

THOMAS**SYSTEMS SERVICES GROUP PLC****THOMAS IS A SPECIALIST IT
SYSTEMS SERVICES COMPANY****PROVIDING RECRUITMENT****CONSULTANCY APPLICATION****SOFTWARE, TRAINING, SUPPORT****AND DEVELOPMENT SERVICES****SPECIALISTS IN INSURANCE,
FINANCE AND OTHER CHOSEN
MARKET SECTORS****FINANCIAL REPORT & ACCOUNTS****PERIOD ENDED 31 MARCH 1999**

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HIGHAMS' MISSION AND VALUES STATEMENT

WE WILL BE THE PROVIDER OF INTEGRATED
BUSINESS CONSULTANCY SERVICES, SYSTEMS
RESOURCES AND SOFTWARE PRODUCTS BY

BUSINESS FOCUS CONCENTRATING ON OUR
LEADING MARKET SECTORS

XCELLENCE EXCEEDING CLIENT EXPECTATIONS
SERVICE QUALITY AND VALUE FOR MONEY

Talent ENSURING OUR PEOPLE ARE KNOWLEDGEABLE,
SKILLED AND MOTIVATED

TRUST DEVELOPING RELATIONSHIPS OF MUTUAL
BENEFIT WITH CLIENTS AND SUPPLIERS

Operating Highlights

RECRUITMENT SERVICES DIVISION

- Operating profit and turnover both increased
- Gross contractor margin percentage held
- Slow-down consistent with industry trends
- Continued success in The Netherlands
- Significant new client wins

BUSINESS SOLUTIONS DIVISION

- Operating profit and turnover both increased
- New factoring systems successfully implemented at clients
- Excellent prospect list
- New alliance partnership agreement with Siebel Systems, Inc.

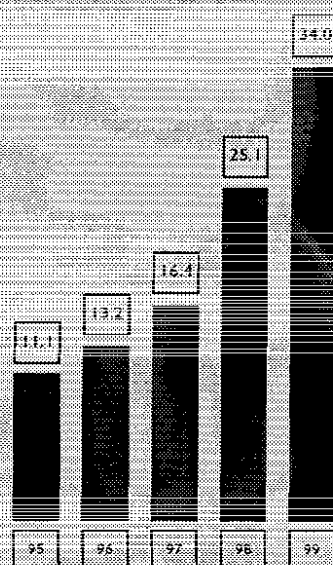
TRAINERS LIMITED

- New acquisition in October 1998
- Comprehensive range of IT training solutions
- Significant investment in products, people and management support
- Confidence in future prospects

Financial Highlights

	1999 £'000	1998 £'000	Increase 96
Turnover	34,070	25,143	36
Pre-Tax Profit	1,525	1,383	10
Post Tax Profit	1,018	945	8
Earnings per share	5.62p	5.37p	5

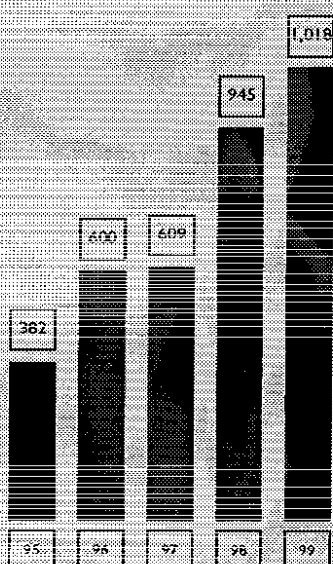
TURNOVER - £m



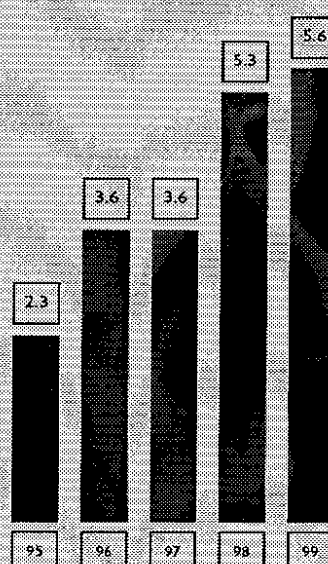
PRE-TAX PROFIT - £'000



POST TAX PROFIT - £'000



EARNINGS PER SHARE - pence*



* Adjusted for sub-division of existing shares and bonus issue

RECRUITMENT SERVICES DIVISION

HIGHAMS RECRUITMENT SERVICES provides total IT resource solutions through its focused teams of specialist recruitment consultants. Supplying permanent and contract personnel at all IT levels, either as a single skill or a fully managed team, our niche market expertise and proven resourcing processes have resulted in many 'preferred supplier' and 'sole supplier' relationships being established. Additional services such as campaign, account, and agency management, as well as outsourcing and out-placement, ensure that we can satisfy our clients' needs throughout the entire project lifecycle.

HIGHAMS RECRUITMENT SERVICES (N.E.) LIMITED is a subsidiary company which commenced operations in early 1998. With a sales office in The Hague, it serves the Dutch and Northern European markets. Applying the same focused approach and recognised processes as in the UK office, the company operates primarily in its niche areas of insurance, banking, finance and telecommunications. Since its inception, the company has grown rapidly and achieved a solid reputation, establishing 'preferred supplier' relationships with some of the largest financial services groups in The Netherlands.

BUSINESS SOLUTIONS DIVISION

HIGHAMS BUSINESS SOLUTIONS (HBS) has two main areas of focus. Highams' highly successful software application, Hi-Finance, has been implemented in a number of companies, ranging from small specialist factors through to major international groups. Supporting products such as recourse and non-recourse factoring, invoice discounting, import and export factoring and inventory finance, Hi-Finance provides multi-currency and multi-lingual capabilities across many sites worldwide. Focusing on our core markets of insurance, banking and finance, HBS also provides IT and business consulting, bespoke developments and systems support. Our alliance with Siebel Systems, Inc., a leading CRM application vendor also ensures we can offer our clients total Customer Relationship Management solutions to take their business forward into the new Millennium.

TRAINERS LIMITED

TRAINERS was acquired in October 1998 as part of Highams' commitment to continued expansion of its value added client service and product offerings. Providing high quality IT training in networking technologies, enterprise technologies and end user applications, Trainers is accredited by Novell, Microsoft and Lotus. The company provides specialised training and consultancy services for Lotus Notes for which it is one of the UK market leaders. In line with Highams' overall strategy, Trainers is at the forefront of emerging technologies and provides the latest in on-line training and 'virtual' education. Whether from its purpose built facilities or at the client site, Trainers provides the total training solution, either as a one-off course or a multi-site rollout.

Services and Markets

PRODUCTS AND SERVICES

Highams Systems Services Group offers a range of products and services which support our clients' requirements. Our software application, Hi-Finance, provides a comprehensive factoring solution for small, specialist factors and major financial groups alike. Highams' strategy of "Bridging the Skills Gap" through the supply of skilled IT resources is complemented by our provision of IT training solutions. As the concept of Customer Relationship Management (CRM) becomes a recognised and essential business strategy, Highams' ability to deliver these solutions to its core markets will be enhanced by our integrated business and IT consulting services.

MARKETS

A key differentiator of the Highams Systems Services Group is its niche market focus, operating principally within the insurance, banking and finance markets. This proven formula has now been extended to the telecoms market, more specifically the customer care and billing sector. Highams' alliances with Siebel, IBM, Oracle, Microsoft and Lotus, enable us to offer our clients total business solutions throughout the UK, Europe and, increasingly, world-wide.

KEY STRENGTHS

Highams' ongoing success has been achieved through a focused market approach, primarily in the insurance, finance and telecommunications markets, and has rewarded us with a superb client base. With the full support of our proven management team, our professional workforce of niche IT and business specialists consistently exceed our clients' expectations. Our extensive product/service portfolio ensures that Highams can deliver total business solutions throughout all of our chosen markets; it is by constantly reviewing and developing this portfolio that Highams can continue to satisfy customer expectations and maintain its solid reputation.

Chairman's Statement



I am pleased to be able to report to shareholders a good result for the Group as a whole with increased turnover and profits for the year ended 31 March 1999, particularly in respect of our continued businesses, Recruitment Services and Business Solutions, which both exceeded market expectations.

Financial Results Group turnover increased by 36% to £34,069,990 (1998: £25,143,421),

with pre-tax profits amounting to £1,524,855, after net interest payable and goodwill amortisation, an increase of 10% over the £1,383,327 achieved last year.

Our continued businesses, Recruitment Services and Business Solutions, increased turnover by 33% and 30% respectively and both divisions recorded significant increases in operating profit over the previous year. Operating profits after head office costs amounted to £1,729,739 on turnover of £33,345,245 (year to 31 March 1998: operating profits of £1,381,509 on turnover of £25,143,421).

Having acquired Trainers Limited on 15 October 1998, five and a half months' results from Trainers were included in Group results to 31 March 1999. Trainers incurred an attributable pre-tax trading loss for that period of £136,798 on turnover of £724,745. Additionally, in arriving at Group pre-tax profits, we have had to amortise goodwill arising on that acquisition since October 1998 of £56,862.

Comments on the trading position for Recruitment Services division, Business Solutions division and Trainers Limited are provided in the Chief Executive's Report.

Strategic Plan Your Board has adopted a strategy for the future growth of your Group, the first element of which is to continue to develop organically the activities and scope of our existing recruitment, factoring system, consultancy and training activities. The second element is to expand the range of services of the Business Solutions division into ancillary IT software activities, by developing new services in-house, by joint ventures, and by acquisitions. We regard this second element of our Strategic Plan as vital in the further development of Highams as a broadly based, more balanced systems services group.

