

GSS GROUP LIMITED

Report and Financial Statements

31 March 1998

**Deloitte & Touche
Martins Building
4 Water Street
Liverpool
L2 8UY**



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F W Lock (Managing Director)
A D Cooper
N Harrison
I Quinlan (Non-executive)
M G Cattell

SECRETARY

R Mitton

REGISTERED OFFICE

12 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

Deloitte & Touche
Chartered Accountants
Martins Building
4 Water Street
Liverpool
L2 8UY

DIRECTORS' REPORT

The Directors are pleased to present their Report and Financial Statements of the Company for the financial year ended 31 March 1998.

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 project 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.

REVIEW OF DEVELOPMENTS

Some improvement in turnover has been enforced in both of the UK and Overseas sales.

New business opportunities have been developed in work with major Insurance Companies and Loss Adjusters in the validation of rehabilitation works on a wide range of commercial and industrial related damage and business interruption claims.

Work on the Arden Street project has continued and the first sales of completed houses have now been achieved.

FUTURE PROSPECTS

Sales activity is expected to increase in the 1998/99 period whilst additional revenue and profits will be achieved from the sale of further houses at Arden Street. In addition, increases in both sales volume and profits are expected from overseas work performed.

DIVIDENDS AND TRANSFERS TO RESERVES

The group made a loss for the year of £59,376 (1997 profit £4,578). In view of trading losses during the year, the directors do not recommend a dividend (1997 £0.021 per ordinary share). The retained loss of £59,376 has been transferred from reserves (1997 retained profit of £2,578 transferred to reserves).

YEAR 2000

The company has assessed the impact of the Year 2000 issue on its business and operations and consider that all appropriate risks have been addressed.

FIXED ASSETS

Movements in fixed assets are set out in notes 11 and 12 to the financial statements.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. I Quinlan resigned from the Board on 25 March 1998.

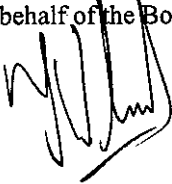
The directors' beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 31 March 1998 and 1997 were as follows:

	Ordinary shares	
	31 March 1998	31 March 1997
F W Lock	15,000	15,000

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution for the appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



25.3.99

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group 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.



Chartered Accountants

Deloitte & Touche
Martins Building
4 Water Street
Liverpool L2 8UY

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GSS GROUP LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 23 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 1998 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

29 March 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 1998

	Note	1998 £	1997 £
TURNOVER	2	2,959,096	2,521,674
Cost of sales		(2,454,631)	(2,025,815)
Gross profit		504,465	495,859
Administrative expenses		(544,914)	(484,399)
Other operating income		11,575	11,563
OPERATING (LOSS)/PROFIT	4	(28,874)	23,023
Share of (loss)/profit of associated company	5	(10,560)	6,287
Interest receivable and similar income	6	832	2,022
Interest payable and similar charges	7	(15,910)	(24,075)
		(25,638)	(15,766)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(54,512)	7,257
Tax on profit on ordinary activities	8	(4,864)	(2,679)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	9	(59,376)	4,578
Equity dividends	10	-	(2,000)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(59,376)	2,578
Retained profit brought forward		402,872	407,388
Foreign exchange movement		(1,733)	(7,094)
Retained profit carried forward		341,763	402,872

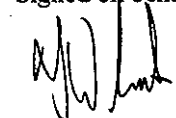

The results for the years ended 31 March 1998 and 31 March 1997 relate solely to continuing activities.

