FORM 10-K

Annual report pursuant to section 13 and 15(d)

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WINSTON RESOURCES INC

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the fiscal year ended December 31, 1998

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the transition period ________________________ to ________________________

Commission File No. 1-9629

WINSTON RESOURCES, INC.
(Name of small business issuer in its charter)

Delaware	13-3134278
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
535 Fifth Avenue, New York, New York	10017
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (212) 557-5000

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, $.01 par value	American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes __X__ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

On March 19, 1999, (i) the aggregate market value of Common Stock held by non-affiliates of the registrant was approximately $4,387,115 and (ii) there were 3,228,521 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

(i) Part III, Definitive Proxy Statement of the registrant to be filed with the Commission on or before April 30, 1999.

PART I

Item 1. Business

Winston Resources, Inc., a Delaware corporation (the "Company"), is the successor to a personnel recruitment and placement service business founded in 1967. The Company and its subsidiaries (collectively, the "Company" or the "Winston Companies") together provide a wide range of personnel supply services to businesses, institutions and governmental agencies, through their own offices and through offices operated by independent franchisees under licenses from the Company. The Company also provides recruitment advertising services to businesses and other institutions.

Through its own offices, the Company recruits and places employees in entry-to-high-level permanent salaried positions in the New York City metropolitan area (consisting of New York City, Nassau, Suffolk and Westchester Counties, New York and parts of northern New Jersey and southern Connecticut) and in the Fort Lauderdale area of Florida. Such services are provided on a contingent fee basis under which the Company collects a fee only if it successfully places a job candidate with a client. Through its Fisher- Todd Associates division, the Company also provides services for business and industry clients across the United States, recruiting upper level executives on a retainer fee basis and on a contingency fee basis.

The Company also supplies temporary employees with professional, secretarial, clerical, medical, allied health, nursing, light industrial, information technology and word processing skills, to business clients and governmental agencies in the New York City, Long Island and New Jersey areas, as well as in Florida's Fort Lauderdale area. Temporary employees perform services at the client's premises under the client's supervision and direction. For each temporary employee, the client is charged an hourly rate that includes the employee's direct labor rate, associated labor costs (such as payroll taxes and insurance) and a mark-up to cover the Company's overhead and profit.

In addition to services furnished through its own offices, the Company licenses independent franchisees to provide personnel services under the trade names and service marks owned by the Company. Franchisees of the Company provide permanent placement and executive search services under the name "Roth Young", permanent personnel recruitment and placement services under the names "Division 10", "Alpha" and "Winston Personnel" and temporary office support personnel under the names "Division 10 Temps" and "Alpha Temps" in a total of sixteen cities and towns across the United States.

The Company does not have any client which accounts for more than ten percent of its net revenues.

Permanent Recruitment and Placement Services

The Company provides recruitment and placement services for entry-level to high-level professional and management positions at all salary levels on a contingent fee basis.

The Company employs placement counselors who specialize in recruiting and placing job candidates in particular industries or professions. The Company provides permanent placement services in all major industries, however, the Company primarily recruits and places personnel with skills in accounting, finance, office support, information technology and health care services and recruits and places executives and professionals with skills in banking, insurance, publishing, real estate, securities, human resources, marketing and market research, management services, corporate facilities and architecture, as well as lawyers and paralegals.

The Company creates and maintains a data-base of qualified job candidates based on interviewing and screening procedures. Upon receiving a job order from a client, the Company attempts to match the specifications required by the client with qualified candidates from its data base and also recruits additional qualified candidates. It then arranges interviews between the client and qualified candidates. If the Company successfully places a candidate, it charges a fee as a percentage of the candidate's estimated annual salary for the first year of his or her employment. The fees are always paid by the employer.

During the year ended December 31, 1998, the Company placed applicants in permanent positions with approximately 700 clients. Approximately fifty percent of the Company's contingent fee permanent placement clients during that year were repeat customers.

Through its Fisher-Todd Associates (executive search) division, the Company specializes in recruiting executives to meet specific requirements of clients on both a contingent and retainer basis. Fisher- Todd Associates specializes in recruiting candidates for upper level executive positions, generally at salaries in excess of $65,000 per year. The division employs recruiting specialists who work closely with each client to define the requirements of the position and establish candidate specifications. The Company then contacts appropriate candidates who are identified through extensive research, networking, data base searches and, where required, advertisements. Such candidates are screened through interviews and other procedures and those most qualified are referred to the clients. The Company assists the client in evaluating each candidate, in determining an appropriate compensation package and, in some cases, negotiating the final agreement.

Temporary Staffing Services

The Company furnishes to businesses, on a temporary basis, the services of individuals with accounting, legal and paralegal, banking, secretarial, clerical, office support, word processing, informational technology, health care, light industrial and other professional skills. Temporary staffing assignments usually last from one day to several months, and often longer. Such assignments are generally made to fill vacancies in a client's permanent work force or to supplement the client's normal work force to meet peak work loads, handle special projects or provide special expertise. In all cases, the work is performed at the client's facilities under the client's supervision and direction. The client is charged an hourly rate comprised of the direct labor rate of the personnel provided, associated labor costs (such as payroll taxes and insurance) and a mark-up to cover the Company's overhead and profit. All employees on temporary assignment to the Company's clients are on the Company's payroll only during the periods of their assignments. Clients that hire a temporary employee on a permanent basis pay a fee to the Company.

By using the Company's temporary staffing services, clients are able to shift to the Company the cost and inconvenience associated with the employment of temporary personnel, including advertising, interviewing, screening, testing, record keeping, payroll taxes and insurance. The Company is able to absorb such costs more effectively than its clients because its employees, once recruited, are generally assigned to a succession of temporary positions with different clients.

The Company screens its temporary personnel through personal interviews, testing, certificate and licensing verification and other procedures and maintains continuously updated records on job performance. These procedures enable it to classify its temporary personnel by preference for job location, hours of employment and work environment and by suitability for particular types of assignments. Persons who do temporary work usually are registered with more than one temporary help firm at any one time.

During 1998, the Company provided the services of temporary employees to approximately 1400 clients. The Company believes that a majority of the clients to whom it supplied temporary staffing during 1998 were repeat customers.

Franchise Operations

The Company also has eighteen franchised offices which provide permanent placement and executive search services under the name "Roth Young", permanent recruitment and placement services under the names "Division 10", "Alpha" and "Winston Personnel", and temporary office support personnel under the names "Division 10 Temps" and "Alpha Temps".