HIGHAMS' CLIENTS

Insurance

AIG Europe (UK)

Abbey Life

Barclays Insurance Services

Barclays Life Assurance

Britannia Life

Century Life

CGU Life

Clerical Medical

Cornhill Insurance

Eagle Star Insurance

Equitas

ERC Frankona Re

GA Bonus

Guardian Insurance

Gerling Global General & Re Co

Greystoke Legal Services

Independent Insurance

Insurance Trading Exchange

Iron Trades Insurance

Legal & General

Liverpool Victoria

Lloyd's of London

Lloyds TSB Group

Nationwide Life

Norwich Union

Old Mutual Life

Odyssey Re

Pearl Assurance

Prudential Assurance

Municipal Mutual Insurance

National Australia Group

NPI

Nationwide Life

Royal Sun Alliance

Standard Life Assurance

Sun Life of Canada



HIGHAMS' CLIENTS

Scottish Provident
Teachers Assurance
United Insurance
Winterthur Life
Zurich Insurance

Banking & Finance

Abbey National
ABN Amro
Artesia Factors
Aston Rothbury Factors
Banque Paribas
Barclays Funds
Barclays ShareSave
Citibank
Commonwealth Bank of Australia
De Lage Landen
Fidelity Investment Management
FMN Finance House
Gartmore Investments
GLE Invoice Finance
Halifax
Lombard Bank
Merrill Lynch
Metropolitan Factors
Midland Financial Services
Postbank
Prudential Portfolio Management
RBS Trust Bank
Salomon, Smith, Barney
Singer & Friedlander Factors
Standard Chartered Bank

Non financial

Andersen Consulting
Anite Systems
Avero
Bausch & Lomb
Bayer



To help us to satisfy these objectives, we have accelerated the formalisation of functions already evolving at senior management level. Ted Andrews has become Group Managing Director, with overall responsibility for our existing Recruitment and Business Solutions divisions and for head office services. John Higham, who remains Chief Executive, will thus have more time to concentrate on identifying and implementing opportunities to help us realise the second element of our Strategic Plan.

Recruitment activities will remain of prime importance to the Group, but the high proportion of the Group's turnover and profit contributions provided by that division tends to distort market perception of what we do, giving insufficient emphasis to the increasingly important and profitable role of our other activities.

Share Capital On the acquisition of Trainers, as part of the initial consideration for the purchase, we issued to Janice Brown, one of the Vendors, 314,153 Highams Ordinary Shares, and a further 711,765 new shares were issued for cash to institutional investors at 85p per share, raising approximately £588,000 (net of expenses).

Options During the year, we granted options over 415,439 shares at 115p per share to staff under the rules of the existing share option schemes. These options can be exercised subject to a minimum compound increase in EPS of 20% p.a. over three years. All staff with two or more years' service at the scheme anniversary have been granted options.

Final Dividend Your directors recommend the payment of a final dividend of 1.1p per Ordinary Share (1998 final: 1p) reflecting the improvement in profits for the year. As I have said before, we do not regard Highams as an income stock. It is proposed, again, to give shareholders the option of receiving the final dividend in the form of shares rather than cash under the Share Dividend Alternative Scheme adopted last year. Some of the directors intend to avail themselves of this option. The dividend will be paid on 27 August 1999.

Accordingly, all holders of Ordinary Shares on the register at the close of business on 25 June 1999 will be entitled to receive, as an alternative to the cash dividend, one new Ordinary Share for every 61 Ordinary Shares then held. This entitlement has been calculated on the basis of the average of the middle market quotations of an Ordinary Share traded on the Alternative Investment Market of the London Stock

Exchange for the period from 7 June to 11 June 1999 inclusive, being 66.9p per Ordinary Share. A Shareholder with 1,000 Ordinary Shares who makes this election on all his shares would be entitled to 16 New Shares.

Accompanying this Report and Accounts, shareholders will find a summary of the scrip dividend scheme adopted last year, and a form of election to take this year's final dividend in the form of shares rather than cash.

Application for a full listing for Highams Shares In my Statement accompanying the announcement of our interim results to 30 September 1998 I said "It is the Board's current intention to apply for a full listing of the Company shares in the summer of 1999". As is well known, IT shares in our sector have experienced a downturn in market rating over the past few months, and consequently the market price of shares in the Company has been adversely affected. Therefore, although applying for a full listing at as early a date as may be prudent remains your Board's intention, we do not believe that current market conditions and sentiment provide a favourable environment for an application to be made this summer.

Executives and Staff Again this year I would like to thank our staff at all levels for achieving such good results in what has in some areas not been an easy year. I have great confidence in their potential successfully to meet the challenges ahead.

Outlook and Current Trading Many clients of our Recruitment Services division, over the last few months, have been reluctant to risk impacting their Year 2000 changes by updating other aspects of their software, but the level of core demand for contractors now seems to have stabilised. The division is well placed to meet an upturn in the market predicted by independent research, and we anticipate strong demand later in this financial year. There are already signs of increased demand for IT software training which is now showing through at Trainers. The level of enquiries for factoring software in our Business Solutions division is at an all-time high.

I therefore look forward to being able to report further expansion of our activities and profitable progress for your Group in the current year.

Nigel Graham Maw

Nigel Graham Maw Chairman

25 June 1999

Blue Circle
Bridgeway Management
Cable & Wireless
Caledonian Airways
Cellnet
Continuum Europe/CSC Continuum
Ericsson
European Financial Data
FI Group
Huon Corporation
IBM
ICL
Interpolis
Mindport
Motorola
Novartis
OFSTED
Pfizer Limited
Pharos International
Pilat
PRT Group
Lucas Diesel Systems
Mercury Communications
Orange
Plato Computer Services
Racal
Reuters
Secor Consulting
Siemens
Sybase
Tandridge District Council
Telfort
Testcom UK
Tivoli
Unisys
Van den Bergh Foods
Viag Interkom
Vodafone

CASE STUDY I

SECOR

Having built its success on an industry-aligned approach, SECOR Consulting expanded

into the telecoms market in early 1998. Focusing on the area of packaged product billing, it provides business, IT and project management solutions to many major European telecoms companies, including Energis, Orange, VIAG Interkom and Telfort. One of the key reasons that SECOR's client list contains so many key blue chip organisations is their policy of only recruiting those individuals with the highest level of specialist industry and technical knowledge required to meet the client's requirements.

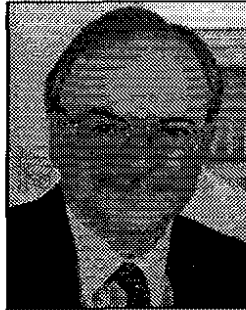
John Evans, Telecoms Practice Manager explains "Highams has a similar philosophy and this is reflected in their comprehensive database of high quality specialist contractors."

It was important that SECOR recruited the very best people but that this resourcing process did not detract from the key business development work required to ensure the success of the new Telecom Practice. "I was confident that through Highams' enthusiasm, professionalism, niche market experience and specialist knowledge in the customer care & billing market, we would be able to work together to achieve this objective."

Evans says that working with Highams on SECOR Consulting's telecoms business has brought a number of benefits, not least of which has been reduced management time in the search and selection process. Highams' proven resourcing processes, as well as a thorough understanding of SECOR's business, ensures that only the most appropriate CV's are presented to him for consideration. Evans can therefore be confident that he is seeing the very best candidates available.

Evans adds "Highams also handles liaison with contractors on matters such as tax and social security. By offering this value-add to their service, Highams ensures that contractors have all the information required to make the right decision quickly, which benefits both client and contractor, and provides SECOR with real peace of mind and security."

"The company has played a valuable role in the development of what is now an established and successful telecoms business division," he comments.



I am pleased to report that Highams has had a good year overall with increases in sales in Recruitment Services of 33% and in Business Solutions of 30%.

Demand for our systems services increased during the year as a whole, although there was a slowdown in demand for recruitment services during the latter part of the year.

This came somewhat earlier than the IT market, and commentators, had expected, with companies putting IT projects on hold in the 'run up' to Year 2000 for fear of complicating their Year 2000 programme. Our strategy of providing a balanced range of complementary services, coupled with our policy of forging long term relationships with major blue-chip clients in the finance sector (and other niche markets), helped us to exceed forecasts in these divisions.

As has been reported earlier, during the year we made our first acquisition since joining AIM, namely Trainers Limited, which provides a range of IT technical and end-user training solutions from its offices in Basingstoke, London and Newbury as well as at various client sites in the UK and Europe.

During the year we further expanded our premises at Caterham and recruited additional staff. This, together with our progressive investment in IT infrastructure throughout the company, positions us well for the future.

Trading Review

Recruitment Services This is our largest trading division; it provides contract and permanent IT personnel, primarily for a range of blue-chip banking and insurance industry clients. Turnover and profit both increased, producing operating profits of £2.7m (1998: £2.4m) on turnover of £29.6m (1998: £22.2m). The rates we paid to contractors rose 15% p.a. during the first part of the year when compared to the previous year, in line with industry trends, but levelled during the latter part and overall we maintained our gross margin percentage.

The division produced growth in turnover, supported by income from a number of permanent placements, though the number of contractors on clients' sites fell during the year, and was 11% down at the end of the trading year.

In reaction to changing market circumstances we have developed our services further and placed an increased commitment on permanent recruitment capabilities. We have also identified an increasing demand for IT staff in telecoms markets and created a new team focused on this niche, with early success in achieving preferred supplier agreements with international companies.

