

RE-SCAN

GSS GROUP LIMITED

Report and Financial Statements

31 March 1999

Company Registration No. 961841

SIGNED COPY

HLB KIDSONS

CHARTERED ACCOUNTANTS

MANCHESTER

REGISTRAR'S COPY



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1. The first part of the document is a list of names and addresses of the members of the committee. The names are listed in alphabetical order, and the addresses are given below each name. The list includes the names of the members of the committee, the names of the members of the sub-committee, and the names of the members of the advisory committee. The addresses are given in the following order: the address of the member of the committee, the address of the member of the sub-committee, and the address of the member of the advisory committee.

GSS GROUP LIMITED

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GSS GROUP LIMITED**OFFICERS AND PROFESSIONAL ADVISERS****Directors**

F. W. Lock (Managing Director)

A. D. Cooper

N. Harrison

M G Cattell

Secretary

R Mitton

Registered Office12 Ambassador Place
Stockport Road
Altrincham
Cheshire**Bankers**The Royal Bank of Scotland
Liverpool Dale Street Branch
1 Dale Street
Liverpool
Merseyside L2 2PP**Solicitors**Whittles Solicitors
Pearl Assurance House
23 Princess Street
Albert Square
Manchester M2 4ER**Auditors**HLB Kidsons
Devonshire House
36 George Street
Manchester
M1 4HA

GSS GROUP LIMITED**DIRECTORS' REPORT****For the year ended 31 March 1999**

The Directors are pleased to present their Report and Financial Statements of the Company for the financial year ended 31 March 1999.

Activities

The company trades principally in areas of business related to the engineering construction industry in the United Kingdom and overseas through the medium of an overseas subsidiary company.

The activities of the group consist of:

- Provision of projects and construction management services to clients in the process and related engineering industries.
- Provision of technically qualified project and construction management personnel.
- The design, development and delivery of tailored training programmes to both owner and construction contractors in the areas of health and safety, engineering management skills to relevant NVQ levels, employment and industrial relations and employment law.
- Domestic housebuilding

Review of developments and future prospects

The directors are very satisfied that the group turnover was considerably improved and that the group returned to profitability.

Turnover is expected to increase for the UK companies in the year to March 2000, but with the economic changes in the Far East the overseas turnover is likely to decrease for a period. Sales prospects are improving and increased sales prices are being achieved on the Arden Street project.

Dividends and transfers to reserves

The group made a profit attributable to shareholders for the year of £67,898 (1998 loss: £59,376). The directors recommend a dividend of £4,000 (1998 £Nil). The retained profit of £63,898 has been transferred to reserves (1998 retained loss of £59,376 transferred from reserves).

Year 2000

The company has assessed the impact of the year 2000 issue on its business and operations and considers that all appropriate risks have been addressed. No significant costs are expected to be incurred in connection with the year 2000 issue.

Fixed Assets

Movements in fixed assets are set out in note 11 to the financial statements.

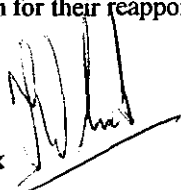
GSS GROUP LIMITED**DIRECTORS' REPORT****For the year ended 31 March 1999****Directors and their interests**

The directors' beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 31 March 1999 and 1998 were as follows:

	Ordinary shares	
	31 March 1999	31 March 1998
F W Lock	15,000	15,000

Auditors

During the year HLB Kidsons were appointed as auditors and have agreed to offer themselves for re-appointment. A resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.