At March 19, 1999, there were fourteen Roth Young, one Division 10, one Division 10 Temps, one Alpha and one Winston franchise in a total of sixteen cities in the United States.

All franchisees operate their businesses autonomously, subject to the requirements of their respective franchise agreements. The agreements provide for monthly payments of royalties to the Company based on the franchise's cash collections and generally cover a specified term renewable at the franchisee's option. Each franchisee pays the Company royalties for the license of the Company's know-how and tradenames. The Company is not currently actively engaged in the marketing of new franchises and has no current plans to do so.

Franchisees operating under Roth Young licenses generally provide permanent placement and executive search services, principally to the food, drug, hospitality, retail and health care industries, although licensees are encouraged to expand their services to other industries.

The Company believes that its relationship with its independent franchisees generally is satisfactory.

Recruitment Advertising

The Company's recruitment advertising division places recruitment advertisements in publications on behalf of the Company, the Company's clients and other third parties. The Company believes that the services offered by this division enhances its competitive position in the temporary staffing and permanent placement markets by broadening the scope of the services it offers to clients. For the year ended December 31, 1998, the Company served approximately 250 clients through this division.

Marketing

The Company's marketing efforts for its temporary staffing services and for most permanent recruitment and placement services are largely concentrated within the areas contiguous to its offices. The services of the

Company's executive search division are marketed nationally. The Company relies primarily on telephone and direct visit solicitation to existing and prospective clients and, to a lesser extent, on direct mail, and advertising.

Recruiting

The Company recruits qualified applicants for permanent positions and temporary employees primarily through direct recruitment, referrals from other applicants and newspaper advertising.

Competition

The staffing industry is highly competitive, with clients generally using more than one company to satisfy their personnel requirements. In the permanent recruitment and placement market, the Company and its franchisees compete with numerous local and regional firms and, to a lesser extent, a small number of national firms. In the temporary staffing industry there is intense competition from national temporary staffing service firms as well as from local and regional firms. All of the national and many of the regional firms have substantially greater resources than the Company.

The principal competitive factors in the personnel services industry are the availability and quality of permanent job applicants and temporary staff, the level and integrity of the service provided by individual offices and, to varying degrees, the prices of such services. The Company believes that its ability to offer a fully integrated personnel service, providing temporary help, permanent recruitment and placement services, executive recruitment and recruitment advertising, enhances its competitive position in those markets.

Regulation

The Company's operations are, in some states, subject to state laws and regulations which may require employment agencies and/or temporary help services to be licensed. The principal requirements of such laws and regulations are satisfactory prior experience and good moral character. The Company has obtained all necessary licenses and registrations in the states where it conducts business.

Trademarks and Service Marks

The Company owns a number of trademarks, service marks and tradenames, including the names, "Winston", "Winston Resources", "Winston Personnel" (with its logo consisting of a sunburst design and stylized letter W), "Win-Temps", "Roth Young" and "Division 10", which are registered with the U.S. Patent and Trademark Office.

Employees

At December 31, 1998, the Company employed approximately 123 permanent employees, including 39 placement counsellors for its permanent placement services, in its headquarters and branch offices, not including temporary employees on assignment to clients. The Company is responsible for all workers' compensation and disability insurance, state and Federal unemployment taxes, social security taxes, and fringe benefits for its temporary employees. As a service business, the Company depends to a material degree on its ability to hire and retain skilled and motivated personnel.

Item 2. Properties

The Company leases a total of approximately 19,000 square feet in an office building at 535 Fifth Avenue, New York, New York. The lease was entered into in August 1990 and renegotiated in 1992, 1993 and 1997, and expires in 2003. The Company also leases office space in Rutherford, Edison and Parsippany, New Jersey, in Westbury, New York and in Fort Lauderdale, Florida, under leases expiring between 1999 and 2002.

Item 3. Legal Proceedings

NONE

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders during the fourth quarter of the fiscal year ended December 31, 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Common Stock of the Company is traded principally on the American Stock Exchange (ticker symbol "WRS"). The following table shows, for each quarter of the Company's last two fiscal years and through March 19, 1999, the high and low sales prices of the common stock of the Company as reported on the American Stock Exchange.

<TABLE>

<S>	<C> Price Range High	<C> Low
1999		
First Quarter	$ 3 3/4	$ 2 1/2
1998		
First Quarter	$ 6 3/8	$ 4 1/2
Second Quarter	6 9/16	5 1/8
Third Quarter	6 1/4	4 1/2
Fourth Quarter	4 3/8	3 1/4
1997		
First Quarter	$ 4 1/4	$ 3 1/8
Second Quarter	4	3 1/8
Third Quarter	6 3/8	3 3/8
Fourth Quarter	6 3/4	5 1/4

</TABLE>

The Company had 108 holders of record of its common stock on March 19, 1999.

The Company has never paid a cash dividend on the Common Stock and anticipates that for the foreseeable future, earnings will be retained for use in its business.

Item 6. Selected Financial Data

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
	Year ended December 31,				
	1998	1997	1996	1995	1994
Income Statement Data:					
	(In thousands, except for per share data and number of shares)				
Combined sales:					
By Company offices	$60,466	$48,986	$39,247	$30,657	$23,822
By franchise	3,193	2,586	2,957	4,175	6,403
Total combined sales	63,659	51,572	42,204	34,832	30,225
Net revenue*	60,850	49,199	39,390	30,989	24,297
Income (loss) from operations	3,204	2,547	1,585	(401)(1)	865
Net income (loss)	1,829	1,444	1,138	(432)(1)	636
Basic earnings (loss) per common share	.57	.45	.37	(.15)	.22
Diluted earnings (loss) per share	.52	.41	.34	(.15)	.20
Weighted average shares - basic	3,220,473	3,191,825	3,065,719	2,917,662	2,913,886
Weighted average shares - diluted	3,523,266	3,488,180	3,323,679	2,917,662	3,152,530

*Represents sales by Company, income from franchises and other income

(1) Includes one-time write off of restrictive covenant costs and related assets associated with franchise operations of $1.1 million

	Year ended December 31,				
	1998	1997	1996	1995	1994
Balance Sheet Data:					
	(In thousands, except for per share data)				
Working capital	$6,296	$4,696	$3,248	$ 3,028	$2,201
Total assets	12,919	9,451	8,438	7,146	7,123
Long-term debt	17	35	51	606	579

Stockholders' equity	7,287	5,404	3,862	2,654	3,055
Stockholders' equity per share	2.26	1.68	1.22	.91	1.05