CONSOLIDATED BALANCE SHEET
31 March 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	11	10,954		67,046	
Investments	12	11,558	22,512	52,855	119,901
CURRENT ASSETS					
Stocks	13	697,520		571,688	
Debtors	14	661,775		557,767	
Cash at bank and in hand		146,360		206,625	
		1,505,655		1,336,080	
CREDITORS: amounts falling due within one year	15	(1,041,404)		(895,872)	
NET CURRENT ASSETS			464,251		440,208
TOTAL ASSETS LESS CURRENT LIABILITIES			486,763		560,109
CREDITORS: amounts falling due after more than one year					
Obligations under finance leases	17		-		(12,237)
PROVISIONS FOR LIABILITIES AND CHARGES	18		(21,000)		(21,000)
			465,763		526,872
CAPITAL AND RESERVES					
Called up share capital	19		97,000		97,000
Capital redemption reserve	20		3,000		3,000
Capital reserve	21		24,000		24,000
Profit and loss account			341,763		402,872
EQUITY SHAREHOLDERS' FUNDS			465,763		526,872

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

 - Director
 - Director

25-3-99

BALANCE SHEET
31 March 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	11	10,954		67,046	
Investments	12	40,937		70,937	
			51,891		137,983
CURRENT ASSETS					
Debtors	14	933,928		864,613	
Cash at bank and in hand		2,300		2,832	
		936,228		867,445	
CREDITORS: amounts falling due within one year	15	410,545		426,169	
NET CURRENT ASSETS			525,683		441,276
TOTAL ASSETS LESS CURRENT LIABILITIES			577,574		579,259
CREDITORS: amounts falling due after more than one year					
Obligations under finance leases	17		-		(12,237)
			577,574		567,022
CAPITAL AND RESERVES					
Called up share capital	19		97,000		97,000
Capital redemption reserve	20		3,000		3,000
Profit and loss account	22		477,574		467,022
EQUITY SHAREHOLDERS' FUNDS			577,574		567,022

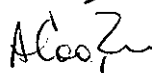
These financial statements were approved by the Board of Directors on .

Signed on behalf of the Board of Directors



- Director

- Director



25.3.99

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 1998

	Note	1998 £	1997 £
Net cash outflow from operating activities	26a	(104,995)	(91,346)
Returns on investments and servicing of finance	26b	(15,079)	(22,053)
Taxation		(8,768)	(14,095)
Capital expenditure and financial investment	26b	103,364	5,240
Equity dividends paid		-	(3,000)
Cash outflow before use of liquid resource and financing		(25,548)	(125,254)
Management of liquid resources		-	-
Financing	26b	(35,507)	93,528
Decrease in cash in the period		<u>(60,985)</u>	<u>(31,726)</u>

RECONCILIATION OF NET CASH FLOW MOVEMENT IN NET DEBT

Decrease in cash in the period	(60,985)	(31,726)
Cash inflow/(outflow) from increase/(decrease) in debt and lease financing	<u>35,507</u>	<u>(93,528)</u>
Change in net debt resulting from cashflows	(25,478)	(125,254)
New finance leases	(42,542)	(35,472)
Translation differences	<u>(1,814)</u>	<u>(2,516)</u>
Movement in net debt in the year	(69,834)	(163,242)
Net debt at 1 April 1997	<u>(452,566)</u>	<u>(289,324)</u>
Net debt at 31 March 1998	26c	<u><u>(522,400)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**Year ended 31 March 1998**

	1998 £	1997 £
(Loss)/ Profit for the financial year	(59,376)	4,578
Currency translation differences on foreign currency net investment	(1,733)	(7,094)
	<u> </u>	<u> </u>
Total recognised gains and loss relating to the year	<u>(61,109)</u>	<u>(2,516)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**Year ended 31 March 1998**

	1998 £	1997 £
(Loss)/ Profit for the financial year	(59,376)	4,578
Dividends	-	(2,000)
	<u>(59,376)</u>	<u>2,578</u>
Other recognised gains or losses relating to the year	(1,733)	(7,094)
	<u> </u>	<u> </u>
Net reduction in shareholders' funds	(61,109)	(4,516)
Opening shareholders' funds	<u>526,872</u>	<u>531,388</u>
Closing shareholders' funds	<u>465,763</u>	<u>526,872</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted 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 1998.

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 development is stated at cost less provisions made from delays incurred in development. Cost includes materials, direct labour 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.

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.

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

1. ACCOUNTING POLICIES (continued)

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.