Our sales efforts in the Dutch market continued to grow according to plan and contributed increased turnover and profit.

We have successfully introduced new IT systems throughout Recruitment Services which will help to maximise efficiency and speed processes, crucial in this fast moving market. We now receive the large majority of applicants' details via the internet and our extensive use of this medium has shortened responses to client requirements from typically 10 days (where advertising was required) to a few hours.

Encouragingly, we have recently secured additional preferred supplier arrangements for contractors with major clients, which will assist in achieving targets for this new financial year and into the future.

Business Solutions Turnover in the division grew 31% to £3.8m (1998: £2.9m) over the previous year with operating profit up 37% to £839k (1998: £611k). There was increased demand for our factoring systems and IT consulting business also increased. Encouragingly we have an active prospect list, and our conversion rate of enquiries to new clients is excellent.

We completed three installations of our factoring software and began work with three new clients. We announced the signing of a major new client, FMN (part of the Dutch based Fortis Group), for customised installations across Europe and these have now all been successfully delivered. We continue to invest in our factoring software with the introduction of a new modern technology front-end system. We are also planning an exciting new 'e-commerce' enhancement for later in this new financial year.

CASE STUDY 2

FMNfinance house Headquartered in The Netherlands, FMN Finance

House is an international factoring and invoice finance company. With a current annual turnover in excess of 8bn Dutch Guilders, the company employs over 320 people across a number of European sites. With their existing mainframe legacy system becoming too difficult to maintain and enhance, FMN needed to replace it with a system that allowed them to develop in line with increasing market demands.

Mr Cees G.M. Steenman, IT Director for FMN, explains, "It was obvious that we needed a radical change so that FMN and our clients could benefit from the application of new technology. After very careful evaluation we decided in favour of Hi-Finance — the factoring system from Highams Business Solutions (HBS) — and I am pleased to say that it has lived up to our expectations."

Mr Steenman said that Highams' in-depth understanding of the international factoring business and the ability of the software to support the Factors Chain International (FCI) operation, in particular the reporting and messaging requirements, were key factors in their decision. Furthermore, Highams Business Solutions' partnership ethos meant that they would also modify, support and further develop the system in line with FMN's future business requirements.

The system was implemented in phases with the first site, Germany, going live at the end of May 1998. This was followed by Belgium, The Netherlands and finally France, which came on-line in early 1999.

"The system has proved very stable and performs very well," Mr Steenman added, "and we are now working towards providing a complete electronic factoring service."

Mr Arnold P de Bruin, Managing Director of FMN Finance House, commented that the new technology would bring significant benefits to their clients. "They will have better access through FMN to essential on-line management information — for example, the status of open items and debtors' positions — while collection and distribution of payments will be even faster. Also, Hi-Finance is Euro compliant, which ensured we were ready for the launch of the new currency on 1st January 1999, and with the system also being Year 2000 compliant, we can approach the key millennium dates with confidence. With the Highams factoring system, FMN Finance House can offer its clients a complete service for their business."

CASE STUDY 3

winterthur

With a growth rate in new business of 650% over the last seven years, Winterthur Life UK

Limited is one of the fastest growing life assurance companies in the country. Such rapid expansion put increasing pressure on the staffing resources required to meet demand for Winterthur Life's services — to such an extent that the company decided to develop a relationship with a specialist agency which could manage the recruiting process on its behalf. The objective was to ease the recruitment burden on managers and allow them to concentrate on strategic business issues.

Winterthur Life UK is part of the Winterthur Swiss Insurance Group. The group specialises in the provision of financial services and ranks amongst the leading providers of banking and insurance services in the world.

"It was essential that the recruitment company we chose demonstrated a thorough understanding of our key markets. Highams has a track record in providing IT contract staff to blue chip financial services companies and we were confident that they could supply staff with the appropriate skillsets for our needs," said Winterthur Life systems manager, Ian Russell.

"The partnership approach adopted by Highams helped us to plan projects secure in the knowledge that Highams was equipped to provide the right resource for our needs. Their thorough understanding of our business coupled with their proven resourcing process has meant that Winterthur has since signed a sole supplier agreement with Highams for contract IT staff."

Through a structured account management approach, Highams has supplied a variety of skills - highly specialised insurance system skills such as Paxus Life, strong technical skills including VB and SQL, application specialists and insurance business analysts.

IT project manager, Rob Pearlman also feels that Highams provides more than just high quality resources: "Affinity 2000 and Euro 2002 are forums which were set up by Highams to address the two major challenges facing the insurance industry. As a regular attendee for the past two years, I feel that they have brought tangible benefits to Winterthur's business through the sharing of information between the major insurance companies and regulatory bodies."

The prospect list for our factoring system has never been better. Its success has also attracted interest from asset based lending companies and we have begun work with two clients to extend the system into this growing aspect of commercial finance. Again, this will stand us in good stead for the future.

I am pleased to announce the signing of a new alliance partnership agreement with Siebel Systems, Inc. for the implementation of their CRM (Customer Relationship Management) systems in our core markets. CRM systems are the new generation of front office customer facing systems and the market statistics are for an annual compound increase of 53% (Source: Forrester Research). Siebel's strategy is to expand through partnership implementation agreements with companies such as Highams. Siebel's growth rate from \$35.8m in 1995 to \$391m in 1998 bodes well to provide an additional profitable focus for this division.

Our consultancy and bespoke software services based on Microsoft technologies for influential blue-chip clients increased 25%. During the year we completed a major project for Barclays Stockbrokers. In common with the rest of the IT sector, we found that new bespoke business became less readily available, although this was compensated for by an increase in IT consultancy business.

The UK market for applications software is forecast to grow by 9.2% p.a. (Source: IDC). We foresee good prospects for this area of the company, particularly with the planned developments to our factoring system, the new Siebel partnership agreement and increased emphasis on consultancy business.

Trainers Ltd Turnover for the five and a half months since the date of acquisition was £725k with a pre-tax loss of £194k, which included £57k amortisation of goodwill arising on the acquisition.

Trainers delivers technical and end-user training to a growing client base in three principal product streams (enterprise technologies, network applications and end-user applications). Trainers has a solid reputation in the market and has accreditations with Novell, Microsoft and Lotus for which it is a Lotus premier partner. Trainers serves blue-chip clients such as Sun Life of Canada, IBM, Lotus Education, Novartis and Motorola.

We have concentrated on developing the sales team and a new organisational structure has been put in place under the leadership of Trainers' founder Janice Brown. We have also invested in new product initiatives to keep up to date with market demand and we have supplemented management support. Everything is now in place and, with the market forecast to grow at 22% (Source: Holway), we are anticipating an improved trading result during the current financial year.

We remain confident of Trainers' potential and the fit with our strategy; we are committed to making it succeed as a profitable part of the Group.

Staff I would like to add my own thanks to those of the Chairman to the excellent team of staff which Highams has the good fortune to employ. This year I am pleased to welcome the Trainers team.

In some ways this has not been an easy year and their loyalty is not taken for granted. We continue to recognise their contribution and achievements.

Prospects Our markets are driven by technology and will continually require flexible systems resources. Our own independent research confirms that clients will be releasing new projects that have been stockpiled because of Year 2000. Further system enhancements created by euro-compliance and the enormous impact of 'e-commerce' on our markets will cause further work. This will generate growth which the Group is ideally positioned to capitalise on. Additionally, our new initiatives and services, coupled with strategic alliances and carefully chosen acquisitions, will increase our prospects of profitable growth.

We look forward to the future with enthusiasm and we have justifiable confidence in the prosperity of the Group.



John Higham Chief Executive
25 June 1999

CASE STUDY 4



**Sun Life
of Canada**

Sun Life of Canada was incorporated in Canada by Act of Parliament in 1865 and opened its first British office in London in 1893. Today, with assets under management in excess of £97,000 million and operations throughout the Americas, Europe, Australia and Asia, the Group is one of the largest, strongest and most diverse financial services organisations in the world.

The last few years have been a period of development and growth within Sun Life of Canada, resulting in a myriad of different software systems being in existence throughout the organisation. With some areas using WordPerfect 5.1 and Lotus 123, some operating Windows 3.1 and Office 4.11, and others using OS/2, it was deemed necessary to establish a standard across the Company. In addition, the approaching Millennium highlighted the need for system upgrades to ensure Millennium compliance. A decision was made to migrate the British operation to Windows 95 and Office 97.

The IT Training Department within Sun Life of Canada was faced with the huge task of analysing the training requirements and training its 1500 head office staff. In order to achieve this within the time scale, it required a training partner and chose Trainers Limited, part of the Highams Systems Services Group. After detailed negotiation and discussion, a training plan was agreed, with the training to take place both at Trainers' Basingstoke training centre and on-site at Sun Life of Canada's Head Office.

Susan Thorn at Sun Life of Canada comments: "We chose Trainers because they had proven success in such end user projects. They provided excellent training facilities at their purpose-built centre and customised their training documentation to tailor their courses specifically to meet our needs. They also proved to be very flexible when responding to changes in our training plan."

Trainers' team again demonstrated its customer focused approach to training by modifying the PC's in its Basingstoke centre to match the standard Sun Life of Canada desktop. This ensured that the training environment accurately reflected the environment in which the users would be expected to operate and so greatly enhanced the effectiveness of the programme.

Thorn continued: "This project has brought tangible benefits to our business. Standardising all our PC software systems has greatly improved the efficiency of our support systems and enabled our staff to be more effective. Trainers helped make this possible by delivering the training on time and within budget."