</TABLE>

Quarterly Financial Data (Unaudited)
<TABLE>

<S>	<C>	<C>	<C>	<C>
	Quarter ended March 31, 1998	Quarter ended June 30, 1998	Quarter ended September 30, 1998	Quarter ended December 31, 1998
Revenue	$ 14,409,000	$ 15,098,000	$ 14,823,000	$ 16,520,000
Operating expenses	13,765,000	14,290,000	13,992,000	15,599,000
Net income	355,000	445,000	458,000	571,000
Basic earnings per share	0.11	0.14	0.14	0.18
Diluted earnings per share	0.10	0.13	0.13	0.16
	Quarter ended March 31, 1997	Quarter ended June 30, 1997	Quarter ended September 30, 1997	Quarter ended December 31, 1997
Revenue	$ 10,782,000	$ 11,837,000	$ 13,434,000	$ 13,146,000
Operating expenses	10,371,000	11,220,000	12,711,000	12,350,000
Net income	226,000	343,000	408,000	467,000
Basic earnings per share	0.07	0.11	0.13	0.15
Diluted earnings per share	0.07	0.10	0.12	0.13

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

1998 Compared to 1997

Revenues increased by approximately $11,651,000 or 24% to $60,850,000 as compared to $49,199,000 in 1997. The increase is primarily due to the increase in temporary staffing revenues of 31% and permanent placement revenues of 3%, as compared to 1997.

Operating expenses increased approximately 24% as compared to 1997. Compensation and other benefits increased approximately 28% mainly due to increased compensation and compensation related costs associated with the increase in revenues. Selling, general and administrative expenses increased 6% due to additions to the sales force, commissions related to increased revenues and other costs related to maintaining the Company' branch operations.

Interest expense decreased during 1998 as a result of there being no borrowings under the Company's credit facility when compared to 1997.

The effective tax rate was approximately 44% for the twelve month period ended December 31, 1998 and December 31, 1997.

Net income for the twelve month period ended December 31, 1998 was approximately $1,829,000 or $.57 basic earnings per common share and $.52 diluted earnings per common share as compared to a net income of approximately $1,444,000 or $.45 basic earnings per common share and $.41 diluted earnings per common share for the prior year. The increase in net income and earnings per share is primarily due to increased revenues, partially offset by the related increases in operating expenses.

1997 Compared to 1996

Revenues increased by approximately $9,809,000 or 25% to $49,199,000 as compared to $39,390,000 in 1996. The increase is primarily due to the increase in temporary staffing revenues of 31% and permanent placement revenues of 14%, as compared to 1996.

Operating expenses increased approximately 23% as compared to 1996. Compensation and other benefits increased approximately 28% mainly due to increased compensation and compensation related costs associated with the increase in revenues. Selling, general and administrative expenses increased 6%

due to additions to the sales force and commissions related to increased revenues and advertising, and other costs related to maintaining the Company's branch operations.

Interest expense decreased during 1997 due mainly to the lower average balance on borrowings under the Company's credit facility when compared to 1996.

The effective tax rate was 44% for the twelve month period ended December 31, 1997 as compared to 22% in 1996. The lower prior year rate was attributable to an income tax benefit as a result of a reduction in the valuation allowance for certain deferred tax assets that were determined to be realizable.

Net income for the twelve month period ended December 31, 1997 was approximately $1,444,000 or $.45 basic earnings per common share and $.41 diluted earnings per common share as compared to a net income of approximately $1,138,000 or $.37 basic earnings per common share and $.34 diluted earnings per common share for the prior year. The increase in net income and earnings per share is primarily due to increased revenues, partially offset by the related increases in operating expenses and increase in effective tax rate.

Liquidity and Capital Resources

Cash provided by operating activities was $1,913,000 in 1998. In addition to net income, cash flow from operating activities was affected by an increase in accounts receivable due to the significant growth in revenues offset by increased accounts payable, accrued expenses and income taxes payable. In 1997, cash generated from operating activities was $190,000. Working capital on December 31, 1998 was approximately $6,296,000 as compared to $4,696,000 on December 31, 1997. Cash used in investing activities was $316,000 due to the purchase of property and equipment and financing activities provided cash of $5,000 (exercise of options offset by the repayment of capital lease obligations) in 1998. The Company has no material commitments for capital expenditures during 1999.

The Company has a secured credit facility providing for short-term advances to a maximum of $6,000,000 based on up to 80% of eligible accounts receivable, as defined under which no amounts are outstanding.

Management believes that the cash available from the Company's credit facility and cash from its operations will be sufficient to support current operations and any currently foreseeable increase in activities.

Inflation

To date, the impact of inflation and changing prices on the Company's business has been minimal. The Company charges its customers fixed percentages of the salaries and wages of permanent and temporary employees, which causes its fee income to increase proportionately as salary and wages increase.

Year 2000 Issues

The Company has assessed its computer information systems and has taken necessary steps to ensure its systems are Year 2000 compliant. The Company's computer systems consultants have represented to the Company in writing that, as presently configured, the Company's systems are Year 2000 compliant. No special costs were incurred in order to make the systems compliant, and the cost of testing such compliance which was completed at December 31, 1998, was not material.

The Company also is in the process of determining the extent to which it may be vulnerable to any failures by its service providers to resolve their own Year 2000 issues. The Company has initiated formal communications with such providers and, at this time, has received formal written responses from a number of such providers indicating that their systems are Year 2000 compliant. The Company is continuing to collect such responses and will be developing such contingency plans as it believes are warranted, based on such responses. At this time, the Company is unable to estimate the extent of any adverse impact from failure by these service providers with regard to Year 2000 compliance, and the nature by which their problems might materially affect the Company's business, financial condition or results of operations.

The Company is currently implementing a contingency plan involving creation of a back-up computer capability as a result of which all of its systems and files will be redundant so that if its principal offices in New York City become inaccessible, its operations may be conducted from other Company offices located in New Jersey. Such contingency plan should be implemented during the first half of 1999.

Failure by the Company to eliminate Year 2000 problems could result in a possible failure or miscalculations, causing disruption of operations. Under a worst case scenario, such problems would be addressed by manually processing data and transactions. However, this would cause delays and additional costs to the administrative process. Further contingency plans are being developed to address this issue.