Turnover and profits between activities and markets

	Turnover		(Loss)/Profit before tax	
	1998	1997	1998	1997
	£	£	£	£
Class of business				
Services to construction industry	2,959,096	2,521,674	(54,512)	7,257
Geographical analysis of turnover				
United Kingdom	2,001,889	1,986,203		
Other	957,207	535,471		
	2,959,096	2,521,674		

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998	1997
	£	£
Directors' emoluments	134,171	119,437
Directors participating in defined benefit pension scheme	No. 3	No. 2

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1998 £	1997 £
Average number of persons employed		
Direct	68	67
Administration	7	6
	<u>75</u>	<u>73</u>
	£	£
Staff costs during the year		
Wages and salaries	1,027,783	1,146,083
Social security costs	97,003	107,888
	<u>1,124,786</u>	<u>1,253,971</u>

4. OPERATING (LOSS)/PROFIT

	1998 £	1997 £
Operating (loss)/profit is after charging:		
Depreciation and amortisation		
Owned assets	10,545	12,545
Leased assets	26,944	24,886
Auditors' remuneration		
Audit fees	11,500	11,600
Non-audit fees	2,700	2,600
	<u>11,500</u>	<u>11,600</u>

5. SHARE OF (LOSS)/PROFIT OF ASSOCIATED COMPANIES

	1998 £	1997 £
Share of (loss)/profit of associated companies	(3,099)	6,287
Loss on disposal of associated company	(7,461)	-
	<u>(10,560)</u>	<u>6,287</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £	1997 £
Bank interest receivable	832	2,022
	<u>832</u>	<u>2,022</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 1998****7. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £	1997 £
Bank loans, overdrafts and other loans repayable within five years	15,910	19,692
Finance leases and hire purchase contracts	-	4,383
	<u>15,910</u>	<u>24,075</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
United Kingdom corporation tax at 33% (1997 - 33%) based on the profit for the year (less double taxation relief)	-	-
Overseas taxation	(4,127)	(1,712)
Associated company	(737)	(967)
	<u>(4,864)</u>	<u>(2,679)</u>
Adjustments to prior years' tax provisions	-	-
Corporation tax	<u>(4,864)</u>	<u>(2,679)</u>

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 £10,552 (1997 profit - £56,132) is retained in the parent company.

10. EQUITY DIVIDENDS

	1998 £	1997 £
Proposed £Nil (1997 £0.021) per ordinary share	-	2,000

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

11. TANGIBLE FIXED ASSETS

GROUP	Leasehold improve- ments £	Equipment and motor vehicles £	Total £
Cost			
At 1 April 1997	30,050	225,840	255,890
Additions	440	50,407	50,847
Disposals	-	(141,348)	(141,348)
At 31 March 1998	30,490	134,899	165,389
Accumulated depreciation			
At 1 April 1997	27,307	161,537	188,844
Charge for the year	1,932	35,557	37,489
Disposals	-	(71,898)	(71,898)
At 31 March 1998	29,239	125,196	154,435
Net book value			
At 31 March 1998	1,251	9,703	10,954
At 31 March 1997	2,743	64,303	67,046
COMPANY			
Cost			
At 1 April 1997	30,050	223,482	253,532
Additions	440	50,407	50,847
Disposals	-	(141,348)	(141,348)
At 31 March 1998	30,490	132,541	163,031
Accumulated depreciation			
At 1 April 1997	27,307	159,179	186,486
Charge for the year	1,932	35,557	37,489
Disposals	-	(71,898)	(71,898)
At 31 March 1998	29,239	122,838	152,077
Net book value			
At 31 March 1998	1,251	9,703	10,954
At 31 March 1997	2,743	64,303	67,046

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

12. INVESTMENTS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Shares in subsidiary companies	-	-	33,937	33,937
Shares in associated company	-	52,855	-	37,000
Other investments	11,558	-	7,000	-
	<u>11,558</u>	<u>52,855</u>	<u>40,937</u>	<u>70,937</u>

All of the above investments are unlisted.

