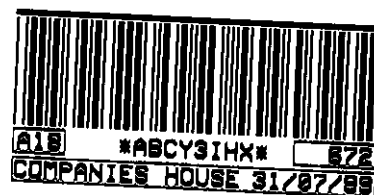


PATERSONS PAYROLL SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31ST MARCH 1999



PATERSONS PAYROLL SERVICES LIMITED

COMPANY INFORMATION

Directors

K P Paterson
P H C Paterson
D R Annable

Company Number

3579805

Auditors

Burnett Swayne
Charter Court
Third Avenue
Southampton
Hants.
SO15 0AP

Bankers

Royal Bank of Scotland
14 Minster Street
Salisbury
SP1 1TP

PATERSONS PAYROLL SERVICES LIMITED

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PATERSONS PAYROLL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31ST MARCH 1999

The directors present their report together with the audited financial statements for the period ended 31st March 1999.

Principal Activities and Review of Business

The company's principal activity continued to be that of providing payroll services.

Incorporation date

The company was incorporated on 11 June 1998 and commenced to trade on that date.

Results and Dividends

The profit for the period after taxation was £12,596 and it has been transferred to reserves.

The directors consider the state of the company's affairs to be satisfactory.

The directors do not recommend a dividend.

The company has had a satisfactory first period of trade.

Directors

The directors who served during the period and their beneficial interests in the company's issued share capital were:

	Ordinary Shares
	31st
	March
	1999
*K P Paterson (appointed 11 June 1998)	-
*P H C Paterson (appointed 11 June 1998)	-
D R Annable (appointed 16 July 1998)	-

*The interests of these directors in the share capital of the holding company are shown in that company's financial statements.

Year 2000 Compliance

The directors have made an assessment of the risk and uncertainties associated with the year 2000 problems and initiated a plan to address those problems relating to the business. Any costs that may be incurred will be charged in the profit and loss account. These are expected to be minimal as the exercise will be carried out internally.

PATERSONS PAYROLL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31ST MARCH 1999

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the company's affairs and of the profit or loss for that period. In preparing these 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;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Burnett Swayne Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 19/7/99, and signed on its behalf.

Mrs K Paterson, Secretary

Date: 19.7.99



AUDITORS' REPORT TO THE SHAREHOLDERS OF PATERSONS PAYROLL SERVICES LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and report our opinion to you.

Basis of Opinion

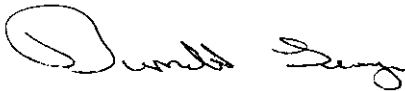
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

Opinion

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

Burnett Swayne
Chartered Accountants and Registered Auditors
Charter Court
Third Avenue
Southampton
Hants.
SO15 0AP
Date:


19/7/99

PATERSONS PAYROLL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31ST MARCH 1999

	Notes	1999 £
Turnover	1	28,300
Gross Profit		28,300
Administrative Expenses		12,204
Operating Profit		16,096
Profit on Ordinary Activities before Taxation		16,096
Tax on profit on ordinary activities	2	3,500
Profit for the Financial Period		12,596

All amounts relate to continuing activities.

There were no recognised gains or losses for 1999 other than those included in the profit and loss account.

PATERSONS PAYROLL SERVICES LIMITED

BALANCE SHEET

AS AT 31ST MARCH 1999

	Notes	£	1999 £
Current Assets			
Debtors	3		21,925
Cash at bank and in hand			7,860
			<u>29,785</u>
Creditors: Amounts Falling Due Within One Year			<u>16,189</u>
Total Assets Less Current Liabilities			<u>13,596</u>
Capital and Reserves			
Share capital	5		1,000
Profit and loss account			12,596
			<u>13,596</u>
Equity shareholders' funds	6		<u>13,596</u>

These financial statements were approved by the board on 19/7/99

and signed on its behalf.

K P Paterson
Director



PATERSONS PAYROLL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 1999

1 Accounting Policies

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

2 Taxation

	1999 £
Based on the profit for the period	
UK corporation tax at 21%	3,500
	<u>3,500</u>

3 Debtors

	1999 £
Trade debtors	21,925
	<u>21,925</u>

4 Creditors: Amounts Falling Due Within One Year

	1999 £
Amounts owed to group undertakings	10,861
Corporation tax	3,500
Other taxes and social security	1,828
	<u>16,189</u>

5 Share Capital

	1999 £
Authorised Equity Shares	
100,000 Ordinary shares of £1.00 each	100,000
	<u>100,000</u>
Allotted Equity Shares	
1,000 Allotted, called up and fully paid ordinary shares of £1.00 each	1,000

On incorporation, 2 ordinary shares of £1 each were issued. On 15 July 1998, 998 shares of £1 each were issued.