Based upon the current information, the Company does not anticipate that, in the aggregate, costs associated with the Year 2000 issue will have a material financial impact. However there can be no assurances that, despite the steps taken by the Company to insure that it and its customers and vendors are Year 2000 compliant, there will not be interruptions or other limitations of systems functionality or that the Company will not incur significant costs to avoid such interruptions or limitations. The Company's expectations about future costs associated with the Year 2000 issue are subject to uncertainties that could cause actual events to have a greater financial impact than currently anticipated. Factors that could influence the amount and timing of future costs include unanticipated vendor delays, technical difficulties, the impact of tests of vendors' and customers' systems and similar events. If, despite the Company's efforts under its Year 2000 planning, there are Year 2000-related failures that create substantial disruptions to the Company's business, the adverse impact on the business could be material.

Market Risk and Risk Management Policies

The Company currently does not have exposure to market risk. The Company will develop policies and procedures to manage market risk in the future as deemed necessary.

Impact of Recently Issued Accounting Standards

In June 1998 the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 1999. The Statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt the new Statement effective January 1, 2000. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

Forward-Looking Statements

This report contains forward-looking statements and information that is based on management's beliefs and assumptions, as well as information currently available to management. Such beliefs and assumptions are based on, among other things, the Company's operating and financial performance over recent years and its expectations about its business for the current fiscal year. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Such statements are subject to certain risks, uncertainties and assumptions, including, but not limited to, the possibility that (a) prevailing economic

conditions may significantly deteriorate, thereby reducing the demand for the Company's services, (b) the Company might experience a significant deterioration in its collection of accounts receivable and (c) regulatory or legal changes might affect an employer's decision to utilize the Company's services, although none of such risks is anticipated at the present time. Should one or more of these or any other risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

Item 8. Financial Statements and Supplementary Data

See Item 14 for a list of Winston Resources, Inc. and Subsidiaries Financial Statements and Schedules filed as part of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is incorporated herein by reference to the material under the caption "ELECTION OF DIRECTORS" in the Company's definitive Proxy Statement to be filed on or before April 30, 1999 (the "1999 Proxy Statement").

Item 11. Executive Compensation

The information required by this term is incorporated herein by reference to the material under the caption "EXECUTIVE COMPENSATION" in the 1999 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated herein by reference to the material under the caption "ELECTION OF DIRECTORS" in the 1999 Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the material under the caption "ELECTION OF DIRECTORS - Certain Transactions" in the 1999 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)1,2 The information required by this subsection of this Item is presented in the index to the Financial Statements on Page F-1

Form 10-K - Item 14 (a) (1) and (2)

Winston Resources, Inc. and Subsidiaries

List of Financial Statements and
Financial Statement Schedules

The following consolidated financial statements of Winston Resources, Inc. and Subsidiaries are included in Item 8:

<TABLE>
<S> <C>

</TABLE>

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and therefore have been omitted.

Report of Independent Auditors

To the Board of Directors and Stockholders of
Winston Resources, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Winston Resources, Inc. and Subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Winston Resources, Inc. and Subsidiaries at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

February 26, 1999

Winston Resources, Inc. and Subsidiaries

Consolidated Balance Sheets

<TABLE>

<S>	<C>	<C>
	December 31	
	1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$2,047,000	$445,000
Accounts receivable - trade, less allowances for doubtful accounts of $200,000 and $100,000	9,036,000	7,341,000
Prepaid expenses and other current assets	118,000	227,000
Securities available-for-sale	455,000	392,000
Total current assets	11,656,000	8,405,000
Property and equipment, net	649,000	540,000
Deferred income taxes	234,000	185,000
Security deposits and other assets	380,000	321,000
Total assets	$12,919,000	$9,451,000
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$5,200,000	$3,668,000
Capital lease obligations	18,000	16,000

Income taxes payable	142,000	25,000
Total current liabilities	5,360,000	3,709,000
Deferred rent	255,000	303,000
Long-term portion of capital lease obligations	17,000	35,000
Total liabilities	5,632,000	4,047,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $100 par value: authorized 2,000,000 shares, no shares issued		
Common stock - $.01 par value: authorized 10,000,000 shares; issued and outstanding 3,228,121 shares (3,215,120 in 1997)	32,000	32,000
Additional paid-in capital	4,456,000	4,435,000
Retained earnings	2,612,000	783,000
Accumulated other comprehensive income	187,000	154,000
Total stockholders' equity	7,287,000	5,404,000
Total liabilities and stockholders' equity	$12,919,000	$9,451,000

</TABLE>

See accompanying notes.

Winston Resources, Inc. and Subsidiaries

Consolidated Statements of Income

<TABLE>
<S> <C> <C> <C>

	Year ended December 31		
	1998	1997	1996
Revenue:			
Placement fees and related income	$60,850,000	$49,199,000	$39,390,000
Operating expenses:			
Compensation and other benefits	48,191,000	37,735,000	29,414,000
Selling, general and administrative	9,455,000	8,917,000	8,391,000
	57,646,000	46,652,000	37,805,000
Income from operations	3,204,000	2,547,000	1,585,000
Other income (expense):			
Interest expense	(5,000)	(36,000)	(187,000)
Interest and other income	49,000	69,000	52,000
	44,000	33,000	(135,000)
Income before provision for income taxes	3,248,000	2,580,000	1,450,000
Provision for income taxes	1,419,000	1,136,000	312,000
Net income	$1,829,000	$1,444,000	$1,138,000
Basic earnings per share	$.57	$.45	$.37
Diluted earnings per share	$.52	$.41	$.34

</TABLE>
See accompanying notes.

Winston Resources, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>
	Common Stock $.01 Par Value					
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total
Balance - December 31, 1995	2,920,833	$29,000	$4,396,000	$(1,799,000)	$28,000	$2,654,000
Exercise of common stock options	273,060	3,000	115,000	-	-	118,000
Retirement of treasury stock	(16,789)	-	(98,000)	-	-	(98,000)
Comprehensive income:						
Net income	-	-	-	1,138,000	-	1,138,000
Unrealized gain on securities available-for-sale, net	-	-	-	-	50,000	50,000
Comprehensive income						1,188,000
Balance - December 31, 1996	3,177,104	32,000	4,413,000	(661,000)	78,000	3,862,000
Exercise of common stock options	38,016	-	22,000	-	-	22,000
Comprehensive income:						
Net income	-	-	-	1,444,000	-	1,444,000
Unrealized gain on securities available-for-sale, net	-	-	-	-	76,000	76,000
Comprehensive income						1,520,000
Balance - December 31, 1997	3,215,120	32,000	4,435,000	783,000	154,000	5,404,000
Exercise of common stock options	13,001	-	21,000	-	-	21,000
Comprehensive income:						
Net income	-	-	-	1,829,000	-	1,829,000
Unrealized gain on securities available-for-sale, net	-	-	-	-	33,000	33,000
Comprehensive income						1,862,000
Balance - December 31, 1998	3,228,121	$32,000	$4,456,000	$2,612,000	$187,000	$7,287,000

</TABLE>
See accompanying notes.