Directors

NIGEL GRAHAM MAW



Nigel Newton Graham Maw

MA LLM (Cantab) (aged 65) Non-Executive Chairman

Nigel Graham Maw was, until April 1993, Senior Partner of Rowe & Maw, Solicitors. He is the principal co-author of "Maw on Corporate Governance" and was until 1998 special visiting professor to the Department of Law at Nottingham University. He was formerly Deputy Chairman and then Chairman of Decca Limited from 1979 to 1980, and was a non-executive director of Telephone Rentals plc from 1984 to 1989.

JOHN HIGHAM



John Edward Higham

ACII (aged 54) Chief Executive and Deputy Chairman

John Higham started his career in insurance in various technical and business capacities and gained in-depth experience of the London insurance market, life and general insurance. He joined Lonsdale Systems Limited in 1977 where he spent 6 years implementing packaged financial software before founding Highams in February 1983.

EDWARD ANDREWS



Edward Ian Andrews

(aged 47) Group Managing Director

Ted Andrews has been a director of Highams since joining the company in November 1983. Before joining Highams he spent 7 years at Lonsdale Systems Limited implementing insurance software projects in a variety of technical and management capacities and 5 years at Noble Lowndes & Partners as a programmer and analyst. He is responsible for the Recruitment Services and Business Solutions divisions of Highams.

DENIS DRINAN



Denis John Drinan

(aged 53) Non-Executive Director

Denis Drinan has 29 years experience in IT. He has been a director of Highams since November 1983 and was responsible for the Business Solutions division until December 1997 when he became a non-executive director.

ANTHONY EVE



Maurice Anthony Eve

FCA (aged 45) Finance Director and Company Secretary

Tony Eve was appointed Finance Director on 29 October 1996. He is a chartered accountant and a partner in a firm of Chartered Accountants, Eve & Hutchings, based in Coulsdon, Surrey.

BRYAN MARTIN



Bryan John Martin

MBA (aged 43) Executive Director

Bryan Martin has over 20 years experience in the IT industry. He started his career with American Express in the mid-70's. Moving to John Wiley (publishers) in 1979 he undertook a number of international assignments. He was appointed European IT manager of Security Pacific Bank in 1988 and since 1992 has managed the development of the highly acclaimed factoring software within Highams. He recently completed his MBA and became an executive director in June 1998.

Directors and Advisers

Directors

NN Graham Maw, *(Chairman)*

JE Higham, *(Chief Executive)*

EI Andrews, *(Group Managing Director)*

DJ Drinan, *(Non-executive)*

MA Eve, *(Finance Director)*

BJ Martin, *(Executive)*

Secretary

MA Eve

Registered Office

Hammond House
33/45 Croydon Road
Caterham
Surrey
CR3 6PB

Registrars

IRG plc
Balfour House
390/398 High Road
Ilford
Essex
IG1 1NG

Auditors

Arthur Andersen
17 Lansdowne Road
Croydon
CR9 2PL

Nominated Adviser and Broker

Teather & Greenwood Limited
12-20 Camomile Street
London
EC3A 7NN

Bankers

Barclays Bank Plc
PO Box 112
Horsham
West Sussex
RH12 1YQ

Solicitors

Withers
12 Gough Square
London
EC4A 3DE

Registered number

1700310

Ormerod Heap & Marshall

Green Dragon House
64-70 High Street
Croydon
CR0 9XN

Report of the Directors

The directors present their report and the audited financial statements for the company and the group for the year ended 31 March 1999.

Principal activities Highams is a specialist IT systems services group; its principal activities are the provision of IT contract staff, systems consultancy, software support and development services, factoring software and IT training. The group operates principally in the insurance and finance sectors. Further details of the group's operations are given in the Chief Executive's report.

Results and dividends The group recorded a profit before taxation for the year of £1.52m (1998: £1.38m) on a turnover of £34.07m (1998: £25.14m).

On 15 October 1998, the company acquired the entire issued share capital of Trainers Limited.

As noted in the Chairman's Statement, the directors recommend a final dividend of 1.1p per share (1998: 1p). No interim dividend was paid during the year (1998: Enil). Under the terms of the Share Dividend Alternative Scheme, shareholders are able, if they so wish, to take some or all of their dividend entitlement in the form of new ordinary shares instead of cash.

Directors The directors of the company are set out on page 15. All served throughout the year except for Mr BJ Martin who was appointed to the board on 10 June 1998.

In accordance with the company's Articles of Association, Mr EI Andrews and Mr NN Graham Maw retire by rotation and offer themselves for re-election. Biographical details for both are provided on page 14.

Directors' interests in shares The persons who held the office of director at 31 March 1999 had the following interests in fully paid ordinary 5p shares of the company at the beginning and end of the financial year:

	1999		1998 (or appointment if later)	
	Shares	Options	Shares	Options
NN Graham Maw	69,350	-	47,000	-
JE Higham	8,527,649	-	8,535,000	-
EI Andrews	3,400,000	-	3,400,000	-
DJ Drinan	2,188,780	-	2,265,000	-
MA Eve	50,400	-	43,000	-
BJ Martin	41,500	210,000	-	174,000

Notes:

1. NN Graham Maw's interest includes 22,000 shares held by his personal pension plan.
2. JE Higham's interest includes 200,000 shares held by his wife and 1,230,000 shares held by The John Higham Family Trust.
3. DJ Drinan's interest includes 183,600 shares held by his wife, 200,000 shares held by the The Drinan Trust (1996) and 134,800 shares held by his personal pension plan.
4. MA Eve has further non-beneficial interests in the 1,430,000 shares in aggregate held by The John Higham Family Trust and by The Drinan Trust (1996) of which he is a trustee.
5. MA Eve's interest includes 37,200 shares held by his wife and children.

On 18th January 1999, BJ Martin exercised options over 40,000 shares in the unapproved Employee Share Option Scheme at a gain of £24,000. He has further options over 32,478 (1998: 14,000) shares in the Inland Revenue approved Executive Share Option Scheme exercisable at 62.5p on 14,000 shares and £1.15 on 18,478 shares and 177,522 (1998: 160,000) shares in the unapproved Employee Share Option Scheme exercisable at 10p on 120,000 shares and at £1.15 on 57,522 shares.

Substantial Shareholders As at 15 June 1999, the following substantial shareholding had been notified to the company:

	Number of Shares	% of issued Share Capital
Singer & Friedlander	859,003	4.55%

Increase in share capital Details of movements in share capital are shown in note 19 on page 37.

Share option schemes Information regarding the company's share option schemes is given in note 24 to the accounts.

Corporate governance The directors report on pages 19 to 21 upon the extent to which the company already observes and complies with the "Combined Code" published by the London Stock Exchange in June 1998.

Supplier payment policy The group's policy is to pay its contractors by direct credit into their bank accounts immediately agreed invoices are received. The group's policy with regard to other suppliers is to settle amounts due in accordance with the terms of payment agreed when agreeing the terms of each transaction. The trade creditor days figure at 31 March 1999 was 24 (1998: 24).

Liability insurance for Company Officers The company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the company.

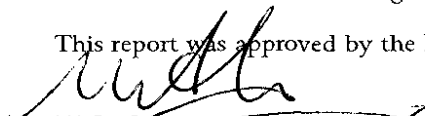
Year 2000 Compliance The company has completed its preparation of processing considerations arising from "Year 2000" and is not anticipating any internal disruption to its systems.

European Monetary Union The company has liaised with its European customers to ensure that it satisfies any requirements that they may have in dealing in the Euro.

Charitable and political donations During the year, the company made charitable donations of £650 (1998: £250). There were no political donations.

Auditors A resolution to re-appoint Arthur Andersen as auditors will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors on 25 June 1999.



MA Eve Secretary

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume 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 accounts 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.

Statement on Corporate Governance

The Board is committed to high standards of corporate governance so that the company's management procedures are transparent and clearly understood by those who work within the company, and by those who invest in it.

The Board The aim of the Board is to function at the head of the company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value.

The directors are aware of their responsibility to exercise an independent judgement on all matters and can take independent advice at the company's expense up to a reasonable amount. There is also a procedure for new appointees to the main Board to receive, following appointment, appropriate training.

The Board currently consists of four executive directors and two non-executive directors. Thus, NEDs "comprise not less than one third of the Board" which complies with the code.

The company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

The Chairman and the Chief Executive These two key tasks are carried out by two different individuals. They have a clear understanding as to the split of responsibilities between them, and they meet regularly on a one-to-one basis so that each is aware of the ideas and actions of the other. The company has not identified a “senior independent director”, other than the Chairman, and the company does not comply with this proposed provision of the code, and considers that it serves no useful purpose.

Internal control The Board has overall responsibility for ensuring that the group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information both for use within the business and for external publication, and that the assets are safeguarded.

There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system are:

- an organisational structure that has clear lines of responsibility supported by regular communication between the executive board members;
- a *schedule of matters reserved for Board level decisions*, thus ensuring that it maintains effective control over appropriate strategies, financial and organisational issues;
- a financial reporting and information system that enables progress against budget to be tracked monthly and variances to be investigated;
- a system of detailed financial controls, closely monitored by the executive directors and senior management, that includes approval limits for all ordering and expenditure;
- regular analysis of likely future cash flows, to ensure that the company has adequate funds and resources over the foreseeable future, and daily cash balances, to ensure that the most effective use is made of available funds.

Audit Committee The Board has an established Audit Committee comprising the Chairman, John Higham and Denis Drinan.