GROUP

	Other Investments	Shares in Associated Companies
	£	£
Balance at 31 March 1997	-	52,855
Share of retained loss for the year	-	(3,099)
Disposal of interests in associated company	-	(38,198)
Transfer	11,558	(11,558)
	<u>11,558</u>	<u>-</u>
Balance at 31 March 1998	<u>11,558</u>	<u>-</u>

COMPANY

	Cost	Provision	Net
	£	£	£
Shares in subsidiary companies			
Balance at 31 March 1998 and 31 March 1997	<u>100,167</u>	<u>66,230</u>	<u>33,937</u>

COMPANY

	Cost	Provision	Net
	£	£	£
Shares in associated company			
Balance at 1 April 1997	37,000	-	37,000
Disposal	(30,000)	-	(30,000)
	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Balance at 31 March 1998	<u>7,000</u>	<u>-</u>	<u>7,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

12. INVESTMENTS (continued)

The principal subsidiary companies at 31 March 1998 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%

13. STOCKS

Group	1998 £	1997 £
Land held for development	313,313	339,422
Housing development work in progress	384,207	232,266
	<u>697,520</u>	<u>571,688</u>
Finance charges included within cost	<u>57,341</u>	<u>21,354</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

14. DEBTORS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	531,828	449,943	32,056	25,332
ACT recoverable	-	1,136	-	1,136
Amounts owed by subsidiaries	-	-	879,457	814,357
Amounts owed by related companies	13,448	13,764	7,300	13,764
Other debtors	2,487	5,314	1,490	3,786
Prepayments and accrued income	114,012	87,610	13,625	6,238
	<u>661,775</u>	<u>557,767</u>	<u>933,928</u>	<u>864,613</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts	501,710	499,176	249,888	213,464
Other loans (note 27)	167,050	122,050	-	-
Trade creditors	118,850	90,234	25,139	20,256
Obligations under finance leases (note 17)	-	25,728	-	25,728
Amounts owed to subsidiaries	-	-	93,226	121,556
ACT payable	-	1,136	-	1,136
Other creditors including taxation and social security (note 16)	110,176	69,619	21,859	19,364
Accruals and deferred income	141,618	85,929	18,433	22,665
Dividends	2,000	2,000	2,000	2,000
	<u>1,041,404</u>	<u>895,872</u>	<u>410,545</u>	<u>426,169</u>

16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
This heading includes:				
Taxation and social security	<u>89,765</u>	<u>56,938</u>	<u>18,705</u>	<u>17,893</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Minimum lease payments due:				
Within one year	-	25,728	-	25,728
Within 2 to 5 years	-	12,237	-	12,237
After 5 years	-	-	-	-
	<u>-</u>	<u>37,965</u>	<u>-</u>	<u>37,965</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP **£**

Deferred taxation

Balance at 31 March 1998 and 31 March 1997 21,000

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

	Provided	Provided	Not	Not
	1998	1997	Provided	Provided
	£	£	1998	1997
			£	£
Accelerated capital allowances	-	-	(4,982)	(6,504)
Short term timing differences	-	-	(11,285)	(13,375)
Unutilised losses	-	-	(42,576)	(33,419)
ACT	-	-	(1,316)	(1,316)
Repatriation of overseas retained earnings	21,000	21,000	-	-
	<u>21,000</u>	<u>21,000</u>	<u>(60,159)</u>	<u>(54,614)</u>

Company

Deferred taxation

	Not	Not
	Provided	Provided
	1998	1997
	£	£
Accelerated capital allowances	(4,854)	(6,344)
Short term timing differences	(4,354)	(4,975)
Unutilised losses	-	-
	<u>(9,208)</u>	<u>(11,319)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

19. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid 97,000 ordinary shares of £1 each	<u>97,000</u>	<u>97,000</u>