Winston Resources, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

<TABLE>

<S>	<C>	<C>	<C>
	Year ended December 31		
	1998	1997	1996
Cash flows from operating activities			
Net income	$1,829,000	$1,444,000	$1,138,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Bad debt expense	285,000	41,000	125,000
Depreciation and amortization	207,000	172,000	129,000
Deferred rent	(48,000)	(47,000)	(29,000)
Deferred tax (benefit) expense	(75,000)	224,000	(349,000)
Changes in assets and liabilities:			
Accounts receivable	(1,980,000)	(1,527,000)	(164,000)
Prepaid expenses and other current assets	109,000	11,000	66,000
Other assets	(63,000)	(80,000)	(38,000)
Accounts payable, accrued expenses and			

income taxes payable	1,649,000	(428,000)	1,364,000
Net cash provided by (used in) operating activities	1,913,000	(190,000)	2,242,000
Cash flows from investing activities			
Purchases of property and equipment	(316,000)	(401,000)	(87,000)
Cash flows from financing activities			
Repayment on credit facility debt	-	-	(1,182,000)
Proceeds from exercise of options	21,000	22,000	20,000
Repayment of capital leases	(16,000)	(54,000)	(69,000)
Net cash provided by (used in) financing activities	5,000	(32,000)	(1,231,000)
Net increase (decrease) in cash and cash equivalents	1,602,000	(623,000)	924,000
Cash and cash equivalents - beginning of year	445,000	1,068,000	144,000
Cash and cash equivalents - end of year	$2,047,000	$445,000	$1,068,000
Supplemental disclosures of cash flow information			
Cash payments for interest	$5,000	$36,000	$176,000
Cash payments for income taxes	$1,384,000	$1,405,000	$128,000
Supplemental disclosures of noncash investing and financing activities			
Retirement of treasury stock	$-	$-	$98,000

</TABLE>
See accompanying notes.

Winston Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 1998

1. Principal Business Activity and Summary of Significant Accounting Policies

Business Activity

Winston Resources, Inc. and Subsidiaries (the "Company") provide a wide variety of temporary staffing specialties, permanent placement services, executive search recruitment, and recruitment advertising to the business community.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Winston Resources, Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk include cash and cash equivalents and accounts receivable arising from its normal business activities. The Company places its cash and cash equivalents with high credit quality financial institutions. Approximately 99% and 91% of cash and cash equivalents at December 31, 1998 and 1997, respectively, was on deposit at one financial institution.

The Company believes that its credit risk regarding accounts receivable is limited due to the large number of entities comprising the Company's customer base. In addition, the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts, where appropriate.

1. Summary of Significant Accounting Policies (continued)

Securities Available-for-Sale

Investments, which consist of common stocks, are stated at fair value as determined by quoted market price. The Company has classified its securities as investments available-for-sale pursuant to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, any unrealized gain or loss on the investments, net of deferred taxes thereon, is reported as a component of accumulated other comprehensive income.

Depreciation and Amortization

Depreciation and amortization of property and equipment are provided on the straight-line and declining balance methods over the estimated useful lives of the assets.

Revenue Recognition

Permanent placement revenue is recognized when a candidate is accepted for employment. Provisions are made for estimated losses in realization (principally due to applicants not remaining in employment for the guaranteed period). Temporary placement revenue is recognized when the temporary personnel provide the services. Nonrefundable retainer revenue is recognized according to the terms of the search contract.

Advertising Costs

The Company expenses advertising costs upon the first showing of the advertisements. Advertising expenses for the years ended December 31, 1998, 1997 and 1996 totaled approximately $952,000, $871,000 and $711,000, respectively.

1. Summary of Significant Accounting Policies (continued)

Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income or stockholders' equity. Statement 130 requires unrealized gains or losses on securities available-for-sale which, prior to adoption, were reported separately in stockholders' equity, to be included in other comprehensive income.

Segment Information

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related

Information. Statement 131 superseded FASB Statement No. 14, Financial Reporting for Segments of a Business Enterprise. Statement 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. Statement 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of Statement 131 did not affect results of operations or financial position, but did affect the disclosure of segment information (see Note 10).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Property and Equipment

Property and equipment consisted of the following:

<TABLE>

<S>	<C>	<C>	<C>
	December 31		Estimated
	1998	1997	Useful Life
Furniture, fixtures and equipment	$970,000	$804,000	3 to 7 years
Leasehold improvements	346,000	349,000	Life of lease
	1,316,000	1,153,000	
Less accumulated depreciation	667,000	613,000	
	$649,000	$540,000	

</TABLE>

Included in property and equipment at December 31, 1998 are assets recorded under capital leases with a cost of approximately $216,000 and accumulated amortization of approximately $196,000. Amortization of assets recorded under capital leases is included with depreciation expense.

3. Financing Arrangements

a. Credit Facility

The Company has a secured credit facility providing for short-term advances to a maximum of $6,000,000, based on up to 80% of eligible accounts receivable, as defined. The Company pays interest on advances at the bank's alternate base rate, as defined, or at LIBOR plus 2.5% (7.5% and 8.5% at December 31, 1998 and 1997, respectively). The credit facility is collateralized by the accounts receivable of the Company and expires on October 31, 1999. The Company had no borrowings under this facility for the year ended December 31, 1998.

3. Financing Arrangements (continued)

b. Capital Lease Obligations

The Company has leased telephone equipment, software and computer equipment under capital leases which are included in property and equipment (see Note 2). The following is a schedule of the future minimum lease payments, together with the present value of the minimum lease payments as of December 31, 1998:

<TABLE>

Year ending December 31:	
1999	$21,000
2000	17,000
Total	38,000
Less amount representing interest (effective rate 11%)	3,000
Present value of the minimum lease payments	35,000
Less current portion of capital lease obligations	18,000
	$17,000

</TABLE>

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

<TABLE>

	December 31	
	1998	1997
Accounts payable - trade	$739,000	$686,000
Accrued compensation and payroll taxes	3,003,000	1,750,000
Accrued commissions	1,143,000	904,000
Other accrued expenses	315,000	328,000
Total	$5,200,000	$3,668,000

</TABLE>

5. Income Taxes

The provision for income taxes consists of:

<TABLE>

	Year ended December 31		
	1998	1997	1996
Current:			
Federal	$952,000	$720,000	$535,000
State and local	542,000	192,000	126,000
Deferred	(75,000)	224,000	(349,000)
	$1,419,000	$1,136,000	$312,000