The terms of reference for the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and internal control. Its duties include maintaining an appropriate relationship with the company’s auditors, keeping under review the scope and results of the audit and its effectiveness.

The Remuneration Committee This committee, which meets formally at least three times a year, consists of the Chairman, Chief Executive and Finance Director. When discussing the remuneration of any one of those three, the particular individual being discussed absents himself from the discussion and plays no part in it.

The three full-time executive directors receive a basic annual salary plus other usual benefits. In addition, there is a performance related bonus, up to a maximum of 50% of basic salary. The committee sets these packages by the need to reward the directors appropriately and by reference to the need to continue to attract and retain high quality individuals. Tony Eve, the fourth executive director, is paid on a daily basis and is not eligible for participation in any pension, life or health benefits or in any bonus or share options.

The non-executive directors are paid an annual fee only, and are not eligible for participation in any pension, life or health benefits or in any bonus or share option schemes. The annual level of fees for each of the NEDs is reviewed by the executive directors annually after the AGM.

The three full-time directors each has a service agreement terminable by either party by not less than six months' notice; the finance director's position is terminable by three months' notice; the NEDs' respective appointments are terminable at any time without compensation by the company in general meeting.

Share options have been granted to one executive director, details of which are set out in the directors' report on page 17.

Going concern After making appropriate enquiries, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Compliance with best practice Other than in the few respects specifically mentioned above, which the Board considers insignificant particularly for a company of its size, the Board considers that the company was in compliance throughout the financial year ended 31 March 1999 with the "Combined Code" published by the London Stock Exchange in June 1998.

The Board encourages the shareholders to use the opportunity provided by the general meetings of the company as a forum for dialogue and discussion with the directors, both on corporate governance matters and on the Board objectives for the future development of the company.

Report of the Auditors

To the shareholders of Highams Systems Services Group plc

We have audited the accounts on pages 23 to 40 which have been prepared under the historical cost convention and the accounting policies set out on page 28.

Respective responsibilities of directors and auditors

As described on page 19, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances of the company and of 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 accounts 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 accounts.

Opinion

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

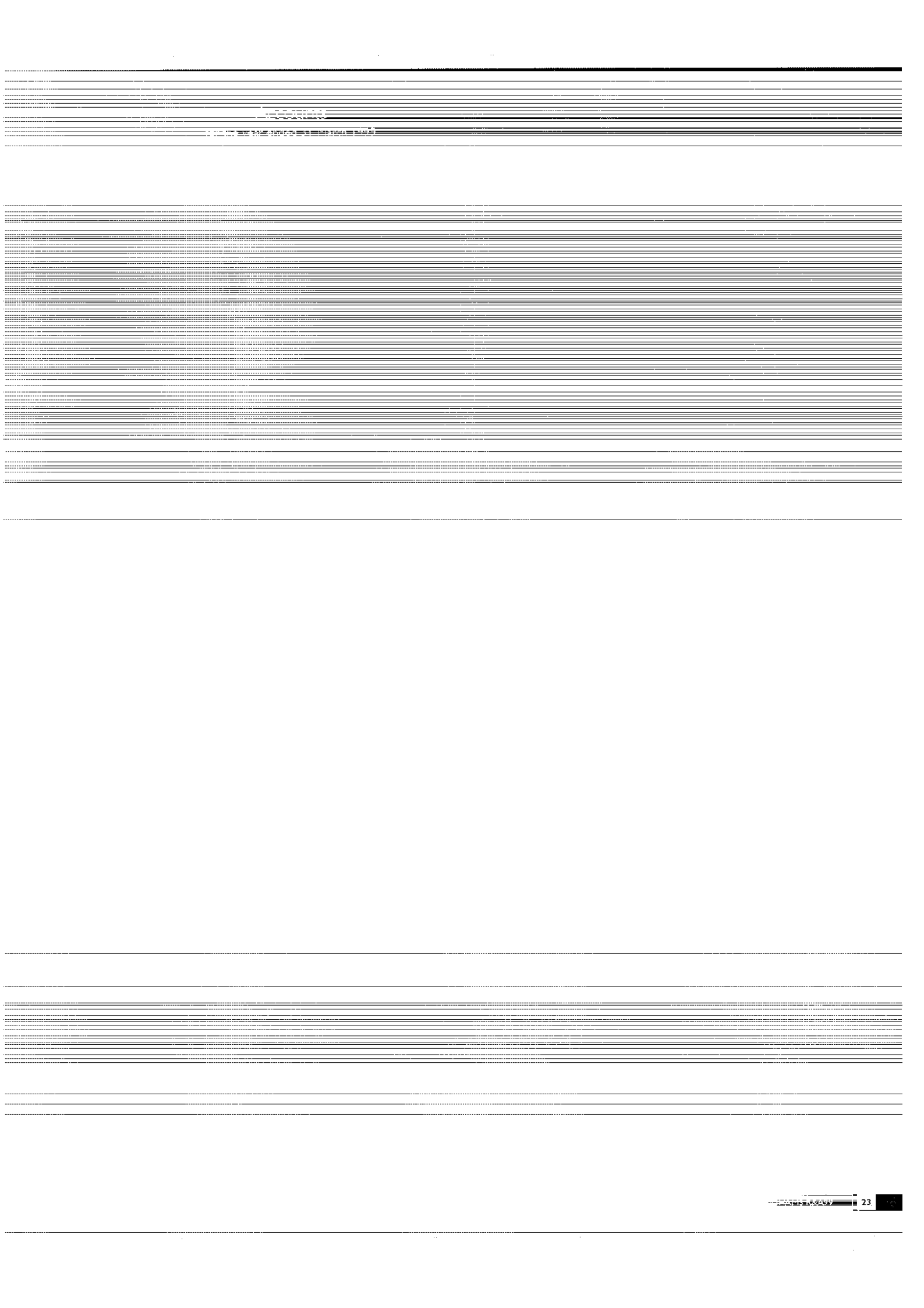


Arthur Andersen

Chartered Accountants and Registered Auditors

Croydon

25 June 1999



Consolidated Profit & Loss Account

for the year ended 31 March 1999

	Notes	Continued Operations 1999 £	Acquisition 1999 £	1999 £	1998 £
Turnover	2	33,345,245	724,745	34,069,990	25,143,421
Cost of Sales		(29,185,861)	(374,919)	(29,560,780)	(21,843,114)
Gross Profit		4,159,384	349,826	4,509,210	3,300,307
Administrative Expenses					
- excluding goodwill amortisation		(2,429,645)	(486,624)	(2,916,269)	(1,918,798)
- goodwill amortisation		-	(56,862)	(56,862)	-
		(2,429,645)	(543,486)	(2,973,131)	(1,918,798)
Operating Profit/(loss)	2	1,729,739	(193,660)	1,536,079	1,381,509
Interest receivable	4a			5,366	4,856
Interest payable	4b			(16,590)	(3,038)
Profit on ordinary activities before taxation	3			1,524,855	1,383,327
Tax on profit on ordinary activities	7			(506,400)	(438,239)
Profit for the financial year				1,018,455	945,088
Dividends	8			(207,655)	(177,000)
Retained profit for the year	20			810,800	768,088
Earnings per share - basic	9				
- profit for the financial year before goodwill amortisation	9			5.94 p	5.37p
- profit for the financial year	9			5.62 p	5.37p
Earnings per share - diluted	9			5.40 p	5.34p

Statement of recognised gains and losses

Except for the profit for the two financial years, the Group had no recognised gains or losses.

The accompanying notes are an integral part of this profit and loss account.

Consolidated Balance Sheet

31 March 1999

	Notes	1999 £	1998 £
Fixed Assets			
Goodwill	10	935,633	-
Tangible Assets	11	497,241	239,452
Investments	12	50,406	40,328
		1,483,280	279,780
Current Assets			
Debtors	15	6,555,941	4,875,216
Cash at bank and in hand		239,043	661,023
		6,794,984	5,536,239
Creditors: amounts falling due within one year	16	(3,256,715)	(2,558,069)
Net Current Assets		3,538,269	2,978,170
Total Assets less current liabilities		5,021,549	3,257,950
Creditors: amounts falling due after more than one year	17	(31,005)	-
Provisions for liabilities and charges			
Deferred Taxation	18	(18,600)	(18,600)
Net Assets		4,971,944	3,239,350
Capital and reserves			
Called up share capital	19	943,888	885,000
Reserves	20a	4,028,056	2,354,350
Equity shareholders' funds	20a	4,971,944	3,239,350

The accounts on pages 23 to 40 were approved by the Board of Directors on 25 June 1999.

NN Graham Maw & JE Higham, Directors

N. N. Graham Maw *JE Higham*

The accompanying notes are an integral part of this balance sheet.

Parent Company Balance Sheet

31 March 1999

	Notes	1999 £	1998 £
Fixed Assets			
Tangible Assets	11	352,230	239,452
Investments	12	835,067	40,328
		1,187,297	279,780
Current Assets			
Debtors	15	6,377,362	4,875,216
Cash at bank and in hand		111,118	661,023
		6,488,480	5,536,239
Creditors: amounts falling due within one year	16	(2,671,226)	(2,558,069)
Net Current Assets		3,817,254	2,978,170
Total Assets less current liabilities		5,004,551	3,257,950
Provisions for liabilities and charges			
Deferred Taxation	18	(18,600)	(18,600)
Net Assets		4,985,951	3,239,350
Capital and reserves			
Called up share capital	19	943,888	885,000
Reserves	20b	4,042,063	2,354,350
Equity shareholders' funds	20b	4,985,951	3,239,350

The accounts on pages 23 to 40 were approved by the Board of Directors on 25 June 1999.