20. CAPITAL REDEMPTION RESERVE

	£
Balance at 31 March 1998 and 31 March 1997	<u>3,000</u>

21. CAPITAL RESERVE

GROUP	£
Balance at 31 March 1998 and 31 March 1997	<u>24,000</u>

22. PROFIT AND LOSS ACCOUNT
COMPANY

	£
Balance at 31 March 1997	467,022
Retained profit for the year	<u>10,552</u>
Balance at 31 March 1998	<u>477,574</u>

23. FINANCIAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 March 1998 (1997 – nil).

Operating Lease Commitments

At 31 March 1998, the Group was committed to making the following payments during the year in respect of operating leases:

	Other £
Leases which expire:	
Within one year	7,192
Within two to five years	6,612
After five years	<u>15,345</u>
	<u>29,149</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

24. CONTINGENT 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 1998 these amounted to £40,168 (1997 - £50,719).

25. PENSION SCHEMES

The group operates defined benefit 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.

26. NOTES TO THE CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS

	1998 £	1997 £
Operating (loss)/profit	(28,874)	23,023
Depreciation and amortisation	37,489	37,431
(Profit) on sale of fixed assets	(12,219)	(4,665)
(Increase) in stocks	(125,832)	(201,093)
(Increase)/decrease in debtors	(105,144)	128,534
Increase/(decrease) in creditors	129,585	(74,576)
Net cash outflow from operating activities	<u>(104,995)</u>	<u>(91,346)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1998

26. NOTES TO THE CASH FLOW STATEMENT (continued)

(b) ANALYSIS OF CASHFLOWS FOR HEADING NETTED IN THE CASHFLOW STATEMENT

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	831	2,022
Interest paid	(15,910)	(19,692)
Interest element of finance lease rental payments	-	(4,383)
	<u>(15,079)</u>	<u>(22,053)</u>
Capital expenditure and finance investment		
Purchase of tangible fixed assets	(8,305)	(1,530)
Receipts from sale of tangible fixed assets	81,669	6,770
Receipts from sale of associated companies	30,000	-
	<u>103,364</u>	<u>5,240</u>
Financing		
Loans received	45,000	122,050
Capital element of finance lease	(80,507)	(28,522)
	<u>(35,507)</u>	<u>93,528</u>

(c) ANALYSIS OF NET DEBT

	At 31 March 1998 £	Cashflow £	Exchange Movement £	At 1 April 1997 £
Cash in hand at bank	146,360	(58,451)	(1,814)	206,625
Overdraft	(501,710)	(2,534)	-	(499,176)
	<u>(355,350)</u>	<u>(60,985)</u>	<u>(1,814)</u>	<u>(292,551)</u>
Other loans	(167,050)	(45,000)	-	(122,050)
Finance leases	-	37,965	-	(37,965)
	<u>(522,400)</u>	<u>(68,020)</u>	<u>(1,814)</u>	<u>(452,566)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

27. 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:

£60,000 (1998 - £25,000) 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, £2,521 (1997 - £521) has been paid by GSS Group on this amount.

£25,000 (1997 £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 (1997 - £1,685) on these amounts.

£47,050 (1997 - £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 (1997 - £6,059) interest has been paid by GSS Group Limited on this balance.

(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 1998	At 31 March 1997
GSS Group Limited	7.4%	39.4%
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 G Jones (Shareholder of GSS Group Limited)	33.0%	22.3%
Mr D G Jones (Shareholder of GSS Group Limited)	33.0%	22.3%
J W Lock (Grandchild of F W Lock)	5.3%	-
H E Lock (Grandchild of F W Lock)	5.3%	-

GSS Group Limited also sold 30,000 £1 ordinary shares in Jayel Commercial Developments Limited for £1 each to the following related parties:

Related parties	Shares
G Jones	10,000
D G Jones	10,000
J W Lock	5,000
H E Lock	5,000

In addition, Jayel Commercial Developments Limited paid £6,329 (1997 £7,463) to the group for Management Services provided during the year.

The group has a 47.5% share of GSS Asia Pacific Pty Limited to which the group sold consulting work to the value of £Nil (1997 £21,341) against which a payment on account of £Nil (1997 - £13,180) has been received.