F W Lock
Director


9 - 11 - 1999

GSS GROUP LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES****For the year ended 31 March 1999**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


9 - 11 - 1999

GSS GROUP LIMITED
AUDITORS' REPORT TO THE MEMBERS
For the year ended 31 March 1999

We have audited the financial statements on pages 6 to 24 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HCB Kidson

Registered Auditors
Chartered Accountants

Devonshire House
36 George Street
Manchester
M1 4HA

9 November 1999

GSS GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

	Note	1999 £	1998 £
Turnover	2	3,854,939	2,959,096
Cost of sales		(3,085,778)	(2,454,631)
Gross profit		<u>769,161</u>	<u>504,465</u>
Administration expenses		(665,614)	(544,914)
Other operating income		7,483	11,575
Operating Profit/(Loss)	4	<u>111,030</u>	<u>(28,874)</u>
Share of profit/(loss) of associated company	5	-	(10,560)
Interest receivable and similar income	6	-	832
Interest payable and similar charges	7	(29,906)	(15,910)
		<u>(29,906)</u>	<u>(25,638)</u>
Profit/(Loss) on ordinary activities before taxation	2	81,124	(54,512)
Tax on profit on ordinary activities	8	(13,226)	(4,864)
		<u></u>	<u></u>
Profit/(Loss) for the financial year	9	67,898	(59,376)
Equity dividends	10	(4,000)	-
		<u></u>	<u></u>
Retained profit/(loss) for the financial year		63,898	(59,376)
Retained profit brought forward		341,763	402,872
Foreign exchange movement		(1,678)	(1,733)
Retain profit carried forward		<u>403,983</u>	<u>341,763</u>

The results for the years ended 31 March 1999 and 31 March 1998 relate solely to continuing activities.

GSS GROUP LIMITED
CONSOLIDATED BALANCE SHEET

For the year ended 31 March 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	11	7,697	10,954
Investments	12	7,000	11,558
		<u>14,697</u>	<u>22,512</u>
Current assets			
Stocks	13	741,075	697,520
Debtors	14	755,805	661,775
Cash at bank and in hand		216,138	146,360
		<u>1,713,018</u>	<u>1,505,655</u>
Creditors: Amounts falling due within one year	15	<u>(1,178,732)</u>	<u>(1,041,404)</u>
Net current assets		534,286	464,251
Total assets less current liabilities		<u>548,883</u>	<u>486,763</u>
Provisions for liabilities and charges		(21,000)	(21,000)
		<u>527,983</u>	<u>465,763</u>
Capital and reserves			
Called up share capital	17	97,000	97,000
Capital redemption reserve	18	3,000	3,000
Capital reserve	19	24,000	24,000
Profit and loss account		403,983	341,763
Equity shareholders' funds		<u>527,983</u>	<u>465,763</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors.

1999.

F W Lock  Director

A D Cooper  Director

9 - 11 - 99

GSS GROUP LIMITED

BALANCE SHEET

31 MARCH 1999

	Note	£	1999	£	£	1998	£
Fixed assets							
Tangible assets	11	7,697			10,954		
Investments	12	40,937			40,937		
				48,634			51,891
Current assets							
Debtors	14	1,035,881			933,928		
Cash at bank and in hand		1,265			2,300		
				1,037,146			936,228
Creditors: amounts falling due within one year	15	(482,698)			(410,545)		
Net current assets				554,448			525,683
Total assets less current liabilities				603,082			577,574
Capital and reserves							
Called up share capital	17			97,000			97,000
Capital redemption reserve	28			3,000			3,000
Profit and loss account	20			503,082			477,574
Equity shareholders' funds				603,082			577,574

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors.

1999.

F W Lock - Director

A D Cooper - Director

9.11.99

GSS GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 1999

	Note	1999 £	1998 £
Net cash inflow/(outflow) from operating activities	25a	38,660	(104,995)
Returns on investment and servicing of finance	25b	(29,906)	(15,079)
Taxation		(2,011)	(8,768)
Capital expenditure and financial investment	25b	439	103,364
Equity dividends paid		(2,000)	-
Cash inflow/(outflow) before financing		<u>5,182</u>	<u>(25,478)</u>
Financing	25b	(5,000)	(35,507)
Increase/(decrease) in cash in the period		<u>182</u>	<u>(60,985)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Increase/(decrease) in cash in the period		182	(60,985)
Cash inflow/(outflow) from Increase in debt and lease financing		<u>5,000</u>	<u>35,507</u>
Change in net debt resulting from cashflows		5,182	(25,478)
New finance leases		-	(42,542)
Translation differences		<u>(1,678)</u>	<u>(1,814)</u>
Movement in net debt in the year		3,504	(69,834)
Net debt at 1 April 1998		<u>(522,400)</u>	<u>(452,566)</u>
Net debt at 31 March 1999	25c	<u>(518,896)</u>	<u>(522,400)</u>