A reconciliation of the federal statutory tax rate to the actual effective rate is as follows:

Year ended December 31

	1998	1997	1996
Statutory rate	34.0%	34.0%	34.0%
State and local income taxes, net of federal benefit	10.7	4.3	4.8
Change in valuation allowance	(1.0)	1.8	(17.1)
Permanent differences	1.6	2.4	1.8
Other	(1.6)	1.5	(2.0)
	43.7%	44.0%	21.5%

</TABLE>

5. Income Taxes (continued)

The deferred income taxes are comprised of the following:

<TABLE>
<S> <C> <C>

	December 31	
	1998	1997
Assets		
Provision for doubtful accounts	$80,000	$40,000
Intangible assets written off	230,000	224,000
Accrued rent	102,000	121,000
Net operating losses for state and local tax purposes	91,000	127,000
Deferred tax asset	503,000	512,000
Liabilities		
Unrealized gain on securities	(182,000)	(156,000)
Other	(30,000)	(44,000)
Deferred tax liability	(212,000)	(200,000)
	291,000	312,000
Valuation allowance	(57,000)	(127,000)
	$234,000	$185,000

</TABLE>

The valuation allowance (decreased) increased by ($70,000), $52,000 and $(333,000), respectively, during the years ended December 31, 1998, 1997 and 1996.

6. Commitments and Contingencies

Operating Leases

The Company leases office space under noncancelable operating leases which expire at various dates through 2003. These leases are subject to escalations for increases in real estate taxes and other expenses.

6. Commitments and Contingencies (continued)

The aggregate future minimum lease payments required under these leases are as follows:

Year ending December 31:	
1999	$783,000
2000	791,000
2001	743,000
2002	699,000
2003	398,000
Total	$3,414,000

Rental expense under operating leases, including escalation charges for the years ended December 31, 1998, 1997 and 1996, approximated $839,000, $726,000 and $700,000, respectively.

Pursuant to one of the Company's leases, rent expense charged to operations differs from rent paid because of the effect of free rent periods and scheduled rent increases. Accordingly, the Company has recorded deferred rent payable of $255,000 and $303,000 at December 31, 1998 and 1997, respectively. Rent expense is calculated by allocating total rental payments, including those attributable to scheduled rent increases, on a straight-line basis, over the lease term.

The Company has been released from a portion of its rent obligation on certain premises which it had been subleasing through 2003; however, in the event of default by the sublessee, it would remain liable for the balance of the rent obligation which, at December 31, 1998, aggregated $464,000.

Executive Employment Agreement

An employment agreement with the chief executive officer expiring in August 2002 provides for an annual salary of approximately $446,000, plus incentive bonuses based on pre-tax income. In addition, the officer is entitled, under certain circumstances, to termination benefits.

7. Retirement Plan

The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code ("IRC") which provides that eligible employees may make contributions, subject to IRC limitations. The Company may choose to make contributions to the Plan in an amount determined by the Company at its discretion. No contributions were made for the years ended December 31, 1998 and 1997. The Company made a contribution to the Plan of $25,000 for the year ended December 31, 1996.

8. Stock Option Plans

Under the Company's 1996 Stock Plan (the "Plan") a committee of the Board of Directors is authorized to issue to officers, directors, key employees and consultants stock options (both incentive stock options ("ISOs") and nonqualified options), restricted stock and directors' options. In 1998, the number of options issuable under the Plan was increased from 400,000 to 800,000.

The Company also has an Incentive Program (the "Program") under which it may issue to officers, directors, key employees, and certain consultants stock options (both ISOs and nonqualified options), stock appreciation rights ("SARs") (in tandem with stock options or free-standing), restricted stock and directors' options issuable pursuant to a formula. Up to 575,000 shares are issuable under the Program either as outright grants or upon exercise of options or SARs awarded thereunder.

Directors of the Company who are not employees are eligible to participate solely in the nondiscretionary directors' option portion of the Program. All administrative powers of the Option Committee of the Broad of Directors (the "Committee") with respect to directors' options may be exercised, at the discretion of the Board of Directors, by an Alternate Committee comprised of persons not eligible to receive directors' options, one of whom must be a director. Moreover, in no event, may the number of shares subject to directors' options issuable to any qualified director in any year exceed 25,000.

8. Stock Option Plans (continued)

The selection of participants from among employees and officers and the determination of the type and amount of awards (except as to the directors' options) is entirely within the discretion of the Committee. There is no limit on the number or amount of awards which may be granted to any one person under the Program, except that the fair market value (determined as of the date of grant) of shares with respect to which ISOs are first exercisable in any one year as to any participant may not exceed $100,000.

All options granted have five or ten year terms and vest and become fully exercisable at the end of three years of continued employment.

Restricted stock may be awarded under the Program either at no cost to the recipient or for such cost as specified by the grant. Unless waived in whole or in part by the Committee, once a holder of record of restricted stock ceases to be an employee, officer or director of the Company, all shares of restricted stock then held and still subject to restriction will be forfeited by such holder and reacquired by the Company.

The Company has elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share has been determined as if the Company had accounted for its stock options under the fair value method estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997 and 1996 (no options were granted in 1998), risk-free interest rates of 5.6% in 1997 and 5.9% to 6.0% in 1996; volatility factors of the expected market price of the Company's common stock of .72 and .75. The weighted-average expected life of the options is three years. Dividends are not expected in the future.

8. Stock Option Plans (continued)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

<TABLE>

<S>	<C> 1998	<C> 1997	<C> 1996
Pro forma net income	$1,712,000	$1,363,000	$979,000
Pro forma basic income per share	$.53	$.43	$.32
Pro forma diluted income per share	$.50	$.40	$.30

</TABLE>

Stock option activity is summarized as follows:

<TABLE>

<S>	<C> Shares	<C> Weighted-Average Exercise Price
Balance at January 1, 1996	518,317	$.97
Granted	304,500	$2.14
Exercised	(273,060)	$.43
Cancelled	(5,107)	$.43
Balance at December 31, 1996 (137,759 exercisable at option prices $.4875 to $2.20)	544,650	$1.90
Granted	113,500	$5.34
Exercised	(38,016)	$.58
Cancelled	(2,124)	$.85
Balance at December 31, 1997 (272,938 exercisable at option prices $.4375 to $5.775)	618,010	$2.62
Exercised	(13,001)	$1.63
Cancelled	(333)	$1.50
Balance at December 31, 1998 (428,396 exercisable at option prices $.4375 to $5.775)	604,676	$2.64

</TABLE>

8. Stock Option Plans (continued)

The weighted average fair value of options granted during 1997 and 1996 was $2.03 and $1.07, respectively. The exercise prices for options outstanding as of December 31, 1998 ranged from $.4375 to $5.775. The weighted average remaining contractual life of those options is 6.63 years.