NN Graham Maw & JE Higham, Directors

N.N. Graham Maw *JE Higham*

The accompanying notes are an integral part of this balance sheet.

Consolidated Cash Flow Statement

for the year ended 31 March 1999

	Notes	1999 £	1998 £
Net cash inflow from operating activities	21	596,163	688,353
Returns on investments and servicing of finance			
Interest received		5,366	4,856
Interest paid		(11,972)	(3,038)
Interest element paid on finance leases		(4,618)	-
Net cash (outflow)/inflow		(11,224)	1,818
Taxation			
UK Corporation tax paid		(469,059)	(289,799)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(301,044)	(194,187)
Sale of tangible fixed assets		19,725	22,523
Purchase of own shares	12	(10,080)	-
Subsidiary consolidated	13	2	-
Net cash outflow		(291,397)	(171,664)
Acquisition			
Purchase of subsidiary undertaking	14	(547,159)	(2)
Net cash acquired with subsidiary	14	(45,456)	-
Net cash outflow		(592,615)	(2)
Equity dividends paid		(80,732)	-
Financing			
Net proceeds from issue of shares		588,025	-
Capital element of finance leases	22	(21,829)	-
Net cash inflow		566,196	-
(Decrease)/Increase in cash in the year	22	(282,668)	228,706

The accompanying notes are an integral part of this cash flow statement.

Notes to the Accounts

for the year ended 31 March 1999

I. Accounting Policies

Accounting convention The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation The Group financial statements consolidate the financial statements of the company and its trading subsidiary undertakings for the year ended 31 March 1999 from the date of acquisition using the acquisition method.

Turnover Turnover represents amounts receivable for goods and services provided net of trade discounts and value added tax.

Research and development expenditure Research and development expenditure is written off as incurred.

Goodwill Goodwill arising on the acquisition of subsidiary undertakings is carried on the balance sheet and amortised over its useful economic life. The carrying value of goodwill is reviewed regularly for impairment. On subsequent disposal of the underlying investment, any goodwill not yet amortised will be taken to the profit and loss account when calculating the profit or loss on disposal.

Tangible fixed assets and depreciation Tangible fixed assets are stated at cost net of depreciation and provision for permanent diminution in value. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	- over period of lease
Computer equipment	- 50% on cost per annum
Furniture, fittings and office equipment	- 25% on cost per annum
Motor vehicles	- 25% on written down value per annum

Investments Shares in group companies are shown at cost less provision for permanent diminution in value.

Finance and operating leases Assets held under finance leases or hire purchase agreements have been capitalised in the financial statements and depreciated over their estimated useful lives. Finance and hire purchase charges are charged to the profit and loss account over the period. Rentals under operating leases, being leases which do not result in the transfer to the company of substantially all the risks and rewards of ownership of the assets being leased, are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Foreign currency Transactions in foreign currencies are recorded at the rate of exchange at the time of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs The company operates a funded defined contribution pension scheme. The pension cost charged to the profit and loss account represents contributions payable by the company to the pension scheme in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Segmental information

(a) Classes of business:

	Recruitment Services		Business Solutions		Training		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover								
Sales to third parties	29,557	22,222	3,788	2,921	725	-	34,070	25,143
Segment trading profit/(loss)	2,720	2,388	839	611	(137)	-	3,422	2,999
Goodwill amortisation (note 10)					(57)	-	(57)	-
Common costs							(1,829)	(1,618)
Operating profit							1,536	1,381
Interest receivable							5	5
Interest payable							(16)	(3)
Profit on ordinary activities before taxation							1,525	1,383
Segment net assets	3,847	2,904	594	575	(343)	-	4,098	3,479
Goodwill							936	-
Unallocated net liabilities							(62)	(240)
Net assets							4,972	3,239

Segment trading profit/(loss) figures given above have been derived from the Group's internal management accounts. The new segment, training, represents the newly acquired subsidiary, Trainers Limited.

Common costs consist principally of charges incurred in respect of the general management, control and administration of the Group. The main charges relate to directors' pay and that of general administrative staff, corporate marketing and PR.

Unallocated net liabilities comprise those fixed assets and other assets and liabilities which cannot be separately identified by segment.

(b) Geographical segments:

All profits originate in the United Kingdom

	Turnover by origin		Turnover by destination	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
United Kingdom	31,422	25,143	28,307	22,286
Rest of World	2,648	-	5,763	2,857
	34,070	25,143	34,070	25,143

Notes to the Accounts
for the year ended 31 March 1999

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Auditors' remuneration - for audit services	28,250	18,000
- for other services payable to group auditors	3,500	-
Goodwill amortisation (note 10)	56,862	-
Depreciation and amounts written off tangible fixed assets	180,943	91,252
Operating lease rentals		
- buildings	149,279	40,554
- vehicles and computers	110,350	48,247
Finance lease charges	2,934	-

4. Interest

(a) Interest receivable

	1999 £	1998 £
Bank deposit	5,366	4,856

(b) Interest payable

	1999 £	1998 £
Bank overdraft	11,922	3,038
Interest payable under finance leases	4,618	-
	16,590	3,038

5. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	1999 £	1998 £
Wages and salaries	2,754,444	2,209,009
Social security costs	339,694	219,019
Other pension costs	179,860	219,854
	3,273,998	2,647,882

5. Information regarding employees (including directors) *continued*

(b) Staff numbers

The average number of persons employed by the Group during the year was as follows:

	1999 Number	1998 Number
Management	9	7
Production and administration	68	56
Sales and marketing	14	5
	91	68

6. Directors' remuneration

Aggregate remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	1999 £	1998 £
Emoluments	436,273	436,519
Money purchase pension contributions	77,421	152,574
	513,694	589,093

(a) Directors' emoluments

	Fees/basic salary £	Taxable benefits £	Gains on exercise of share options £	Money purchase pension contributions £	1999 £	1998 £
Executive						
JE Higham	121,272	9,629	-	30,500	161,401	174,495
EI Andrews	103,189	7,710	-	33,550	144,449	153,780
MA Eve	46,795	-	-	-	46,795	40,550
BJ Martin	68,481	4,197	24,000	13,371	110,049	-
DJ Drinan	-	-	-	-	-	187,269
Non-Executive						
NN Graham Maw	38,000	-	-	-	38,000	28,666
DJ Drinan	13,000	-	-	-	13,000	4,333
Aggregate emoluments	390,737	21,536	24,000	77,421	513,694	589,093

The services of NN Graham Maw and DJ Drinan are secured by letters of appointment, and these appointments can be terminated by the company in general meeting at any time. JE Higham, EI Andrews and BJ Martin are employed under service agreements which can be terminated at any time giving six months' prior notice. The services of MA Eve are secured by an agreement which can be terminated on 3 months' notice.

Notes to the Accounts
for the year ended 31 March 1999

6. Directors' remuneration *continued*

(b) Directors' pension entitlements

Three directors are members of money purchase pension schemes. Contributions paid by the company in respect of such directors are shown in part (a) of this note.

(c) Directors' share options and interests

Details of directors' interests and share options are shown in the directors' report on pages 16 and 17.

7. Tax on profit on ordinary activities

The tax charge at 31% (1998: 31%) comprises:

	1999 £	1998 £
Corporation tax on the adjusted profit for the year	498,281	434,215
Deferred taxation	-	2,100
	498,281	436,315
Prior year adjustments	8,119	1,924
	506,400	438,239

8. Dividends

	1999 £	1998 £
Final dividend of 1.1p per share proposed (1998: 1p)	207,655	177,000

A share alternative will be offered in respect of the final dividend.

9. Earnings per share

	Earnings 1999 £	Weighted average number of shares 1999 Number	Per share 1999 p	Earnings 1998 £	Weighted average number of shares 1998 Number	Per share 1998 p
Profit for the financial year before goodwill amortisation	1,075,317	18,110,556	5.94	945,088	17,588,000	5.37
Goodwill amortisation	(56,862)	-	(0.32)	-	-	-
Profit for the financial year	1,018,455	18,110,556	5.62	945,088	17,588,000	5.37
Dilutive effect of options	-	742,641	(0.22)	-	105,196	(0.03)
	1,018,455	18,853,197	5.40	945,088	17,693,196	5.34

Earnings per share has also been calculated based on the profit for the financial year before amortisation of goodwill as the directors believe this earnings per share figure provides a better indication of operating performance.

The 1998 earnings per share figures have been restated to comply with Financial Reporting Standard 14 - Earnings per share.

10. Goodwill

The carrying value of goodwill comprises:

Cost

At 1 April 1998

Additions (note 14)

At 31 March 1999

Amortisation

At 1 April 1998

Charge for the year (see below)

At 31 March 1999

Carrying value at 31 March 1999

992,495

992,495

56,862

56,862

935,633

Goodwill arising on the acquisition of Trainers Limited is being written off over 8 years.