GSS GROUP LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 March 1999**

	1999 £	1998 £
Profit/(loss) for the financial year	63,898	(59,376)
Currency translation differences on foreign currency net investment	(1,678)	(1,733)
Total recognised gains and losses relating to the year	<u>62,220</u>	<u>(61,109)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**For the year ended 31 March 1999**

	1999 £	1998 £
Profit/(loss) for the financial year	67,898	(59,376)
Dividends	(4,000)	-
Other recognised gains or losses relating to the year	<u>63,898</u> <u>(1,678)</u>	<u>(59,376)</u> <u>(1,733)</u>
Net increase/(reduction) in shareholders' funds	<u>62,220</u>	<u>(61,109)</u>
Opening shareholders funds	465,763	526,872
Closing shareholders' funds	<u>527,983</u>	<u>465,763</u>

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****1 Accounting policies**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for the year ended 31 March 1999.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives of depreciation are as follows:

Leasehold improvements	3 years
Plant and machinery	4 – 10 years
Motor vehicles	4 – 5 years

Investments

In the company investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

In the group accounts, shares in associated undertakings are accounted for using the equity method of accounting. The profit and loss account includes the group's share of the pre tax profits and attributable taxation. In the balance sheet, the shares in associates are shown at the group's share of the net assets.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. The land held for developments is stated at cost less provisions made from delays incurred in development. Cost includes materials, direct labour, interest on borrowings and production overheads appropriate to the relevant stage of production.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****1 Accounting policies (continued)****Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Foreign exchange

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These transaction differences are dealt with in the profit and loss account.

The financial statements of the foreign subsidiary are translated into sterling at the closing rate of exchange and the difference arising from the consolidation of the group net investment in the subsidiary at the closing rate is taken direct to reserves. Other translation differences are dealt with in the profit and loss account.

2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. The group's activities include the procurement of goods and services on behalf of its client. Since the group only acts as agents, no provision is made for amounts outstanding in respect of such goods and services.

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****2 Turnover (continued)****Turnover and profits between activities and markets**

	Turnover		Profit/(loss) before taxation	
	1999	1998	1999	1998
	£	£	£	£
Class of business				
Services to construction industry and private house building	3,854,939	2,959,096	81,124	(54,512)
Geographical analysis of turnover				
United Kingdom	2,051,133	2,001,889		
Other	1,803,806	957,207		
	<u>3,854,939</u>	<u>2,959,096</u>		

3 Information regarding directors and employees

	1999	1998
	£	£
Directors' emoluments	151,314	134,171
Directors participating in defined benefit pension scheme	3	3

In addition to the above emoluments, F W Lock received fees for services as a director of £4,750 from GSS (Overseas) Limited.

	1999	1998
	£	£
Average number of persons employed		
Direct	69	68
Administration	8	7
	<u>77</u>	<u>75</u>
	£	£
Staff costs during the year		
Wages and salaries	1,137,348	1,027,783
Social security costs	110,349	97,003
	<u>1,247,697</u>	<u>1,124,786</u>