At December 31, 1998, 432,850 options are available for grant.

9. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

<TABLE>

<S>	<C> 1998	<C> 1997	<C> 1996
Numerator:			
Net income	$1,829,000	$1,444,000	$1,138,000

Denominator:			
Denominator for basic earnings per share-weighted-average shares	3,220,473	3,191,825	3,065,719
Effect of dilutive securities:			
Stock options	302,793	296,355	257,960
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	3,523,266	3,488,180	3,323,679
Basic earnings per share	$.57	$.45	$.37
Diluted earnings per share	$.52	$.41	$.34

</TABLE>

Winston Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Segment Information

The Company derives all of its revenues from businesses located in the United States and classifies its business into two fundamental areas: placement services and recruitment advertising. Placement services consist of the placement of temporary and permanent employees. Recruitment advertising consists of the placement of recruitment advertising on behalf of the Company, clients and other third parties.

The Company evaluates performance based on the segments' profit or loss. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies (see Note 2). Inter-segment sales and transfers are recorded at the Company's cost; there is no intercompany profit or loss on inter- segment sales or transfers.

<TABLE>
<S> <C> <C> <C>

	Year ended December 31, 1998		
	Placement Services	Recruitment Advertising	Total
Placement fees and related income	$55,259,000	$6,423,000	$61,682,000
Inter-segment placement fees and related income	71,000	761,000	832,000
Interest expense	5,000	-	5,000
Depreciation and amortization	195,000	12,000	207,000
Income tax expense	1,407,000	12,000	1,419,000
Segment profit	1,814,000	15,000	1,829,000
Segment assets	12,330,000	589,000	12,919,000
Expenditures for long-lived assets	299,000	17,000	316,000

	Year ended December 31, 1997		
	Placement Services	Recruitment Advertising	Total
Placement fees and related income	$43,684,000	$6,239,000	$49,923,000
Inter-segment placement fees and related income	27,000	697,000	724,000
Interest expense	-	36,000	36,000
Depreciation and amortization	163,000	9,000	172,000
Income tax expense	1,081,000	55,000	1,136,000
Segment profit	1,376,000	68,000	1,444,000
Segment assets	8,959,000	492,000	9,451,000
Expenditures for long-lived assets	392,000	9,000	401,000

</TABLE>

Winston Resources, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Segment Information (continued)

<TABLE>

	Year ended December 31, 1996		
	Placement Services	Recruitment Advertising	Total
Placement fees and related income	$34,230,000	$5,768,000	$39,998,000
Inter-segment placement fees and related income	40,000	568,000	608,000
Interest expense	172,000	15,000	187,000
Depreciation and amortization	122,000	7,000	129,000
Income tax expense (benefit)	336,000	(24,000)	312,000
Segment profit (loss)	1,226,000	(88,000)	1,138,000
Segment assets	7,858,000	580,000	8,438,000
Expenditures for long-lived assets	82,000	5,000	87,000

</TABLE>

Winston Resources, Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts

<TABLE>

Column A	Column B	Column C	Column D	Column E
	Balance at the Beginning of the Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Year ended December 31, 1998				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful accounts	$100,000	$285,000	$185,000 (1)	$200,000
Year ended December 31, 1997				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful accounts	$109,000	$41,000	$50,000 (1)	$100,000
Year ended December 31, 1996				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful accounts	$82,000	$125,000	$98,000 (1)	$109,000

</TABLE>

Uncollectible accounts written off, net of recoveries.

(a)3 Exhibits

Exhibit No.	Description
* 3.1.1	Restated Certificate of Incorporation of the Company, as filed with the Secretary of State of Delaware on April 6, 1987 [Registration Statement No. 33-14913, Exhibit 3.1]
* 3.1.2	Agreement and Plan of Merger dated as of April 15, 1987, between Winston Resources, Inc. (New York) and the Company, as filed with the Secretary of State of Delaware on April 20, 1987 [Registration Statement No. 33-14813, Exhibit 3.2]

* 3.1.3	Certificate of Amendment of Restated Certificate of Incorporation of the Company, as filed with the Secretary of State of Delaware on June 11, 1993 [Form 10-KSB (1993)]
* 3.1.4	Composite Copy of Restated Certificate of Incorporation of the Company, as amended [Form 10-K (1987), Exhibit 3.3]
* 3.2	By-laws of the Company, as amended June 11, 1993 [Form 10-KSB (1993)]
* 9	Stockholders' Voting Agreement, dated June 8, 1987, among Seymour Kugler, Alec Peters and Melvin Winograd [Registration Statement No. 33-14913, Exhibit 9]
10.1	Amended and Restated Employment Agreement, dated January 1, 1997, between the Company and Seymour Kugler
* 10.2	Supplemental Excess Profit Sharing Plan, dated December 12, 1984 [Registration Statement No. 33-14913, Exhibit 10.3]
* 10.3	Incentive Program of the Company [Registration Statement on Form S-8 No. 33- 37476, Exhibit 4]

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* Incorporated by reference and not filed herewith.

Exhibit No.	Description
* 10.4	Winston Resources, Inc. 1996 Stock Plan [1996 Proxy Statement, Exhibit A]
* 10.5	Agreement of Lease, dated as of August 8, 1990 (the "Lease"), between Nineteen New York Properties Limited Partnership, and the Company, as tenant [Form 10- K (1990), Exhibit 10.11]
* 10.6	First Amendment of Lease dated as of March 1, 1992, between Nineteen New York Properties Limited Partnership and the Company [Form 10-KSB (1992), Exhibit 10.6]
* 10.7	Second Amendment of Lease dated as of January 29, 1993, between Nineteen New York Properties Limited Partnership and the Company [Form 10-KSB (1992), Exhibit 10.7]
* 10.8	Third Amendment of Lease dated as of February 19, 1993, between Nineteen New York Properties Limited Partnership and the Company [Form 10-KSB (1992), Exhibit 10.8]
10.9	Fifth Amendment of Lease dated as of March 14, 1997 between 535 Fifth Avenue LLC (the successor in interest to Nineteen New York Properties Limited Partnership) and the Company, as tenant
10.10	Secured Line of Credit Agreement dated November 4, 1996 between Winston Resources, Inc. and The Bank of New York
10.11	Promissory Note dated November 26, 1996 made by Winston Resources, Inc. in favor of The Bank of New York
10.12	Security Agreement dated as of November 26, 1996 by and among Winston Resources, Inc., WIN-PAY, Inc., Winston Professional Staffing, Inc., Winston Cosmopolitan, Inc., Roth Young Personnel Services, Inc., Winston Personnel of Boca Raton, Inc., Winston Personnel Inc. of New Jersey, Winston Staffing Services, Inc. and The Bank of New York
10.13	Extension by The Bank of New York of term of Line of Credit through October 31, 1999

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* Incorporated by reference and not filed herewith.

