agency Limited
- * Forward Recruitment Consultants Limited
- * Staffplan Recruitment Limited

* These companies are owned directly by Corporate Services Group PLC.

26. ACQUISITIONS DURING THE YEAR

(a) The company has made the following acquisitions during the year.

- (i) On 21 January 1992 the Group acquired the whole of the issued share capital of Forward Recruitment Consultants Limited.
- (ii) At 31 December 1991 Staffplan Recruitment Limited ('Staffplan') was 100% owned by the Directors of that company. As the Company had an option to acquire a controlling interest in the share capital of Staffplan and was in a position to exercise dominant influence over Staffplan it was treated as a subsidiary undertaking in the year ended 31 December 1991. On 13 March 1992 the Company exercised its option to purchase the entire Ordinary Share capital of Staffplan.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

26. ACQUISITIONS DURING THE YEAR (continued)

- (b) The results of the acquisition have been brought into the group accounts from the effective date of that acquisition.

Forward Recruitment Consultants Limited has contributed a loss of £56,000 before taxation to the group loss.

	Forward Recruitment £'000
Tangible net liabilities acquired (note (i))	234
Costs of acquisition	148
	<hr/>
Goodwill on acquisition	382
	<hr/>

Note:

(i) - net assets comprise:	Book value on acquisition £'000	Fair value adjustments £'000	Adjusted £'000
Fixed assets	96	(81)	15
Debtors	440	(20)	420
Creditors	(489)	-	(489)
Provision for rationalisation costs	-	(180)	(180)
	<hr/>	<hr/>	<hr/>
	47	(281)	(234)
	<hr/>	<hr/>	<hr/>

- (ii) The provision for rationalisation costs has been fully utilised at 31 December 1992.

27. PRIOR YEAR ACQUISITIONS

The Group incurred additional third party costs associated with 1991 acquisitions in 1992.

	ABC £'000	Staffplan £'000	Total £'000
Additional costs of acquisition	78	29	107
	<hr/>	<hr/>	<hr/>

The above costs have been written off to goodwill reserve on consolidation.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1992 (continued)

28. DISPOSALS

- a) Since the year end the Company completed the sale of the assets and undertaking of Sapphire of Sussex Limited which was the Groups remaining furniture undertaking. The decision to dispose of this business was made in 1992 and full provision for the loss on disposal has been reflected in the extraordinary item in these accounts. Goodwill relating to this business of £391,000 previously written off to reserves has also been reflected in the extraordinary item in these accounts.
- b) The disposed of undertaking contributed a loss of £30,000 before taxation to the group loss.
- c) The business sold during the year contributed £8,000 to the Group's net operating cash flows, paid £4,000 in respect of net returns on investments and servicing of finance and utilised £10,000 for investing activities.

29. CONTINGENT LIABILITIES

Group - obligations under sales invoices that have been discounted under invoice discounting arrangements at 31 December 1992 total £3,213,000 (1991: £2,812,000).

Company - The Company has guaranteed the indebtedness of subsidiary undertakings for £276,000 (1991 £700,000), plus unlimited multi-lateral guarantees between the company and its subsidiary undertakings.

30. CONTINGENT CONSIDERATION

Certain executives of Staffplan Recruitment Limited hold 100 Convertible Redeemable shares of £1 in that company. The holders of these shares are entitled to convert their shares into ordinary shares in the holding company during a 28 day period, the timing of which is dependent upon the date the 1994 financial statements for Staffplan Recruitment Limited are approved.

The value of the shares converted is related to the future profitability of Staff plan Recruitment Limited. If the conversion takes place the shares in the holding company issued will be treated as additional consideration for the acquisition of Staffplan Recruitment Limited. The maximum number of shares that can be issued under this agreement is 312,500.