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999**

4	Operating profit/(loss)	1999	1998
		£	£
	Operating profit/(loss) is after charging:		
	Depreciation and amortisation		
	Owned assets	7,442	10,545
	Leased assets	-	26,944
	Auditors' remuneration		
	Audit fees	14,500	11,500
	Non-audit fees	3,200	2,700
		<hr/>	<hr/>
5	Share of profit/(loss) of associated companies	1999	1998
		£	£
	Share of profit/(loss) of associated companies	-	(3,099)
	Loss on disposal of associated company	-	(7,461)
		<hr/>	<hr/>
		-	(10,560)
		<hr/>	<hr/>
6	Interest receivable and similar income	1999	1998
		£	£
	Bank interest receivable	-	832
		<hr/>	<hr/>
7	Interest payable and similar charges	1999	1998
		£	£
	Bank loans, overdrafts and other loans repayable within five years	67,171	51,897
	Less: included in stock	(37,265)	(35,987)
		<hr/>	<hr/>
		29,906	15,910
		<hr/>	<hr/>
8	Tax on profit on ordinary activities	1999	1998
		£	£
	United Kingdom corporation tax at 21% (1998 -33%) based on the profit for the year (less double taxation relief)	3,000	-
	Overseas taxation	10,226	(4,127)
	Associated company	-	(737)
		<hr/>	<hr/>
		13,226	(4,864)
		<hr/>	<hr/>

GSS GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 1999

9 Profit and loss account of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not provided as part of these financial statements. A profit of £25,508 (1998 profit - £10,552) is retained in the parent company.

10 Equity dividends

	1999 £	1998 £
Proposed 4.12p (1998: nil) per ordinary share	4,000	-

11 Tangible fixed assets

Group and Company

	Leasehold improvements £	Equipment and motor vehicles £	Total £
Cost			
At 1 April 1998	30,490	132,541	163,031
Additions	-	4,232	4,232
Disposals	-	(8,529)	(8,529)
At 31 March 1999	30,490	128,244	158,734
Accumulated depreciation			
At 1 April 1998	29,239	122,838	152,077
Charge for the year	1,050	6,392	7,442
Disposals	-	(8,482)	(8,482)
At 31 March 1999	30,289	120,748	151,037
Net book value			
At 31 March 1999	201	7,496	7,697
At 31 March 1998	1,251	9,703	10,954

The net book value of plant, equipment and motor vehicles for both the group and the company include £Nil (1997 £53,853) in respect of leased assets.

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****12 Investments**

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Shares in subsidiary companies	-	-	33,937	33,937
Other investments	7,000	11,558	7,000	7,000
	<u>7,000</u>	<u>11,558</u>	<u>40,937</u>	<u>40,937</u>

All of the above investments are unlisted.

Group

	Other Investments £
Balance at 31 March 1998	11,558
Disposals	(4,558)
	<u>7,000</u>

Company

	Cost £	Provision £	Net £
Shares in subsidiary companies:			
Balance at 31 March 1999 and 31 March 1998	100,167	(66,230)	33,937

Company

	Cost £	Provision £	Net £
Other investments:			
Balance at 1 April 1998 and 31 March 1999	7,000	-	7,000

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****12 Investments (continued)**

The principal subsidiary companies at 31 March 1999 were:

Company	Country of Incorporation	Nature of business	Proportion of shares held
G.S.S. Personnel Services Ltd.	Great Britain	Training, recruitment and employment agency	100%
G.S.S. Developments Ltd.	Great Britain	Domestic house building	100%
CIMS & Associates Ltd.	Great Britain	Providing quantity surveying services	100%
G.S.S. Projects Ltd.	Great Britain	Providing services to the construction industry	100%
General Site Services Ltd.	Great Britain	Providing services to the construction industry	100%
General Site Services (Overseas) Ltd.	Jersey C.I.	Providing services to the construction industry	100%
South African Project Management Services (Pty.) Ltd.	South Africa	Providing services to the construction industry	100%
G.S.S. Engineering Recruitment Limited	Great Britain	Fee and agency recruitment services	100%

13 Stocks

Group	1999 £	1998 £
Land held for development	339,423	313,313
Housing development work in progress	401,652	384,207
	<u>741,075</u>	<u>697,520</u>
Finance charges included within cost	<u>94,606</u>	<u>57,341</u>

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****14 Debtors**

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	656,705	531,828	63,230	32,056
Amounts owed by subsidiaries	-	-	961,051	879,457
Amounts owed by related companies	10,825	13,448	10,825	7,300
Other debtors	13,404	2,487	-	1,490
Prepayments and accrued income	74,871	114,012	775	13,625
	<u>755,805</u>	<u>661,775</u>	<u>1,035,881</u>	<u>933,928</u>