Exhibit No. Description

22 Subsidiaries of the Company:

Delta 10, Inc. (a New Jersey corporation)

Winston Personnel of Boca Raton, Inc. (a Florida corporation)

Winston Personnel, Inc. of New Jersey (a New Jersey corporation)

Winston Professional Staffing, Inc. (a New Jersey corporation)

Winston Staffing Services, Inc. (a New York corporation)

WIN-PAY, Inc. (a New York corporation)

23.1 Consent of Ernst & Young LLP, independent auditors

27 Financial Data Schedule

(b) Reports on Form 8-K. No reports on Form 8-K have been filed during the quarter ended December 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 25, 1999

WINSTON RESOURCES, INC.

By: /s/ Seymour Kugler
Seymour Kugler, Chairman of the Board and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature

<TABLE>

<S>	<C>	<C>
/s/ Seymour Kugler Seymour Kugler	Chairman of the Board and President; Principal Executive Officer; Director	March 25, 1999
/s/ Jesse Ulezalka Jesse Ulezalka	Chief Financial Officer	March 25, 1999
/s/Gregg Kugler Gregg Kugler	Director	March 25, 1999
/s/Todd Kugler Todd Kugler	Director	March 25, 1999
/s/ Martin Fischer Martin Fischer	Director	March 25, 1999
/s/ Alan E. Wolf Alan E. Wolf	Director	March 25, 1999
/s/ Martin Wolfson Martin Wolfson	Director	March 25, 1999
/s/ Norton Sperling Norton Sperling	Director	March 25, 1999
/s/ Martin J. Simon Martin J. Simon	Director	March 25, 1999

</TABLE>

EXHIBIT 10.13

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED IN 784 BY ALEXANDER HAMILTON

1290 Avenue of the Americas, New York, N.Y 10104

Mr. Sy Kaye, Chairman,
Winston Resources, Inc.
535 Fifth Avenue,
New York, N.Y. 10017

10/30/98

Dear Sir,

This is to confirm that the advised Line of Credit available for Winston Resources, Inc. is extended to October 31, 1999. All the terms and conditions remain the same.

Sincerely,

Sanjay S Shirali
Vice President.

EXHIBIT

THE BANK OF NEW YORK
NEW YORK'S FIRST BANK - FOUNDED IN 784 BY ALEXANDER HAMILTON

1290 Avenue of the Americas, New York, N.Y 10104
October 13, 1998

Winston Resources, Inc.
535 Fifth Avenue
New York, New York 10017

Attention: Sy Kaye
Chief Executive Officer

Gentlemen/Ladies:

The Bank of New York (the "Bank") is pleased to confirm that it has extended the period of availability of the $6,000,000 secured line of credit that the Bank holds available to Winston Resources, Inc.

Notwithstanding the foregoing, the aggregate outstanding principal amount of all advances under this line of credit shall not exceed the lesser of $6,000,000 or an amount equal to the sum of the following:

1. 80% of each account receivable of the Company (including the Company's Winston Advertising Agency division) or any of Winston Personnel of Boca Raton, Inc., WIN- PAY, Inc., Winston Personnel Inc. of New Jersey, Winston Professional Staffing, Inc., Winston Staffing Services, Inc., Winston Cosmopolitan, Inc., Winston Franchise Corp. and Roth Young Personnel Services, Inc. (collectively, the "Subsidiaries") (i) which was generated in connection with the placement of temporary employees or in connection with advertising, (ii) in respect of which the Bank has a perfected first priority security interest and (iii) in respect of which no amount is unpaid for more than 90 days (or in the case of an account receivable, the relevant account debtor on which is a hospital, 120 days) past the date of the related invoice; plus

2. 50% of each account receivable of the Company or any of the Subsidiaries (i) which was generated in connection with the placement of permanent employees, (ii) in respect of which the Bank has a perfected first priority security interest and (iii) in respect of which no amount is unpaid for more than 90 days past the date of the related invoice.

Advances under this line of credit shall be evidenced by, shall be payable as provided in, and shall bear interest at the rate specified in, the Promissory Note dated November 26, 1996 made by the Company to the order of the Bank in the principal amount of $6,000,000.

All obligations of the Company to the Bank with respect to this line of credit shall be jointly and severally guaranteed by the Subsidiaries pursuant to the Guaranty Agreement dated November 26, 1996 between the Subsidiaries and the Bank. In addition, all obligations of the Company and the Subsidiaries to the Bank with respect to this line of credit shall be secured pursuant to the Security Agreement dated November 26, 1996 among the Company, the Subsidiaries and the Bank which grants the Bank a first and prior security interest in all accounts receivable of the Company and the Subsidiaries.

For so long as this line of credit is held available or the Company has any obligations outstanding under this line of credit, there shall be delivered to the Bank the following, each in form and content satisfactory to the Bank:

a. Within 5 business days after the filing thereof, copies of all documents, including financial statements, filed by the Company or any of the Subsidiaries with the Securities and Exchange Commission;

b. Within 15 days after the end of each month, a borrowing base certificate and an aging schedule of the accounts receivable of the Company and the Subsidiaries, in each case as of the end of such month; and

c. Promptly upon the Bank's request therefor, such other information as the Bank may reasonably request from time to time.

As you know lines of credit are cancellable at any time by either party and, in addition, any advance under this line of credit is subject to the Bank's satisfaction, at the time of such advance, with the condition (financial and otherwise), business, prospects, properties, assets, ownership, management and operations of each of the Company and each of the Subsidiaries and with the collateral for this line of credit. Unless cancelled earlier as provided in the first sentence of this paragraph, this line of credit shall be held available until October 9, 1999.

Very truly yours,

THE BANK OF NEW YORK

By _________________
Sanjay S Shirali
Vice President

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EXHIBIT - 27

WINSTON RESOURCES, INC. AND SUBSIDIARIES
FINANCIAL DATA SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 1998

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