11. Tangible fixed assets

(a) Group

	Leasehold improvements £	Computer equipment £	Furniture, fittings and office equipment £	Motor vehicles £	Total £
Cost					
1 April 1998	26,686	221,139	123,986	202,469	574,280
Acquisition of subsidiary	103,370	375,954	93,599	-	572,923
Additions	34,964	159,966	25,136	80,978	301,044
Disposals	-	-	-	(44,740)	(44,740)
31 March 1999	165,020	757,059	242,721	238,707	1,403,507
Depreciation					
1 April 1998	1,692	175,770	64,172	93,194	334,828
Acquisition of subsidiary	28,791	329,281	59,135	-	417,207
Charge for the year	20,291	85,166	32,256	43,230	180,943
Disposals	-	-	-	(26,712)	(26,712)
31 March 1999	50,774	590,217	155,563	109,712	906,266
Net book value 31 March 1999	114,246	166,842	87,158	128,995	497,241
31 March 1998	24,994	45,369	59,814	109,275	239,452

Notes to the Accounts
for the year ended 31 March 1999

11. Tangible fixed assets *continued*

(b) Company

	Leasehold improvements £	Computer equipment £	Furniture, fittings and office equipment £	Motor vehicles £	Total £
Cost					
1 April 1998	26,686	221,139	123,986	202,469	574,280
Additions	34,964	140,958	21,946	80,978	278,846
Disposals	-	-	-	(44,740)	(44,740)
31 March 1999	61,650	362,097	145,932	238,707	808,386
Depreciation					
1 April 1998	1,692	175,770	64,172	93,194	334,828
Charge for the year	6,966	72,563	25,281	43,230	148,040
Disposals	-	-	-	(26,712)	(26,712)
31 March 1999	8,658	248,333	89,453	109,712	456,156
Net book value 31 March 1999	52,992	113,764	56,479	128,995	352,230
31 March 1998	24,994	45,369	59,814	109,275	239,452

12. Investments

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Subsidiary undertakings (see note 13)	6	8	784,667	8
Own shares	50,400	40,320	50,400	40,320
	50,406	40,328	835,067	40,328

The investment in own shares is shown within the balance sheets as a fixed asset at cost, and is in respect of a holding of 128,000 of the company's 5p shares. This represents .68% of the company's share capital at 31 March 1999, at which date the market value of these shares was £85,120. These shares are held by the Employee Share Benefit Trust, further details of which are given in note 24.

13. Subsidiary undertakings

	Company	
	1999 £	1998 £
Trainers Limited (see note 14)	784,659	-
Highams Recruitment Services (N.E.) Limited	2	-
Non-consolidated subsidiaries	6	8
	784,667	8

The non-consolidated subsidiaries comprise, in 1999, three dormant subsidiaries. These have not been consolidated as the amounts involved are considered immaterial. In 1998, Highams Recruitment Services (N.E.) Limited was also not consolidated.

All subsidiary undertakings are wholly owned and are incorporated in the UK.

14. Acquisition of Trainers Limited

On 15 October 1998, the company acquired the entire issued share capital of Trainers Limited.

The net assets acquired and the fair value adjustments to these were:

	Book value at 15 October £	Accounting policy alignment £	Fair Value to the Group £
Tangible fixed assets	209,753	(54,038)	155,715
Current assets			
Debtors	234,555	-	234,555
Total Assets	444,308	(54,038)	390,270
Liabilities			
Creditors			
Bank overdraft	(45,456)	-	(45,456)
Obligations under finance leases	(78,495)	-	(78,495)
Other creditors	(474,155)	-	(474,155)
	(598,106)	-	(598,106)
Net liabilities assumed	(153,798)	(54,038)	(207,836)
Goodwill arising on acquisition (note 10)			992,495
			784,659
Total consideration comprised:			
Shares allotted at fair value			237,500
Cash			547,159
			784,659

Unaudited pre-acquisition turnover and loss after tax for Trainers Limited for the period from 1 February 1998 to the date of acquisition were £1,195,633 and £174,161 respectively (year ended 31 January 1998, the profit after tax was £78,826).

Further consideration up to a maximum amount of £1,265,000 is contingent upon the achievement of certain minimum targets in the 26 month period up to 31 March 2000. The loss in the 14 month period up to 31 March 1999 makes the achievement of the targets unlikely and, accordingly, no further consideration has been provided for.

Notes to the Accounts
for the year ended 31 March 1999

15. Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	6,259,616	4,560,702	5,509,714	4,560,702
Amounts due from subsidiaries	-	-	701,919	-
Other debtors	126,844	290,089	66,965	290,089
Prepayments and accrued income	169,481	24,425	98,764	24,425
	6,555,941	4,875,216	6,377,362	4,875,216

16. Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdrafts	67,199	206,511	48,582	206,511
Amounts owed to non-trading subsidiaries	25,000	25,000	25,000	25,000
Trade creditors	1,942,185	1,287,282	1,563,935	1,287,282
Corporation tax	486,156	432,215	482,399	432,215
Other taxes and social security costs	166,964	223,590	120,898	223,590
Obligations under finance leases	25,661	-	-	-
Accruals and deferred income	335,895	206,471	222,757	206,471
Dividends	207,655	177,000	207,655	177,000
	3,256,715	2,558,069	2,671,226	2,558,069

Bank overdrafts are secured by a fixed and floating charge over all the assets of the company.

17. Creditors: amounts due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Amounts due under finance leases	31,005	-	-	-

18. Deferred taxation

Deferred taxation, which represents the full potential liability, is in respect of timing differences in the recognition of payments into the Employee Share Benefit Trust as expenses for taxation and accounting purposes.

	Group	Company
	£	£
At 1 April 1998 and 31 March 1999	18,600	18,600

19. Share capital

(a) Summary

	1999 Number	Authorised 1998 Number	1999 £	Authorised 1998 £
Ordinary 5p shares	24,000,000	24,000,000	1,200,000	1,200,000
	Allotted, called up and fully paid 1999 Number	1998 Number	Allotted, called up and fully paid 1999 £	1998 £
Ordinary 5p shares	18,877,760	17,700,000	943,888	885,000

(b) Changes in share capital

During the year 1,177,760 ordinary shares of 5p each in the company were allotted and issued as follows:

- (i) 71,842 ordinary shares having an aggregate nominal value of £3,592 were issued in lieu of cash dividends, at a deemed price of 134p per share;
- (ii) 80,000 ordinary shares having an aggregate nominal value of £4,000 were allotted under the company's share option schemes for a consideration of £8,000 (see c below);
- (iii) In connection with the acquisition of Trainers Limited, the following allotments of ordinary shares were made:
 - 711,765 ordinary shares, having an aggregate nominal value of £35,588 were allotted by way of placing at a price of 85p per share;
 - 314,153 ordinary shares, having an aggregate nominal value of £15,708, were issued to the previous owners of Trainers Limited, for a consideration of £237,500.

(c) Contingent rights to the allotment of shares

As at 31 March 1999, options have been granted in respect of 1,298,439 (1998: 978,000) of the company's ordinary 5p shares under the company's share option schemes to subscribe for ordinary shares of the company as detailed in note 24.

20. Reconciliation of movements in shareholders' funds

(a) Group

	Share capital £	Share premium £	Merger reserve £	Profit and loss account £	Total 1999 £	Total 1998 £
Issue of new shares	58,888	666,089	221,792	-	946,769	-
Expenses on issue of shares	-	(24,975)	-	-	(24,975)	-
Profit for the financial year	-	-	-	1,018,455	1,018,455	945,088
Dividend proposed on equity shares	-	-	-	(207,655)	(207,655)	(177,000)
Net additions to shareholders' funds	58,888	641,114	221,792	810,800	1,732,594	768,088
Opening shareholders' funds	885,000	-	-	2,354,350	3,239,350	2,471,262
Closing shareholders' funds	943,888	641,114	221,792	3,165,150	4,971,944	3,239,350

Notes to the Accounts
for the year ended 31 March 1999

20. Reconciliation of movements in shareholders' funds *continued*

(b) Company

	Share capital £	Share premium £	Merger reserve £	Profit and loss account £	Total 1999 £	Total 1998 £
Issue of new shares	58,888	666,089	221,792	-	946,769	-
Expenses on issue of shares	-	(24,975)	-	-	(24,975)	-
Profit for the financial year	-	-	-	1,032,462	1,032,462	945,088
Dividend proposed on equity shares	-	-	-	(207,655)	(207,655)	(177,000)
Net additions to shareholders' funds	58,888	641,114	221,792	824,807	1,746,601	768,088
Opening shareholders' funds	885,000	-	-	2,354,350	3,239,350	2,471,262
Closing shareholders' funds	943,888	641,114	221,792	3,179,157	4,985,951	3,239,350

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company has not been included in these accounts.

21. Net cash flow from operating activities

	1999 £	1998 £
Operating profit	1,536,079	1,381,509
Depreciation of tangible fixed assets	180,943	91,252
Goodwill amortisation	56,862	-
Increase in debtors	(1,446,170)	(1,015,709)
Increase in creditors	270,146	228,343
(Profit)/loss on disposal of fixed assets	(1,697)	2,958
Net cash inflow from operating activities	596,163	688,353

22. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 1998 £	Acquired with subsidiary (excluding cash/overdraft) £	Cash flow £	31 March 1999 £
Cash at bank and in hand	661,023	-	(421,980)	239,043
Overdrafts	(206,511)	-	139,312	(67,199)
	454,512	-	(282,668)	171,844
Obligations under finance leases	-	(78,495)	21,829	(56,666)
Net funds	454,512	(78,495)	(260,839)	115,178

Cash at bank and in hand includes £9,600 (1998: £19,680) in respect of monies held in the Employee Share Benefit Trust.