15 Creditors: Amounts falling due within one year

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdrafts	572,984	501,710	315,865	249,888
Other loans (note 26)	162,050	167,050	-	-
Trade creditors	96,479	118,850	46,732	25,139
Amounts owed to subsidiaries	-	-	52,849	93,226
Other taxes and social security	71,474	89,765	24,620	18,705
Accruals and deferred income	250,245	141,618	34,015	18,433
Other creditors	4,161	20,411	1,617	3,154
Corporation tax	17,339	-	3,000	-
Dividends	4,000	2,000	4,000	2,000
	<u>1,178,732</u>	<u>1,041,404</u>	<u>482,698</u>	<u>410,545</u>

GSS GROUP LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 1999

16 Provisions for liabilities and charges: group

	£
Deferred taxation	
Balance at 31 March 1999 and 31 March 1998	21,000
	<u>21,000</u>

The amount of provided and not provided deferred tax is as follows:

	Provided 1999 £	Provided 1998 £	Not Provided 1999 £	Not Provided 1998 £
Accelerated capital allowances	-	-	(4,276)	(4,982)
Short term timing differences	-	-	(7,350)	(11,285)
Unutilised losses	-	-	(39,212)	(42,576)
ACT	-	-	(1,316)	(1,316)
Repatriation of overseas retained earnings	21,000	21,000	-	-
	<u>21,000</u>	<u>21,000</u>	<u>(52,154)</u>	<u>(60,159)</u>

Company

	Not Provided 1999 £	Not Provided 1998 £
Deferred taxation		
Accelerated capital allowances	(4,178)	(4,854)
Short term timing differences	-	(4,354)
	<u>(4,178)</u>	<u>(9,208)</u>

GSS GROUP LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 1999

17 Called up share capital

	1999 £	1998 £
Authorised 100,000 ordinary shares of £1 each	100,000	100,000
Called up, allotted and fully paid 97,000 ordinary shares of £1 each	<u>97,000</u>	<u>97,000</u>

18 Capital redemption reserve

	1999 £
Balance at 31 March 1999 and 31 March 1998	<u>3,000</u>

19 Capital reserve: group

	1999 £
Balance at 31 March 1999 and 31 March 1998	<u>24,000</u>

20 Profit and loss account company

	1999 £
Balance at 31 March 1998	477,574
Retained profit for the year	25,508
Balance at 31 March 1999	<u>503,082</u>

22 Financial commitments

Neither the group nor the company had any capital commitments at 31 March 1999 (1998 – nil).

GSS GROUP LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 March 1999****22 Financial commitments (continued)****Operating Lease Commitments**

At 31 March 1999, the Group was committed to making the following payments during the year in respect of operating leases:

	Other £
Leases which expire:	
Within one year	906
Within two to five years	32,268
After five years	5,346

23 Contingency liabilities

£230,000 of the group bank loans and overdrafts are secured by a charge over work in progress.

Unlimited cross guarantees exist between the parent company and certain subsidiaries to the Royal Bank of Scotland. At 31 March 1999 these amounted to £229,111 (1998 - £40,168).

24 Pension schemes

The group operates defined pension schemes for all qualifying employees. The assets of the schemes are held in separate trustee administered funds. The U.K. scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 1996, using the attained age method, in which the actuarial liability makes allowances for projected earnings. The following actuarial assumptions were applied:

Investment returns	9.0% per annum
Salary growth	7.0% per annum

At the last actuarial valuation date, the market value of the assets of the U.K. scheme was £1,988,000 and this actuarial value was sufficient to cover 141% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the surplus disclosed by the valuation; accordingly the contributions paid by the company during the year to 31 March 1999 were £nil.

GSS GROUP LIMITED
NOTES TO THE ACCOUNTS

For the year ended 31 March 1999

25 Notes to the cash flow statement

(a) Reconciliation of operating profit to operating cashflows

	1999 £	1998 £
Operating profit/(loss)	111,030	(28,874)
Depreciation and amortisation	7,442	37,489
Profit on sale of fixed assets	(256)	(12,219)
(Increase) in stocks	(43,555)	(125,832)
Decrease in debtors	(93,841)	(105,144)
Increase/(decrease) in creditors	57,840	129,585
	<u>38,660</u>	<u>(104,995)</u>

(b) Analysis of cashflows for heading netted in the cashflow statement

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	-	831
Interest paid	(29,906)	(15,910)
	<u>(29,906)</u>	<u>(15,079)</u>
Capital expenditure and finance investment		
Purchase of tangible fixed assets	(4,232)	(8,305)
Receipts from sale of tangible fixed assets	-	81,669
Receipts from sale of other investments	4,671	-
Receipts from sale of associated companies	-	30,000
	<u>439</u>	<u>103,364</u>
Financing		
Loans received	5,000	45,000
Loans repaid	(10,000)	-
Capital element of finance lease	-	(80,507)
	<u>(5,000)</u>	<u>(35,507)</u>

GSS GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 1999

25 Notes to the cash flow statement (continued)

(c) Analysis of net debt

	At 31 March 1999 £	Cashflow £	Exchange Movement £	At 1 April 1998 £
Cash in hand at bank	216,138	71,456	(1,678)	146,360
Overdraft	(572,984)	(71,274)	-	(501,710)
	(356,846)	182	(1,678)	(355,350)
Other loans	162,050	5,000	-	(167,050)
	(518,896)	5,182	(1,678)	(522,400)

26 Related party transactions

(a) Loans

The other loans included within creditors (note 15) represent the following amounts borrowed by subsidiary company GSS Developments Limited from related parties:

£NIL (1998 - £60,000) provided by Mrs M Lock, wife of director to both GSS Group Limited and GSS Development Limited, Mr F W Lock. Interest is payable quarterly at 10% per annum. There is no fixed repayment date. During the year, £4,765 (1998 - £2,521) has been paid by GSS Group on this amount.

£25,000 (1998 - £25,000) provided by each of Mr G Jones and Mr D G Jones, each of who own 41,000 ordinary shares in GSS Group Limited. Interest is payable on these amounts quarterly at 10% per annum. There is no fixed repayment date. During the year each have been paid £2,500 (1998 - £2,500) on these amounts.

£47,050 (1998 - £47,050) provided by Mr M G Cattell, director of GSS Group Limited. Interest is payable monthly at the rate of 20% per annum. During the year £9,410 (1998 - £9,410) interest has been paid by GSS Group Limited on this balance.

£65,000 (1998 £Nil) provided by Mr F W Lock, director of both the company and the parent company. Interest is payable quarterly at 10% per annum, there is no fixed repayment date. No interest has been paid by GSS group on this amount during the year.

27 Ultimate controlling party

The ultimate controlling parties are G Jones and D G Jones, each of whom owns 42.3% of the issued share capital of the company. Day to day management of the company and its subsidiaries, however, has been delegated to the board of directors.

GSS GROUP LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 March 1999

26 Related party transactions (continued)

(b) Other transactions

During the year GSS Group Limited has paid rent for the premises it occupies of £26,796 to Jayel Commercial Developments Limited, a company whose ownership structure is as follows:

	At 31 March 1999	At 31 March 1998
GSS Group Limited	7.4%	7.4%
Mr F W Lock (Director of GSS Group Limited)	10.7%	10.7%
Mr A D Cooper (Director of GSS Group Limited)	5.3%	5.3%
Mr D G Jones (Shareholder of GSS Group Limited)	33.0%	33.0%
Mr G Jones (Shareholder of GSS Group Limited)	33.0%	33.0%
J W Lock (Grandchild of F W Lock)	5.3%	5.3%
H E Lock (Grandchild of F W Lock)	5.3%	5.3%

In addition, Jayel Commercial Developments Limited paid £2,350 (1998: £6,329) to the group for management services provided during the year.

The following directors have given personal guarantees with the bank overdraft facility:

Mr A D Cooper	£15,000
Mr F W Lock	£15,000
Mr M G Cattell	£15,000