22. Analysis and reconciliation of net funds continued

Reconciliation of net cash flow to movement in net funds

	1999 £	1999 £	1998 £	1998 £
(Decrease)/increase in cash in the period	(282,668)	-	228,706	-
Cash outflow from changes in finance lease financing	21,829	-	-	-
	(260,839)	-	228,706	-
Change in net funds/(net debt)	-	(260,839)	-	228,706
Finance leases acquired with subsidiary undertakings	-	(78,495)	-	-
Net funds at 1 April 1998	-	454,512	-	225,806
Net funds at 31 March 1999	-	115,178	-	454,512

23. Financial commitments

Group:

	Land and buildings 1999 £	Other 1999 £	Land and buildings 1998 £	Other 1998 £
Non-cancellable operating leases expiring:				
Within one year	104,256	26,572	-	-
Between 2 and 5 years	66,654	32,361	-	56,616
After more than 5 years	110,253	-	85,263	-
	281,163	58,933	85,263	56,616
Non-cancellable finance leases expiring:				
Within one year	-	25,661	-	-
Between 2 and 5 years	-	31,005	-	-
	-	56,666	-	-

Company:

	Land and buildings 1999 £	Other 1999 £	Land and buildings 1998 £	Other 1998 £
Non-cancellable operating leases expiring:				
Within one year	-	5,070	-	-
Between 2 and 5 years	-	25,257	-	56,616
After more than 5 years	110,253	-	85,263	-
	110,253	30,327	85,263	56,616

24. Employee Share Schemes

a. Approved Employee Share Option Scheme

The company adopted an Inland Revenue approved Executive Share Option Scheme on 17 May 1996. On 27 June 1997, options over a total of 49,000 shares were granted to employees at an exercise price of £1.25. Following the subsequent bonus issue of shares in March 1998, the number of shares increased to 98,000 at an exercise price of 62.5p. The scheme will terminate on 17 May 2006. A further 268,521 options were granted at an exercise price of £1.15 per share and 15,000 lapsed during the year, leaving the total options outstanding at 31 March 1999 at 351,521. Exercise of these options is conditional on increase in earnings per share by at least 20% p.a. compound over a minimum period of three years.

b. Unapproved Employee Share Option Scheme

The company adopted an Employee Share Option Scheme on 15 November 1995 which is not approved by the Inland Revenue. Under the terms of this scheme, certain employees of the company were granted options over ordinary shares of £1 each in the company on 30 November 1995 and 18 November 1996 all exercisable at a price of £40 per share. Following the sub-division of the £1 ordinary shares into 5p ordinary shares in 1996 and subsequent bonus issues of shares, the number of options held has varied. Each option holder now has options over 400 ordinary shares for every option over an ordinary share of £1 previously held and the revised subscription price is now 10p per ordinary share. The scheme will terminate on 15 November 2002. On 25 June 1998, the rules of the scheme were amended, in respect of grants of options on that date and thereafter, so that the right to exercise an option shall be conditional on increase in earnings per share by at least 20% p.a. compound over a minimum period of three years. The total number of shares under option at 31 March 1999 was 946,918 (1998: 880,000), following the granting of options on 25 June 1998 over 146,918 shares and the exercise of 80,000 shares during the year. Options on 80,000 shares can be exercised between December 1998 and November 2002, on 720,000 shares between November 1999 and October 2003 and on 146,918 shares between June 2001 and May 2005.

Employee Share Benefit Trust

An Employee Share Benefit Trust was established in November 1995 and its Trustees have the power to grant options to eligible employees over shares in the company at the Trust's expense, and the Trustees' discretion, upon such terms as they think fit and to purchase such shares to be acquired by the eligible employees.

In accordance with Urgent Issues Task Force Abstract 13 (UITF 13) – as applicable to such trusts – assets and liabilities are recognised in the sponsoring company's balance sheet where they have been guaranteed by the sponsoring company. Similarly, in accordance with UITF 13, any financing and administrative costs would be charged to the profit and loss account as they accrue and not as funding payments are made by the sponsoring company. Any permanent diminution in the value of shares classified as fixed assets is recognised immediately in the sponsoring company's accounts. Where such trusts conditionally gift shares or put them under option to employees at below the book value, the difference between book value and residual value would be charged as an operating cost over the period of service of the employees in respect of which the gifts or options are granted.

The company did not make any contributions to the Trust during the year (1998: £10,000). The Trust acquired 16,000 of the company's 5p shares during the year and now holds 128,000 shares. No shares have been transferred to employees or were under option as at 31 March 1999 and they are included in the company's balance sheet at that date as investments in own shares at a cost of £50,400. The Trust's only other asset at 31 March 1999 was cash at bank of £9,600 (1998: £19,680) which is included in the company's balance sheet as part of cash at bank and in hand. The Trust had no liabilities.

Five Year Record

	1999*	1998	1997	1996	1995*
	£'000	£'000	£'000	£'000	£'000
Results					
Turnover	34,070	25,143	16,395	13,227	11,174
Operating profit	1,536	1,382	870	895	609
Profit on ordinary activities before taxation	1,525	1,383	879	899	598
Profit for the financial year after taxation	1,018	945	609	600	382
Dividends	208	177	-	42	25
Assets employed					
Fixed assets	1,484	280	202	107	137
Net current assets	3,538	2,978	2,285	1,540	936
Creditors due after more than one year	(31)	-	-	-	-
Provision for liabilities and charges	(19)	(19)	(16)	(16)	-
Net assets	4,972	3,239	2,471	1,631	1,073
Financed by					
Equity shareholders' funds	4,972	3,239	2,471	1,631	1,073
Key statistics					
Earnings per share before goodwill amortisation (note)	5.94p	5.37p	3.6p	3.6p	2.3p
Earnings per share (note)	5.62p	5.37p	3.6p	3.6p	2.3p
Return on shareholders' funds**	20.5%	29.2%	24.6%	36.8%	35.6%
Return on assets***	21.1%	24.5%	19.6%	28.3%	23.2%

Note:

Earnings per share for 1995 to 1998 inclusive have been adjusted pursuant to the sub-division of existing shares and the bonus issue of shares in the years ended 31 March 1997 and 1998.

Earnings per share have been prepared according to Financial Reporting Standard 14 for 1999 and 1998. Previous years have not been restated.

* Based on consolidated accounts

** Profit for the financial year/shareholders' funds

*** Operating profit/fixed and current assets excluding investments and goodwill

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 20 Old Bailey, London EC4M 7BH on Tuesday 27 July 1999 at 12.00 noon in order to transact the following business:-

Routine Business

Resolution 1 To receive and adopt the Company's Accounts and the reports of the Directors and the Auditors for the financial year ended 31 March 1999.

Resolution 2 To re-elect Edward Andrews as a Director of the Company.

Resolution 3 To re-elect Nigel Graham Maw as a Director of the Company.

Resolution 4 To re-appoint Arthur Andersen as Auditors of the Company and to authorise the Board to fix their remuneration.

Special Business

To consider, and if thought fit, pass the following resolutions as Ordinary and Special Resolutions:-

Ordinary Resolution

Resolution 5 That a final dividend in respect of the financial year ended 31 March 1999 be declared payable at the rate of 1.1p per Ordinary Share on 27 August 1999 to shareholders registered at the close of business on 25 June 1999.

Resolution 6 That the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £315,000, such authority to expire on the fifth anniversary of the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of any such offer or agreement as if the said authority had not expired.

Special Resolution

Resolution 7 That pursuant to section 95 of the Act, section 89 of the Act shall not apply to the allotment of equity securities (as defined in the Act) for cash by the Directors for so long as the Directors shall be authorised by the Ordinary Resolution numbered 6 in the notice of Annual General Meeting provided that this power shall be limited to:-

- (a) the allotment of equity securities in connection with a rights issue in favour of holders of Ordinary Shares and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of Ordinary Shares and such other persons' holdings (or as appropriate for the number of such Ordinary Shares in the capital of the Company which such other persons are for these purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares in the capital of the Company held or deemed to be held by

them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any stock exchange in any territory; and

- (b) the allotment (otherwise than pursuant to paragraph (a) of this Resolution) of equity securities up to an aggregate nominal value of £47,194;

such power to expire on the fifth anniversary of the passing of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired but otherwise shall be in substitution for any authorities conferred on the Directors to allot equity securities and, notwithstanding such expiry, the Directors may allot equity securities in pursuance of such offer or agreement as if the said power had not expired.

By Order of the Board

M A Eve Secretary

25 June 1999



Registered Office

Hammond House

33-45 Croydon Road

Caterham

Surrey CR3 6PB

Notes

(a) Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 pm on 25 June 1999 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after 6.00 pm on 25 June 1999 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

(b) Only holders of existing Ordinary Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint a proxy to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is enclosed which, to be valid, must be delivered to the Company's registrars, IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR so as to be received not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Lodgement of a form of proxy will not prevent a member from attending and voting in person if so desired.

Financial Calendar

Share price established	7-11 June 1999
Ordinary Shares quoted ex-dividend	21 June 1999
Record date for dividend	25 June 1999
Last date and time for receipt of proxy for the Annual General Meeting	12.00 noon on 25 July 1999
Annual General Meeting at which final dividend will be proposed	12.00 noon on 27 July 1999
Final date for receipt of forms of election	11.30 am on 6 August 1999
Dividend warrants posted and, at or about the same time, new share certificates posted	27 August 1999
First date of dealing in New Shares - CREST member accounts credited with New Shares	31 August 1999

HIGHAMS

SYSTEMS SERVICES GROUP PLC

WIMBORNE

122 RYDE ROAD

WIMBORNE DORSET DT99 4PB

ENGLAND

TELEPHONE (0)1303 511122

FACSIMILE (0)1303 515599

EMAIL group@highams.co.uk

WEBSITE www.highams.co.uk